



Mind Your Own Business. Smarter.

Insight for Manufacturers

An industry-specific guide for your MYOB software

Contents

3	Introduction	18	Selecting items by name or by number
4	Choosing your MYOB software	19	Case Study
5	Understanding the essentials	20	Creating assemblies and auto-builds
5	Creating your accounts list	20	Creating sub assemblies
5	Reviewing your accounts list	20	Showing groups of items on sales invoices
6	Checking your preferences	20	Costing finished items
6	Setting up opening balances		
6	Getting ready to go		
6	Communicating with customers	21	Managing your inventory
6	Creating sales	21	Analyzing stock levels
6	Dealing with cash sales	21	Tracking stock in more than one location
7	Including additional information on your sales	22	Receiving partial shipments of inventory
7	Changing the layout of your printed sale	22	Printing production job sheets
7	Providing customers the option to pay by credit card		
8	Entering sales orders		
8	Processing sales orders and finalizing sales		
8	Recording backorders		
9	Case Study	23	Inventory adjustments and transfers
10	Dealing with expenses	23	Adjusting for missing or damaged stock
10	Recording expenses	23	Adjusting the unit costs of inventory items
10	Recording a vendor invoice	23	Creating debit memos when inventory returns to zero
11	Placing vendor orders	24	Journaling inventory count totals when you don't use inventory
11	Paying vendors electronically	24	Incorporating the cost of labor into items costs
12	Analyzing how much you owe	25	Incorporating freight into item costs
12	Recording other types of expenses	25	Pricing
12	Dealing with credit cards	25	Calculating average and last cost
12	Organizing petty cash (if you have a petty cash box)	25	Setting up multiple selling prices
13	Organizing petty cash (if you have a wallet full of receipts)	26	Updating prices
		26	Analyzing profit on each stock line
14	Case Study	26	Analyzing your profitability
15	Setting up inventory	27	Analyzing profitability by accounts
15	Creating a new item	27	Analyzing profitability by jobs or cost centers
16	Setting up item buying details	27	Analyzing profitability by category or location
16	Setting up item selling details		
16	Setting up raw materials		
17	Setting up items that you sell but don't buy		
17	Setting up one-off custom items		
17	Creating product groups and categories		

Introduction

An efficient and robust accounting system is vitally important for manufacturers. Cost margins, stock control and product development are central to business success, as margins are often small and changes in customer demand frequent. Even the smallest manufacturer usually encounters relatively complex situations, such as costing finished goods, calculating overheads and selling at different price levels.

Fortunately, MYOB software offers a range of practical and versatile products for most small to medium-sized manufacturers, streamlining stock control, financial reporting and tax management so that complex tasks become as simple as possible. In this guide, you'll find lots of ideas and tips on the best way to set up MYOB software, all written with manufacturing specifically in mind.

If you are a wholesaler as well as a manufacturer, you'll find additional information in MYOB Software for Wholesalers.

Throughout this guide, you'll also come across case studies where you can read about real-life examples (the names have been changed) of manufacturers. Browse through these case studies to get the big picture of how MYOB software can work for you, and to discover new tips and ideas.

This guide is intended for use in the USA only.

Choosing your MYOB Software

For very small manufacturers, such as craftspeople, artists and cottage industries, it may be enough to simply record your receipts and expenses. In this case, MYOB BusinessBasics (for Windows) or MYOB FirstEdge (for Macs) will probably be your best bet.

If you want to keep track of items you buy and sell, if you have employees and need payroll management, or if you need to have more than one person working in your accounting system at a time (perhaps one person invoicing and another doing purchasing), then MYOB Premier Accounting (for Windows) or MYOB AccountEdge or AccountEdge Network Edition (for Macs) provide the most suitable solution, as all these products supply these capabilities (multi-users on a Mac would choose MYOB AccountEdge Network Edition).

Whichever product you choose, if you want to upgrade to another product that's further up the family tree, you can do so at any time. You don't need to buy the new software from scratch; you simply pay an upgrade price.

For more information about the MYOB product family, please visit www.myob-us.com.

Understanding the essentials

The following five steps are a brief guide to getting started, highlighting important information specific to manufacturers.

1. Creating your accounts list

When you create the company file for your business, the New Company File Assistant asks you to Build Your Accounts List, giving you the option of starting with a standard list provided by MYOB. The best choice is to select Manufacturing as your Industry Classification, and Manufacturing as your type of business. MYOB BusinessBasics and MYOB FirstEdge customers should choose Service as the Industry Classification and either Distributor or Manufacturer's Representative as the type of business. These templates provide a sample list of accounts and make a good starting point. Don't worry if you can't find an accounts list that is perfect - you can add, change or delete as many accounts as you like.

2. Reviewing your accounts list

Before entering your opening balances, you need to adapt your accounts list so that it suits the unique needs of your business.

Your accounts list is a list of categories to which you allocate all transactions. There are eight major account categories (or, for MYOB BusinessBasics and MYOB FirstEdge, there are six categories).

3. Checking your preferences

You can customize your MYOB software so that it works for your business the way you want it to. You can do everything from changing the appearance of your windows, to automatically requesting a backup prompt each time you quit the program. It all happens via the Preferences window.

To review your preferences, go to the Setup menu, choose Preferences and explore the System, Windows, Reports & Forms, Banking, Sales, Purchases and Security tabs. Remember—your choice of preferences does not commit you to this forever – you can change your preferences at any time.

Account Category	What it Means
Assets	Things you own, or that people owe you. Includes bank accounts, outstanding customer accounts and new equipment. Asset account numbers start with 1.
Liabilities	What you owe to other people. Includes loans, taxes payable, and outstanding vendor accounts. Liability account numbers start with 2.
Equity	This is the profit or loss your business has made since its inception. Examples of equity accounts include retained earnings, partners' drawings, or capital contributions. Equity account numbers start with 3.
Income	Money in! Everything you invoice to your customers. Income account numbers start with 4.
Cost of Sales	Cost of sales are the goods you buy for resale plus any direct costs, such as freight or commissions. Cost of sales account numbers start with 5.
Expenses	Overheads. The day-to-day running costs of your business. Includes wages, electricity, repairs, telephone, and so on. Expense account numbers start with 6.
Other Income	Extraordinary income that is not part of normal operations. Could include compensation income, capital gains or interest income. Other Income account numbers start with 8. This account category is not available in MYOB BusinessBasics or MYOB FirstEdge.
Other Expenses	Extraordinary expenses that are not part of normal operations. Could include lawsuit expenses, capital losses, or fire damage costs. Other Expenses account numbers start with 9. This account category is not available in MYOB BusinessBasics or MYOB FirstEdge.

Understanding the essentials

4. Setting up opening balances

To enter opening account balances, go to the Setup menu, choose Balances, and then choose Account Opening Balances.

To enter opening balances for outstanding customer accounts, go to the Setup menu, choose Balances and then choose Customer Balances.

To enter opening balances for outstanding vendor accounts, go to the Setup menu, choose Balances and then choose Vendor Balances.

To get up and running, you only need to enter opening balances for a few accounts. Bare essentials will probably include your bank account and any customer accounts outstanding. Your opening account figures won't balance, but this out of balance amount simply goes to the Historical Balancing account. You or your accountant can fix this later.

5. Getting ready to go

Before you start entering transactions, work out how you intend to back up your company file. You can back your file up in a number of ways: CD, Zip drive, or portable USB flash drive or hard disk drive. The size of your company file will dictate the best way for you to back up: a small file with few transactions may fit on a USB flash drive, while a larger file may need to be put on one (or more) CD or an external hard disk drive.

You might have been lucky so far, but nobody can guarantee continued immunity to power surges, theft, fire or hard disk failure. If you don't organize a system now, you'll probably forget about it until it's too late. Better to make backing up a part of your routine than to be sorry later. We recommend a system of backing up at least once a week, and storing the backup in a location other than where the computer is located.

Communicating with customers

The most elementary part of communicating with your customers has to be your sales invoices. Not only do your invoices need to be clear and easy to understand, but they need to look good, creating a positive impression every time. Fortunately, MYOB software makes creating and printing invoices as simple as pie.

Creating sales

To create your first customer invoice, go to the Sales command center and click Enter Sales. Next, click Layout to choose the most appropriate invoice format. There are five main invoice layouts: Service, Item, Professional, Time Billing and Miscellaneous.

The best invoice format for manufacturers is usually an Item invoice, a typical one of which is shown above. Don't worry if this invoice layout includes unnecessary columns, such as the Backorder column or the Job column, as you can customize your printed invoice so that these don't print.

Dealing with cash sales

If you give invoices to all your customers, but don't want to bother setting up a new card for one-off customers and cash sales, the easiest solution is to create a new customer called 'Cash Sales'.

Ship	Backorder	Item Number	Description	Location	Price	Disc%	Total	Job	Tax
2		800-101R9	Ribbon Cartridge - model	HighSt	\$133.00		\$266.00	ZAZ	
1			Labor		\$50.00		\$50.00	ZAZ	

A standard item sale

Of course, if you're a small manufacturer (such as a craftsperson or artist), you may not want to issue invoices for any of your sales. Instead, it might make more sense simply to record the total of daily takings, or the amount you bank each week. In this kind of situation, you don't need to use the Sales command center at all (and you can ignore most of the headings in this part of the guide). Instead, go to the Banking command center, click Bank Register and select Receive Money as your transaction type. Record one transaction for your total daily or weekly takings.

Communicating with customers

Including additional information on your sales

Manufacturers often confront complex situations that are unique to their business and for this reason, require special formats or information on their sales. You'll find that MYOB software has a standard invoice format that is surprisingly flexible; all you need is a little forethought and creativity. The following examples give you an idea of how versatile this format can be.

- You may need to print your customer's item code, as well as your own item code, on every sale. Simply enter the customer's item code in the Custom List field (found under the Item Details tab of every item) and then customize your invoice layout so that this information prints on every sale.
- You may need to print additional item information, such as color, size or model type. Again, you can take advantage of Custom Fields and Custom Lists (found under the Item Details tab of every item) and you can customize your invoice layout so that this information prints on every sale.
- You may use salespeople to make your sales. Simply complete the Salesperson field at the time you create the sale to print their name on the customer invoice. Even better, later you will be able to generate commission reports from your Sales reports menu. (This example does not apply to MYOB BusinessBasics or MYOB FirstEdge.)
- You may offer different prices to different customers, depending on their location or how much they buy from you. MYOB Premier Accounting and MYOB AccountEdge offer the facility for up to six different levels of pricing for a single item, with five quantity breaks for each level. (This example does not apply to MYOB BusinessBasics or MYOB FirstEdge.)

Changing the layout of your printed sale

With all MYOB software, you can customize your invoices or receipts so that they look exactly as you want them to look. You can change the fonts, add your own logo, draw boxes, add comments and much more. All you have to do is open the Setup menu, choose Customize Forms and then click Invoices (refer to MYOB Help for more details on customization commands).

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Bill to:		Ship to:	
Mr. Example 1465 Circle Lane New York, NY 10118 Phone: 973-665-2362 Fax: 973-555-2363		Mr. Example 1465 Circle Lane New York, NY 10118 Phone: 973-555-2362 Fax: 973-555-2363	

Contact	Ship via	Deliver by	Terms	# Pg
Mr. Example	FedEx overnight	10:30 am	Prepaid	1

Qty	Item	Description	Price
3	B-491	Print Video tray - model XR5	\$51.40
2	X123	Transistor	\$1.10
1	A-478	Video adaptor	\$14.58

I agree to all pricing, terms, and conditions.

Signature _____

Sale amount:	\$170.98
Delivery:	\$12.36
Sales tax:	\$0
Total amount:	\$183.34
Paid to date:	\$0
Balance due:	\$183.34
Due date:	04/04/06

You can customize your invoice to look exactly as you want it to look

Providing customers the option to pay by credit card

MYOB Business Services are optional, add-on services that include MYOB Merchant Accounts. By signing up with MYOB Merchant Accounts, you can accept your customers' credit cards for a quick and easy way to receive payments. With an MYOB Merchant Account, you can take a customer's credit card information over the phone, or you can purchase a credit card swiper and swipe their card for even better rates.

The main advantage of this service is that by providing more ways for your customers to pay you (especially if you invoice in advance for security deposits), you'll be paid quicker, not to mention the fact that receiving electronic payments is less time-consuming than receiving checks. Also, by offering these facilities you will make your business look that much 'bigger' and more professional.

For more information about signing up for an MYOB Merchant Account, visit www.myob.com/us/business_services/biz_services_ccp1.htm.

Communicating with customers

Entering sales orders

When customers place orders with you, the best approach is to enter these orders right away, so that you can see at a glance the value of all outstanding customer orders as well as the total quantity on order for any individual item. Note that orders are not available in MYOB BusinessBasics and MYOB FirstEdge.

Recording sales orders is easy. Simply go to the Sales command center, click Enter Sales as if you were about to record a normal customer sale, and in the top left corner change the drop box from Invoice to Order.

You'll find that orders affect neither your financial figures nor your receivables reports. When you're ready to invoice the goods, you can convert orders to sales simply by opening up the initial order (you'll find it under the Order tab in your Sales Register or your To Do List), changing any amounts or quantities if necessary, and clicking the Invoice button.

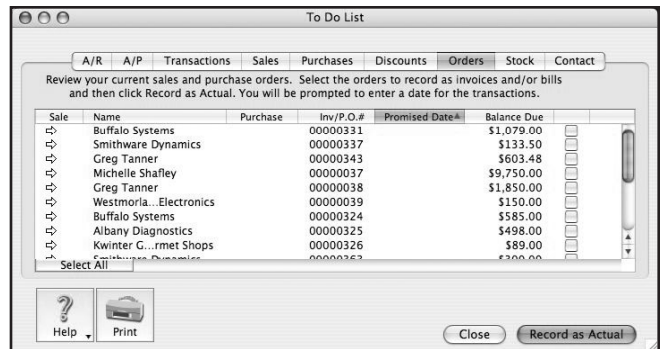
Processing sales orders and finalizing sales

Many manufacturers find it works best to finalize sales (by changing the status from Order to Invoice) on the morning after the sales leave the warehouse. Here's one way of working that you might find practical:

1. When a customer places an order, click Enter Sales in the Sales command center and enter the order details, selecting Order as the status.
2. If you need to see what items are currently on order, go to the Analysis menu in the Inventory command center and look in the On Order column.
3. When the goods are ready to go out to the customer (which could be several days or weeks after the initial placing of the order), the order is called up, quantities and amounts reviewed, and the date changed to the current date. This order (which has been customized to print as an invoice) is then printed, along with a packing slip, and sent to the warehouse for packing.
4. The warehouse refers to the order when packing the goods. If any goods are out of stock or can't be sent that day for some reason, the packer marks changes on the invoice and the packing slip. The packing slips go out with the goods, the invoices return to the office.
5. The next morning in the office, you review the invoices. Invoices without any changes are ready to send to the customers as they stand. Invoices with

changes are called up in the system, quantities or items changed as required, and then re-printed.

6. Finally, go to the To Do List, click the Orders tab, and mark all the orders that have just been finalized. Click Record as Actual to finalize these orders, changing them into sales.



Look up all outstanding customer orders in your To Do List

Recording backorders

If you can't fulfill every item on a customer's order, you may choose to send some goods now and place the remainder on backorder. To do this, go to the Enter Sales window as normal. Enter the quantities you intend to send now in the Ship column and the quantities you plan to place on backorder in the Backorder column. Once you click Record, MYOB software automatically creates a new sales order for the backordered items.

You can set up your preferences so that original invoice numbers are retained on backorders, making the fulfillment of orders easier to track. By adding an additional digit to the invoice number when it comes up on the backorder (e.g., changing the Invoice # from 9130 to 9130-1), you provide every sale with a unique number, yet group all the invoices relating to a single sale together. To select this preference, go to the Setup menu, choose Preferences, click the Sales tab and then mark the Retain Original Invoice Number on Backorders checkbox.

If you want to inform the customer in writing that items have been placed on backorder and will be delivered as soon as possible, you can generate a letter automatically by going to their card, clicking the Letter button and selecting the template called Backorder Letter. Click Use Template and Word will create a standard backorder letter.

Case Study

Business name:

Lily Lane Potters

Business overview:

Lily Lane Potters is owned by Sally, a potter working from home selling crockery at local markets.

Sally is an example of a very small manufacturer and not surprisingly, she has set up her MYOB software in the simplest of ways. Sally uses MYOB BusinessBasics to track income and expenses.

Once a month, Sally sits down with her business bank statement. She looks at every deposit and records the total value of each deposit in the Receive Money window (Sally doesn't worry about recording a sale for every transaction made.). She then goes through her check stubs and records expenses in the Spend Money window. Last, she collects the petty cash receipts out of her wallet and records these in the Spend Money window also.

In just a couple of hours every month, Sally keeps her tax affairs up-to-date and produces a Profit & Loss statement. She has been very encouraged to see how her income is slowly increasing, month by month, and how well her business is going.

Dealing with expenses

The simplest way to record expenses, suitable for many small manufacturers who don't want to track inventory, is to go to the Banking command center and click Spend Money (or, for MYOB BusinessBasics and MYOB FirstEdge, go to the Bank Register and select Spend Money as the transaction type). Read more about this method in the Recording expenses section.

An alternative way to record expenses is to enter all vendor invoices in the Purchases command center when you receive them. Later, these invoices are paid using the Pay Bills window (note that purchases aren't available in MYOB BusinessBasics or MYOB FirstEdge). This method works well if you:

- Need to track inventory
- Have a substantial amount of accounts to be paid each month and you want to keep tabs on how much you owe
- Report for sales tax on an accrual basis (as opposed to a cash basis), as you can state tax paid on bills you've received, but haven't yet paid
- Want to keep tabs on when early payment discounts fall due

Read more about entering vendor invoices in the Purchases command center in the Recording a vendor invoice section.

Recording expenses

To record an expense:

1. Go to the Banking command center and click Spend Money (or, if you're using MYOB BusinessBasics or MYOB FirstEdge, go to the Bank Register and select the Spend Money transaction type).
2. Click the Pay from Account radio button in the top-left and select your bank account, or, if you plan to make this payment online, click Group with Electronic Payments.
3. For checks, enter the check number in the Check

field. For other transactions, such as credit card debits or electronic payments, simply ignore the Check # field.

4. Enter the date and amount, and in the Card field, enter the name of the person you are paying. If you've never paid this person before, you'll see a list of cards, asking you to select one of them. Either double-click on a name to select it from the list or click New to create a new card.
5. Write a brief description in the Memo field, if desired.
6. In the Acct# column, specify which account this expense should go to.
7. Check that the Amount is correct.
8. Fill in the Job column if you want to track expenses by particular projects or cost centers. Otherwise, leave this column blank.
9. If you want to include additional information about this transaction, do so in the additional Memo column that appears next to the Job column.
10. Click Record.

Recording a vendor invoice

Manufacturers tend to use one of two layouts when recording purchases: either an Item layout or a Service layout. Item layouts work best if you want to track the costs and quantities of the materials you purchase; service layouts work best in all other situations.

Here's how to record a purchase:

1. From the Purchases command center, click Enter Purchases.
2. Click the Layout button and select either Item or Service as your layout.
3. Fill in the vendor name and if required, enter the purchase order number.
4. Check the Date and enter the vendor's invoice number in the Vendor Inv# field.
5. For item invoices, enter the Quantity, Item Number and check the Price. Enter each line one at a time, making sure the final total tallies.
6. For service invoices, choose your allocation account in the Acct# field. Don't worry about detailed descriptions, as they're usually not neces-

Dealing with expenses

sary. A general description such as 'Advertising in this June's Gazette' does just fine.

7. Don't forget to complete the Job column if you're tracking job performance and progress.
8. Make sure the tax total matches with your vendor invoice, and then click Record.

The screenshot shows the 'Sales - New Service' window in MYOB software. The 'INVOICE' section is active, displaying details for a customer named Greg Tanner. The invoice includes a table for items, with 'Equipment Rental' listed at \$564.00. The total amount is \$603.48, including a 7% tax of \$39.48. The window also shows fields for ship to, salesperson, and various action buttons like 'Print', 'Send To', 'Journal', 'Layout', and 'Register'.

Description	Acct#	Amount	Job	Tax
Equipment Rental	4-2500	\$564.00		✓

Recording vendor invoices

Placing vendor orders

It's easy to enter purchase orders, ready to print, fax or email direct to your vendors. This way you can see at a glance what items are on order and when they are due to arrive.

To create a vendor order, go to the Purchases command center, click Enter Purchases and select the vendor. In the top left corner, make sure that the purchase status is Order (not Bill). Complete the order as normal and click Print, or click the Send To button and select Fax or E-mail.

You'll find that orders affect neither your financial figures nor your payable reports. When you receive the goods, you can convert orders to purchases simply by opening up the initial order (you'll find it under the Order tab in the Purchases Register or the To Do List), changing any amounts or quantities if necessary, and clicking the Bill button.

Paying vendors electronically

MYOB Vendor Payments enable you to make electronic payments to your vendors directly from your MYOB software. Once you subscribe to this service,

you can use your MYOB software to record payments in your company file and send your payments to vendors via a secure online connection.

If you pay more than five vendors per week, MYOB Vendor Payments are well worth the fees. If you were to put a value on your own time (or on your bookkeeper's time) and calculate how long it takes you to pay a vendor (including writing a check, writing their address on an envelope, entering the payment into your MYOB company file, and so on) as well as the costs (the envelope, the stamp, the gas to the post office, etc.), then chances are that paying a vendor is much more expensive than you think.

MYOB Vendor Payments offer other benefits too, although these are somewhat less tangible. You can schedule payments to be made at future dates, ensuring that vendors are paid on time, even when you're away from the business. Payments are more secure, as you pay directly from your account into your vendor's account (whereas checks are more prone to fraud or getting lost in the mail). Finally, the Payments Gateway keeps track of all online payments, including when payments are sent, when they're processed, if they fail due to insufficient funds, and so on.

To learn more about MYOB Vendor Payments, or to apply for the MYOB Vendor Payment Service, all you have to do is open the Setup menu, choose Electronic Payments, and then select Learn About Electronic Vendor Payments. (Note that MYOB Vendor Payments are available in MYOB Premier Accounting, MYOB AccountEdge and MYOB AccountEdge Network Edition).

Analyzing how much you owe

To see how much you owe to your vendors, go to the Purchases command center and open the Analysis menu. You'll see a summarized Analyze Payables report, aged as at the current date.

Click the zoom arrows to go straight to a detailed breakdown of any vendor's totals, or click Print to print the report.

Recording other types of expenses

Recording other types of expenses

MYOB software realizes that most businesses don't just pay for expenses by check and electronic transfer, but by cash and credit cards as well. Luckily, it's easy to record these kinds of transactions.

Dealing with credit cards

The easiest way to deal with credit cards is to think of them as if they were a bank account. If you chose the Manufacturing Chart of Accounts, you will have a Header account under liabilities called Credit Cards, and three Detail accounts for three major brands of credit card. If you are using a Chart of Accounts other than Manufacturing (not recommended) and do not have a Credit Card account under liabilities, create a new liability account in your Accounts List and make it a Detail Credit Card Account (Postable).

For expenses where you don't receive a vendor account (such as fuel, interest, memberships or internet access), do the following:

1. Go to the Banking command center and click Spend Money. If you're using MYOB Business-Basics or MYOB FirstEdge click Bank Register and select the Spend Money transaction type.
2. Select your credit card account as your bank account in the top left.
3. Record each transaction on the credit card in the same way as you would record checks, the only difference being that you ignore the Check # field completely (you end up with one transaction per line on your credit card).

For payments on your credit card where you have already recorded the vendor account, do the following:

1. Go to the Purchases command center and click Pay Bills.
2. Select your credit card account as your bank account in the top left.
3. Record the payment in the same way as you would any other vendor payment, ignoring the check number.

Acct #	Name	Amount	Job	Memo
6-1150	Miscellaneous Expenses	\$45.00		Tank of gas

Entering credit card transactions (note the account in the top-left corner)

By the way, don't forget to account for sales tax when recording credit card transactions by simply clicking in the tax column on the item line and the tax will automatically be calculated.

Organizing petty cash (if you have a petty cash box)

The method described here works best if you have an office with a petty cash box, and more than one person takes money out of the box. However, if you don't have a petty cash box but end up paying lots of little cash expenses directly from your own pocket, see the method listed in Organizing petty cash (if you have a wallet full of receipts).

1. Start off by funding the petty cash box, say \$200. Write a cash check for the funding of the box, and allocate this check to an asset account called 'Petty Cash'. If you don't have an account by this name already, create one now, remembering to select Bank as the Account Type.
2. Whenever a person takes money out of the box, get them to give you a receipt in exchange. Store these receipts in the box.
3. Now, add up the receipts and work out which expense categories they belong to. Then go to the Spend Money window but this time change the

Recording other types of expenses

- bank account at the top to read Petty Cash.
- Complete the payment, allocating it across several Allocation Accounts and several Amounts. Click Record when you're done.
 - When funds in the box get low, write out a cash check to bring the box back up to its original value. For example, if you initially funded the box with \$200 but there's only \$4.50 left, write out a cash check for \$195.50. Allocate this check to Petty Cash.
 - As the Amount, enter the total value of all these receipts added together.
 - Split the transaction across the appropriate expense accounts, writing individual memos on each line, if desired.

Spend Money

Pay from Account: 1-1140 Petty Cash Balance ⇄: \$200.00

Group with Electronic Payments:

Card : [] Check #: 1

Pavee [] Date: 4/12/06

Amount: \$175.00

One Hundred Seventy-Five and No/100 United States Dollars

Memo: Reimburse petty cash box Widgets & Co.

Acct #	Name	Amount	Job	Memo
6-1060	Office Supplies	\$45.00		File folders
6-1050	Postage	\$78.00		Stamps
6-1150	Miscellaneous Expenses	\$52.00		Fuel

Total Allocated: \$175.00
Total Paid: \$175.00
Out of Balance: \$0.00

Already Printed

Save as Recurring Use Recurring Currency: USD Category: []

Help Print Journal Register Cancel Record

Recording petty cash transactions when you use a petty cash box

Organizing petty cash (if you have a wallet full of receipts)

If you don't have a petty cash box, but end up paying lots of cash expenses directly from your own pocket, you'll find the following method works best.

- Pile these receipts into their various categories and then, with a calculator, add up the value of each pile of receipts. You might end up with \$40 worth of receipts for stationery, \$50 for postage, \$15 for travel and so on.
- Next, go to the Spend Money window and as your bank account, select Petty Cash in the top left corner.

Case Study

Business Name:

Finnegan's Furniture

Overview:

Finn's manufactures custom furniture from salvaged timbers.

Justin Finnegan has been making custom furniture for many years in the woods of New Hampshire. However, the whole nature of his business changed when he launched his website a couple of years ago, as he started to receive commissions from all around the US. At first, this growth caused difficulties, as Justin had to employ staff for the first time, and he encountered cashflow constraints and problems meeting order deadlines.

In order to put his business on a more professional footing, Justin purchased MYOB Premier Accounting. Justin records the purchase of raw materials, setting up each large piece of salvaged or milled timber as an item in the Inventory command center. At first, Justin was surprised to see the high dollar value held in raw materials and how many large pieces of valuable timber sat unused for years at a time. Forced to start trading more profitably, Justin has rationalized his timber holdings and if a piece of timber sits in the warehouse for too long, he invents a project to put it to use.

Justin has also started to record sales in the Sales command center. He never used to worry about maintaining customer details, as he saw every job as a one-off event. However, now that MYOB software maintains a client database for him, he keeps in contact with clients regarding special offers or exhibitions. The response has been a vast increase in repeat orders.

Setting up inventory

Probably the most important decision you'll make when setting up your MYOB software is how to track inventory. There are many different ways of working; the right way depends on your business and circumstances.

- No inventory tracking at all. Very small manufacturers making lots of one-off items probably won't want to use inventory features at all. Such businesses would include potters, jewelry makers, sculptors or sellers of home-sewn clothing.
- Inventory tracking for finished items only. Some manufacturers find it makes sense to track the quantities and costs of finished items, but not to track the components from which these items are made. Such businesses could include manufacturers of gourmet food lines, furniture-makers or any manufacturer who makes a diverse range of items within which the components vary from item to item.
- Inventory tracking for component items as well as finished items. Some manufacturers find it makes sense to track inventory from the purchase of raw materials right through to the transformation of raw materials into finished items. This method works well if you manufacture a small range of products using the same components every time.

The next few sections deal with setting up your items list for items that you buy (should you wish to track these) and for items that you sell. For information about creating an item that is made up of other component items, see the Creating assemblies and auto-builds section.

Creating a new item

To create a new item, go to the Inventory command center, click Items List, click New and then follow the simple steps below.

1. Enter an Item Number followed by a Name. (The item number doesn't have to be a number; you may find it makes more sense to use letters instead.)
2. Tick the relevant checkboxes to indicate whether you buy, sell or inventory this item. (If you're not sure what to select, refer to the sections Setting up raw materials and Setting up items that you sell but don't buy.)
3. Complete the cost of sales, income, and/or asset accounts fields.
4. Go to the Selling Details tab (see Setting up item selling details or more details). You won't need to set up selling details for raw materials.
5. Go to the Buying Details tab (see Setting up item buying details for more details). If this is an item that you manufacture, rather than buy, you won't need to set up buying details.
6. Click OK to record this new item and return to the Items List.



Creating a new item (don't forget to complete the Buying Details and Selling Details tabs also)

By the way, if you already have your inventory listing in another program, such as a database, spreadsheet or even as a word processing document, then you don't need to re-type everything. It's almost always possible to get this information into a format where you can automatically import it into your Items List using the Import and Export data commands found in the File menu.

Setting up inventory

Setting up item buying details

When you create a new item, click the Buying Details tab to set up information about vendors and restocking quantities.

Here's what you need to know:

- Select **I Pay Sales Tax When I Buy This Item** and the system will automatically calculate the tax on the bill.
- Don't worry that you can't enter a figure in the **Last Purchase Price** when you first create a new item. As soon as you record your first purchase for this item, this price will be updated.
- The **Buying Unit of Measure** is a descriptive term, such as **Each**, **Pair**, **Case**, and so on.
- The **Number of Items per Buying Unit** is the number of items that will add to your on-hand inventory for each unit sold. Always express your buying unit as a multiple of the smallest unit that the item can be sold in.
- The minimum stock level acceptable is your **Minimum Level for Restocking Alert**.
- Your **Primary Vendor for Reorders** should be the main vendor for that item. It doesn't matter if you sometimes buy from someone else; you can always edit the purchase order that your MYOB software automatically generates.
- If it's useful for your reference or for purchase orders, enter your vendor's code for this item in the **Vendor Item Number** field.
- As the **Default Reorder Quantity**, enter the smallest multiple you would ever order for that item. For example, if you buy water filters in batches of 50, and your minimum stock level is 25, when your stock level falls to 23, your MYOB software will generate a purchase order for 50 filters, not for two filters.

Setting up item selling details

To record selling prices and unit details:

1. Double-click the item from your **Items List** and click the **Selling Details** tab.
2. Mark the **I Collect Sales Tax When I Sell This Item** checkbox.
3. The **Base Selling Price** should be the base price that you sell this item for, not including **Sales Tax**.
4. The **Selling Unit of Measure** should be a descriptive term, such as **Each**, **Pair**, **Case**, and so on.
5. The **Number of Items per Selling Unit** is the number of items that will be subtracted from inventory for each unit sold. For example, if you sell shoes in pairs, the **Number of Items per Selling Unit** would be 1, and the **Selling Unit of Measure** would be 'Pair'.

Setting up raw materials

If you want to set up raw materials as items, you can set them up in one of two ways:

- As items that you buy only. If you have decided to choose no inventory tracking at all, or inventory tracking for finished items only (see **Setting up inventory** above), then you have already decided that you don't want to track the quantities of raw materials. However, you can still set up raw materials as items in your **Items List**, by marking the **I Buy This Item** checkbox only. By working in this manner, you can still use MYOB software to generate purchase orders and keep track of item costs.
- As items that you use as components for manufacturing other items. In this scenario, you set up raw materials as items in your **Items List**, by marking the **I Buy This Item** and **I Inventory This Item** (but not **I Sell This Item**) checkboxes.

Setting up items that you sell but don't buy

The very nature of manufacturing is that you sell items that you don't buy, but that you have made. You can set up the items that you sell in any one of three ways:

Setting up inventory

1. As items that you sell only. If you have decided to choose no inventory tracking at all (see Setting up inventory above) then you have already decided that you don't want to track raw materials and the manufacturing process. However, you can still set up the goods that you sell as items in your Items List, by clicking the I Sell This Item checkbox only. By working in this manner, you can still use MYOB software to generate invoices and keep track of sales history.
2. As items that you buy 'from yourself' and then sell. If you have decided to choose inventory tracking for finished items only, then you face the complicated scenario of wanting to have quantity tracking for items that you don't actually buy! When creating items in your Items List, mark the I Sell This Item, I Buy This Item and I Inventory This Item checkboxes. Then, create a vendor card in your own name, and every time you manufacture goods, record their creation by creating a 'purchase' from yourself. Keep the Price as \$0.00 and this purchase won't appear as an amount owing, but the quantities of finished items will be correct.
3. As items that you auto-build from raw materials. If you have decided to choose inventory tracking for component items as well as finished items, then mark the I Sell This Item, I Buy This Item and I Inventory This Item checkboxes when you set up the items you sell. Then, click the Auto-Build tab on each item and specify the components. See the section Creating assemblies and auto-builds for more information.

Setting up one-off custom items

The easiest way to record sales of custom-made goods is to create a new item with an Item Number called "Custom". Leave the Name and Selling Price fields blank.

Each time you sell one-off goods you can select "Custom" in the Item Number column of the sales invoice. The Description field will always come up blank, and here you can type in a unique description and then tab across to fill in the Price.

Note that if an entire invoice consists of a one-off

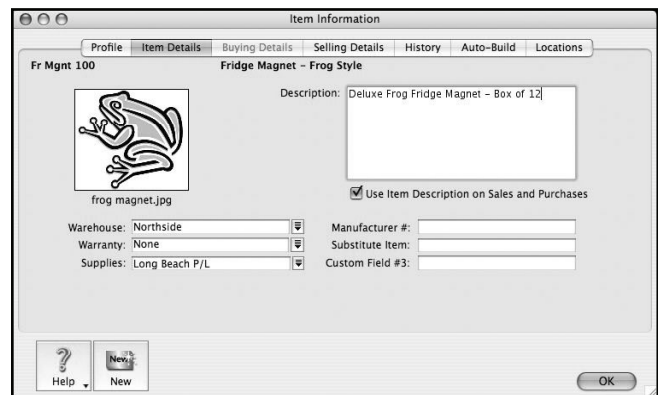
custom product, and if you require a lengthy description for this, then you might be better using a Service type invoice rather than an Item type invoice.

Creating product groups and categories

You can further group each item using custom lists, found under the Item Details tab. You can categorize items in any way you like -- anything from color to size, from model to grade.

In order to take advantage of custom lists, follow these three steps:

1. Go to the Lists menu, choose Custom List & Field Names, and then choose the Items tab. Specify what labels you require for your custom lists, e.g. color, size or type.
2. Still in your Lists menu, go to Custom Lists and then Items. Add new entries for each category. For example, if the category were color, you might add entries for Blue, Red and Yellow.
3. Now return to your Items List and for each item, click the Item Details tab. For each custom list category, select the relevant entry. The screenshot below shows how this might appear.



Adding custom information to inventory items opens up whole new worlds of possibilities

Setting up inventory

To print this custom information on your invoices, take one more step. Go to the Sales command center, and click Print/Email Invoices. Select Item as your Form Layout, click Advanced Filters, and click Customize. Click the Add New Data Field box in the Forms Customizer (the first one in the row), and then scroll down until you see Item Custom List 1, Item Custom List 2, and so on. Place a checkmark next to the list you want to print, and choose OK. The Custom List you selected will now appear on the invoice, ready for you to place it where you choose.

By the way, if a particular report doesn't show the custom list information you require, select the report, click Customize and then select the Reports Field tab. You'll almost certainly find this custom information listed as an optional report column.

Selecting items by name or by number

If you prefer, you can select items by their name rather than by their number. Go to the Setup menu, choose Preferences and then click the Windows tab. Mark the Select Items by Item Name, Not Item Number checkbox. You can now select an item simply by typing the first letters of the Item Name.

Case study

Business Name:

Eco Lifestyles

Business Overview:

Eco Lifestyles import recycled paper from overseas from which they manufacture a range of stationery.

Eco Lifestyles use MYOB Premier Accounting to manage all aspects of their business, including sales, purchases, payroll, banking and inventory.

Raw materials are set up as items in inventory and all finished items are set up as assemblies, so that the components are automatically drawn out of raw materials when items are manufactured. This way, Eco Lifestyles monitors the quantities on hand of both raw materials and finished goods, and keeps a close eye on final costs. Final costs include all materials, but don't include wastage, overheads or labor.

Eco Lifestyles sell to three large American distributors and to a distributor in Singapore and Hong Kong. At any one time, the production manager can see the value of outstanding orders against the quantity on hand, along with promised delivery dates.

The financial controller has found the way MYOB Premier Accounting integrates information ideal, because she can call up a Profit & Loss every day, every week or every month. By working with financial ratios and analyzing their business performance, Eco Lifestyles has been able to make some hard decisions regarding profit margins and overseas pricing, slowly turning their business around so it's on a more solid footing.

Creating assemblies and auto-builds

The auto-build feature is fantastic if you want to create an item that is made up of other items. For example, you may sell a dining table suite that always consists of a single table plus six chairs, or you might 'manufacture' a drum kit that consists of a snare drum, a hi-hat, a bass drum and a stand.

Imagine you were going to create a first-aid kit that consisted of two bandages, a packet of band-aids and some scissors. Here's what you would do:

1. Start by setting up a new item for each individual component, so that you have an item for bandages, an item for band-aids, and so on.
2. Create a new item called 'First-aid Kit', making sure you mark the Inventory This Item checkbox.
3. Click the Auto-Build tab.
4. Click Edit List and type the Item Number and Quantity for all the items that make up the kit of this finished item. Click OK and you're done.

Creating sub assemblies

Occasionally, you might need to create an assembly within an assembly. For example, you could have a Water Cooler package that includes a filter unit, and a filter repair kit. The filter repair kit could include a tool set, and 5 spare filters. The tool set could include a spanner and two screwdrivers. And so on...

Although MYOB software allows sub sub assemblies, you won't find extensive reporting in this area. The core report is the Auto-Build report, which tells you what components are required to make up all finished goods. However, using our above example, this report would tell the user that a Water Cooler package includes a filter unit and a filter repair kit, but would not then indicate what components make up the filter repair kit.

If you are uncertain whether MYOB software can meet your needs in this regard, your best bet is to talk to an MYOB Certified Consultant to assess your best course of action.

Showing groups of items on sales invoices

Sometimes, manufacturers sell kits of items but want to list each component on the sales invoices. For example, you might sell do-it-yourself rocking chair kits, which always include 12 timber pieces, screws, sandpaper, varnish and flower stencils.

Although you're selling a finished kit, you want to print quantities and descriptions of each kit component separately on every sale so that your customer can see what they're receiving.

Although the Auto-Build feature assembles kits from individual items, when you come to sell a kit, it will only print the Item Name as the description, rather than printing all the components. However, the work around (available in MYOB Premier Accounting and MYOB AccountEdge) is to list the components in the additional Item Description field under the Item Details tab. Then simply customize your invoice layout to include both the Item Name and the additional Item Description.

Costing finished items

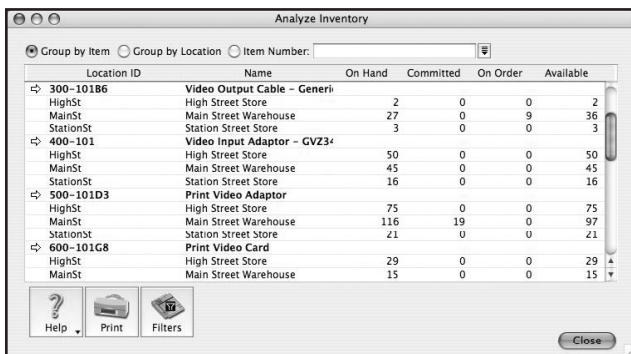
When you create assemblies using components, it's good practice to check that the final cost price makes sense (if not, then you may have made a mistake when setting up the auto-build information!). To check final costs, first create at least one unit of the finished item. Go to the Inventory command center, click Auto-Build Items, locate the item you wish to create, specify a quantity in the Qty to Build column, and then click Build Items.

Next, go to the Inventory command center, click Set Item Prices, and select Avg Cost. This will show you the cost of creating the finished item, based on the average cost of all its components. Alternatively, you can go to the Inventory tab of the Index to Reports window and select the Auto-Build report to view average costs of all manufactured products. If you are like most manufacturers, then the value of your inventory represents your largest single asset. Successful control of inventory costs and quantities defines the difference between business success and failure.

Managing your inventory

Analyzing stock levels

To see what stock you have on hand, simply click the Analysis button in the Inventory command center. You'll see a report similar to the one shown below. The On Hand column shows the quantity you currently have in stock, the Committed column shows the quantity outstanding on current customer sales orders, the On Order column shows the quantity you currently have on order with vendors and the Available column shows what you would have left should all orders (both customers and vendors) be fulfilled.



Location ID	Name	On Hand	Committed	On Order	Available
300-101B6	Video Output Cable - Generi	2	0	0	2
HighSt	High Street Store	2	0	0	2
MainSt	Main Street Warehouse	27	0	9	36
StationSt	Station Street Store	3	0	0	3
400-101	Video Input Adaptor - GVZ3	50	0	0	50
HighSt	High Street Store	45	0	0	45
MainSt	Main Street Warehouse	16	0	0	16
StationSt	Station Street Store	16	0	0	16
500-101D3	Print Video Adaptor	75	0	0	75
HighSt	High Street Store	116	19	0	97
MainSt	Main Street Warehouse	21	0	0	21
StationSt	Station Street Store	21	0	0	21
600-101G8	Print Video Card	29	0	0	29
HighSt	High Street Store	15	0	0	15
MainSt	Main Street Warehouse	15	0	0	15

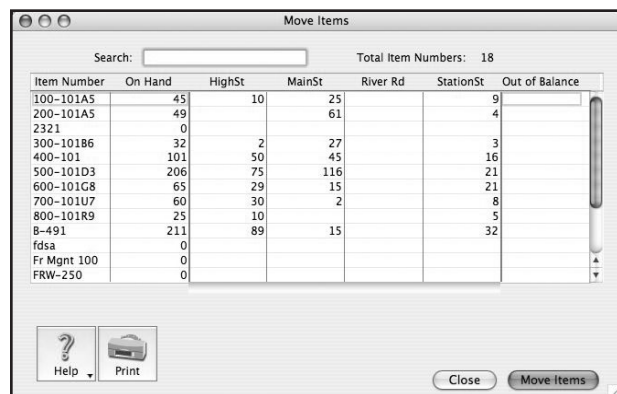
See how much stock you have on hand, what's on order and what's available

Tracking stock in more than one location

If you have stock in a number of locations and want to track what stock you have where, you can use the Locations feature (not available in MYOB BusinessBasics or MYOB FirstEdge) to give you full stock reporting in each location.

The first thing you need to do is set up your various locations. Open the Inventory command center, and click Locations. The Locations List includes a Location called Primary Location which you can edit, but not delete. Click the zoom arrow to open the Location Information window. You can choose a Location ID for your location, change the default name to reflect your first location, and fill out the necessary address and contact information, clicking OK once you are finished.

Click the New button at the bottom of the Locations List to create more locations. Once you have your various locations set up, you can begin to track what items you have in what locations. Any item that you choose I Inventory This Item for will have the Locations tab activated. Click the Locations tab and you can choose where a particular item ships from, sells from, or auto-builds from by clicking the drop-down arrow next to Default Ship/Sell/Auto-Build From Location. You can also choose where you receive an item or auto-build an item into by clicking the drop-down arrow next to Default Receive/Auto-Build Into Location.



Item Number	On Hand	HighSt	MainSt	River Rd	StationSt	Out of Balance
100-101A5	45	10	25			9
200-101A5	49		61			4
2321	0					
300-101B6	32	2	27			3
400-101	101	50	45			16
500-101D3	206	75	116			21
600-101G8	65	29	15			21
700-101U7	60	30	2			8
800-101R9	25	10				5
B-491	211	89	15			32
fd5a	0					
Fr Mgmt 100	0					
FRW-250	0					

You can note item movement between locations with the Move Items window

With this setup complete, you can now proceed to run stock for a number of locations. Here are a couple of examples of how it works:

- When invoicing, the default Sell from location that you chose for the item will appear in the Location column. If you would like to change to another location, simply click the drop-down arrow to choose another location.
- If you transfer stock from one location to another, go to the Location tab of the given item and click the Move Items button. You can move items from one location to another in the Move Items window, with an Out of Balance column letting you know if you made a mistake. The Item Movement Report will display quantities of items moved among locations, the movement date, and the User ID of the person effecting the move.

Managing your inventory

- By always completing the Category field at the bottom of each transaction to indicate what location this transaction took place in, you can generate Profit & Loss reports and Balance Sheets for each location.
- To print stock reports that are itemized according to location, simply open the Index to Reports menu and run the Items Location Summary report.

Item Number:	Location ID	Location Name	On Hand	
100-101A5 Printer Cable - Generic Total On Hand: 45	MainSt	Main Street Warehouse	25	
	HighSt	High Street Store	10	
	StationSt	Station Street Store	9	

200-101A5 Printhead Cradle - model XR5 Total On Hand: 49	MainSt	Main Street Warehouse	61	
	HighSt	High Street Store	4	
	StationSt	Station Street Store	4	

The Items Location Summary report

Receiving partial shipments of inventory

Sometimes when a shipment of inventory arrives, you find that for one reason or another, you didn't get everything you ordered all at once. MYOB Premier Accounting and MYOB AccountEdge allow you to easily track what inventory came in and what you are still owed, right from the original order.

When you receive a short shipment, find the original order by opening the Purchases command center and opening the Purchases Register. Highlight the order for which you received a short shipment, and click the Receive Items button. The Receive Item window will open, with the Receive column highlighted. Enter the quantity of the item that you have received, and click Record. The original order will now show the original amount that you ordered in the Order column, as well as the number that you already received in the Received column. When the rest of your shipment comes in, you can just go back to the original order, and follow this process to receive the rest of your order.

Printing production job sheets

The easiest way to create a job sheet is to create a sales order when jobs are scheduled for production. You can then create a special invoice layout customization so that the order prints with the information that production requires.

To create a sales order, go to the Sales window in the same way as you normally would, but select Order as the status in the top left corner. Later, once production is complete, you can change this sale from an order to an invoice.

Next, go to the Sales command center and click Print/Email Invoices, select Item as the Form Layout, and click the Advanced Filters button. Click Customize to bring up the Forms Customizer. Customize the sales order to include whatever types of information you require and once complete, click Save Form As and save this form with a meaningful description such as 'Job Sheet'.

If you need to generate production schedules in a spreadsheet or database format, you can export details of outstanding orders. To do this, go to the File menu, choose Export Data, Sales, and then Item Sales. Select Orders as the Status. Note that the Promised Date field on your Item invoice can be used as the due date for the order, and this information can be exported to your production schedule.

However perfect your bookkeeping and administration, from time to time you'll have to adjust quantities on hand or inventory unit costs. The following procedures explain just what to do.

Inventory adjustments and transfers

Adjusting for missing or damaged stock

Go to the Inventory command center, click Count Inventory, locate the item for which the quantity is wrong and type the correct quantity in the Counted column. The Difference column will reflect the quantity you want to adjust.

Click Adjust Inventory and you'll be asked for a Default Adjustment Account. In most situations, the best way to allow for small stock variations is to create a cost of sales account (5-) called 'Stock Adjustments', but if you're not sure about this, ask your accountant for their opinion.

Click Continue to get to the Adjust Inventory window. All you have to do next is check the Date and write a Memo, always recording a clear, concise description if you can. Enter job or category information, if required, and click Record.

Adjusting the unit costs of inventory items

This scenario is the trickiest of all, and only arises if you know that the average cost of an item is wrong, but that the quantity is correct. Here's what to do:

1. Go to the Inventory command center and click Adjust Inventory. Enter the Date along with a concise explanation in the Memo.
2. Work out the total adjustment you need to make. For example, if you want to raise the unit cost from \$6 to \$10 and you have 20 items in stock, you need to make a positive adjustment for \$80 (\$4 difference x 20). Enter \$80 in the Amount column, and 0 in the Quantity column.
3. For all adjustments, you need to select something in the Account column. 'Cost of goods sold', 'write-down of obsolescent stock' or 'stock adjustment account' are all likely candidates. Just be careful never to use your inventory account here, as this will throw your inventory out of balance.
4. Enter job or category information, if required, and click Record.

Item Number	Location ID	Quantity	Unit Cost	Amount	Account	Job	Memo
100-101AS	MainSt	0	\$0.00	\$2.5	5-5000		Adjust unit cost

Adjusting the unit cost without affecting the quantity

Creating debit memos when inventory returns to zero

Sometimes, when you try to put a debit memo through for inventory items, you will get a message saying that 'The purchase of this item would value your inventory at less than \$0.00'.

This message appears because if you want to put a debit memo through that will reduce stock levels of that particular item down to zero, the debit memo must equal the value that you already have on that stock item. However, prices are always changing, so it is highly probable that the unit cost that comes up in your debit memo doesn't equal your existing average unit cost.

Here's what to do to fix the problem:

1. Go to the Inventory command center, click Set Item Prices and then click Avg Cost. Note the Average Cost for the item you are debiting, down to the last decimal point (if the price is \$22.50234, then note this down exactly).
2. Return to your debit memo, and use this Average Cost as the Price.
3. Note the Total Amount of this debit memo and calculate the difference between this and the total on the debit memo you have received. Then click Record.
4. You will need to put through an adjustment for the difference. To do this, create a new purchase, click Layout and select Miscellaneous.
5. Use a cost of sales account as the Allocation Account, and write the debit memo number in the

Inventory adjustments and transfers

Memo field. Remember to put a minus figure in the Amount column if you are doing a further debit adjustment.

Journaling inventory count totals when you don't use inventory

Just because you don't use MYOB's inventory module, doesn't necessarily mean that you don't have inventory (maybe you have an independent Point of Sale system, or you've decided not to track inventory on an ongoing basis). However, you may want to show the value of inventory movements on a regular basis, so that your Profit & Loss remains accurate. Here's what to do:

1. First, check out the layout of your Accounts List. It is simplest to have only one asset account called Inventory or Stock on Hand, and one cost of sales account called Purchases. This is preferable to the traditional 'Trading Profit & Loss' format, which includes Opening Stock, Closing Stock and Purchases in the Profit & Loss.
2. Next, perform your manual inventory count and calculate the value of your inventory on hand.
3. Go to the Accounts command center and click Record Journal Entry. Give the journal the date of the inventory count and write a detailed Memo. Calculate the difference between your opening stock at the beginning of the period and your closing stock at the end of the period. If the value of your inventory has increased, debit Stock on Hand and credit Purchases. If the value of your inventory has decreased, debit Purchases and credit Stock on Hand.
4. Check that this journal is correct by printing a Balance Sheet for the month in which the inventory count was performed. If the value of your Inventory account equals the value of your manual inventory count, then you know you got the journal right!

Acct #	Name	Debit	Credit	Job	Memo
1-1800	Inventory	\$358.67			Increase in inventory value for
5-1000	Purchases - Audio Equip		\$358.67		Increase in inventory value for
		Total Debit:	\$358.67		
		Total Credit:	\$358.67		
		Out of Balance:	\$0.00		

You can still adjust for inventory count values, even if you don't use MYOB's inventory features

Incorporating the cost of labor into item costs

The labor question is a little fraught with peril, as by necessity your transactions become complicated. How you account for time spent building items, whether you plan to record standard times or actual times, and whether you choose to include the cost of sales (i.e., travel, freight) in your labor price, are just some of the issues you'll have to deal with. You're probably best to consult with your accountant or an MYOB Certified Consultant before embarking on any system that is too complex.

However, here's one possible framework for including labor in your item costs. You can try this method and then adapt it to your particular circumstances:

1. Set up a new item called Labor. Click on I Inventory This Item, and link the Asset Account for this item to your Wages expense account.
2. Do an Inventory Adjustment to credit this item with 100 or so units, choosing as your Unit Cost the hourly rate, including on-costs such as super.
3. Adjust the Auto-Build information for all items that have a set labor component, showing time taken (in hours) in the Quantity column.
4. When you build items, do an Auto-Build transaction as per normal. MYOB will re-allocate the cost of labor, shifting it out of your Wages expense account and into the value of inventory.

Pricing

By the way, to check 'behind-the-scenes' information on any transaction (particularly useful when dealing with complicated inventory adjustments), simply press Ctrl-R on a Windows machine or Command-R on a Mac (the recap command) while displaying the transaction. You'll see details of all the debits and credits involved.

Incorporating freight into item costs

There are a couple of different ways to incorporate freight or shipping costs into your unit costs, if desired. See the MYOB Software for Wholesalers guide for more details.

Pricing

Keeping an eye on costs is essential and you want to make updating prices as easy and as efficient a process as possible. Here's how:

Calculating average and last cost

If you go to the Set Item Prices menu in the Inventory command center, you'll notice that you can choose to view items either by Average Cost or by Last Cost.

Average Cost is calculated by dividing the current inventory value by the number of units in inventory. It's as simple as that! In accordance with accounting standards, MYOB software uses Average Cost to calculate the total value of your inventory.

Last Cost is the equivalent of your vendor's list price, and does not include vendor discounts, freight or early payment discounts.

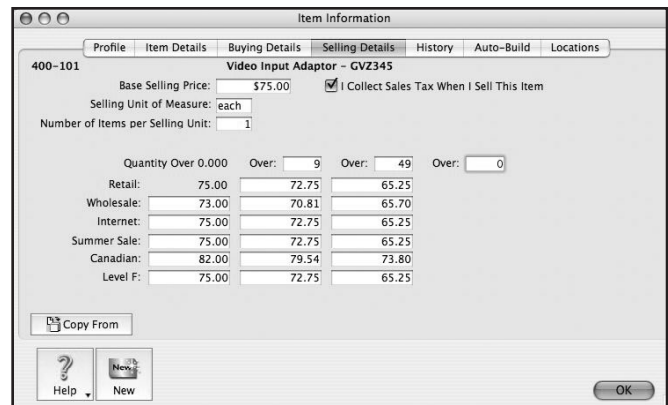
Remember! Be careful when relying on Average Cost or Last Cost information when setting prices. Average Cost will include any sales tax paid on an item, but not vendor discounts, freight, or early payment discounts. Last Cost is strictly the price paid of the item, not including sales tax, vendor discounts, freight, or early payment discounts.

Setting up multiple selling prices

Only MYOB Premier Accounting and MYOB

AccountEdge allow for multiple selling prices per item. Click the Selling Details tab of any item and you'll notice that you can have up to six pricing levels for each item. By default, these levels are labelled A through F, but you can label your pricing levels in whatever way makes the most sense for your business. For example, you might have Retail, Wholesale, Internet, Sale, Staff and Special as your price levels. That way, you can keep separate selling prices for different types of customers.

It's a good idea to change the price level labels so that they are more meaningful for your business. Go to the Lists menu, choose Custom Lists & Field Names, and then click the Price Level tab.



Setting up price levels and quantity breaks in MYOB Premier Accounting and AccountEdge

If you offer discounts for certain quantities, you can set up quantity breaks using the Quantity Over field. For example, if you want to create pricing levels for sales of this item in quantities of 25 or more, enter 25 in this field. If you intend to offer further discounts for sales of this item in quantities of 50 or more, enter 50 in the next field.

The last stage of setting up multiple selling prices is to specify what price level each customer belongs to. Go to the Card File command center, click Cards and edit your customers one by one. Go to the Selling Details tab and select the appropriate Price Level.

Pricing

Updating prices

To update selling prices, go to the Inventory command center and click Set Item Prices. If you only wish to change a few prices, mark each item you wish to update by checking them off, then click the Shortcuts button. To set new prices for the entire list, just click Shortcuts.

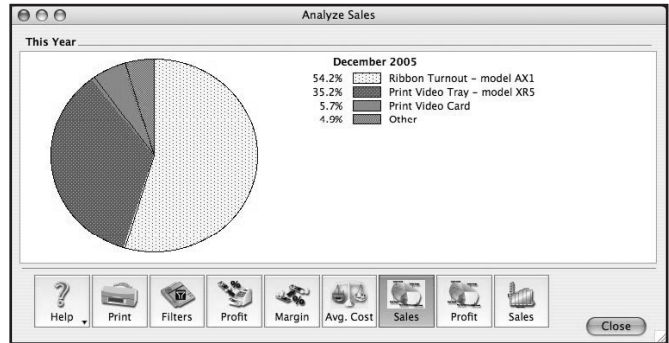
Work through this dialogue box from the bottom up, starting with the Basis for Calculation. Choose whether you wish to refer to Average Cost or to Last Cost, and whether you want to calculate profit based on Margin, Markup or Gross Profit. State whether you want to round prices Up or Down, or to the nearest specified unit.

The differences between Percent Margin, Percent Markup and Gross Profit can be confusing. Use Percent Margin if you think of profit as a percentage of the final selling price. Use Percent Markup if you think of profit as a percentage of the buying price. Use Gross Profit if you think of profit as a fixed dollar amount per item.

Analyzing profit on each stock line

To see how much profit you're making on each individual stock line, do the following:

1. From the Sales command center, go to the Analysis menu and select Sales.
2. Click Filters and select All Items.
3. Select your desired date range, and click OK.
4. Click the Profit button to analyze the profit contributed from each stock line, or click Margin to see this as a percentage. Click the Avg Cost button to see total sales of each line, along with the number of units sold.
5. Click the graph buttons (Sales and Profit) to see this information in pictorial format, similar to the screenshot in the upper right.



You can analyze sales in many different ways

Analyzing your profitability

One of the fantastic things about MYOB software is that every transaction can be coded in several different ways. For example, in the Spend Money transaction below, the Card shows the name of the vendor; the Acct# field shows the type of expense, the Job column shows the cost center and the Category shows the location.

Acct #	Name	Amount	Job	Memo
6-1010	Legal & Professional Fees	\$575.00	MCM-1	Retainer for MCM-1

Total Allocated: \$575.00
Total Paid: \$575.00
Out of Balance: \$0.00

You can use accounts, jobs and categories to analyze business profitability

Analyzing your profitability

When you first set up your system, it's worth taking some time to figure out how you might take advantage of the job and category features. By analyzing how much money you're making (or losing!) on everything you do, you can fine-tune your business to maximize your chances of success.

Analyzing profitability by accounts

The first (and possibly the easiest) way to analyze where you make your money is to set up your Accounts List so that it reflects the many activities of your business. For example, if you sell three kinds of products, your income accounts might include Income Product A, Income Product B, and Income Product C. Alternatively, if you deal with different types of customers, your income accounts might include Income Customer Type A, Income Customer Type B and Income Customer Type C. Note that it is always good to try and divide your income into several different accounts, rather than lumping it all together as one.

Analyzing profitability by jobs or cost centers

The second way to analyze where you make your money is to divide your business into different cost centers by creating a job for each one. You can then generate a Profit & Loss report for each cost center, as well as a Profit & Loss report for your business as a whole. Alternatively, you can use the categories feature (not available in MYOB FirstEdge or MYOB BusinessBasics) for more advanced cost center management.

Here are some real-life examples of how manufacturers use job numbers to help them manage their business:

- An established manufacturer sold direct to the United States, Canada, and Australia. By giving each country its own job number, he could see the income and expenses generated from each country.
- A vineyard manufactured both organic wine and organic grape juice. By giving each

product a job code and allocating job codes to income and expenses, the vineyard could see how much profit (not just how much income) each product generated.

Account Name	Year to Date
A14 Canterbury Heights	
Income	
Other Service Fees	\$1,200.00
Total Income	\$1,200.00
Net Profit (Loss)	\$1,200.00
MGM-1 Phase 1 of MGM project	
Income	
Other Service Fees	\$6,098.54
Total Income	\$6,098.54
Net Profit (Loss)	\$6,098.54

Jobs can be used creatively to analyze all types of information

Analyzing profitability by category or location

If you operate from more than one location, you can use categories to analyze the profitability of each branch. For example, you might have one warehouse in New York and another in Chicago. If you code every transaction with a category that indicates which branch it came from, you can assess the profitability of each branch independently of the other.

To use categories, you need to turn on category tracking. Go to the Setup menu, choose Preferences, and then click the System tab. Mark the Turn on Category Tracking checkbox. If you want to be forced to enter a category for every transaction, select the Categories are Required option, rather than the Categories are Not Required option.

By the way, if you're unsure of whether to use jobs or categories to analyze profitability, bear in mind that you can split a single transaction across several jobs, but you can't select more than one category for a single transaction.