

Price calculation

EVER FASTER CHANGING MARKETS AND RESPECTIVE SALES DECISIONS REQUIRE EFFICIENT INSTRUMENTS TO PROCESS INFORMATION

PART 5

Part 1 was dealing with the complete synchronization of flow of material and flow of information, part 2 went into details. Part 3 took a closer look into the delivery of baked goods. While Part 4 dealt with batch traceability, part 5 now takes a concluding look at the integrated cost accounting for bread and baked goods.

+ Whereas in the past, food producers, especially in the bread and baked goods sector, used to have several days to submit their quotes to grocery chains, in an age of ultra-modern information technology this increasingly happens within hours or often even within minutes. In everyday life, a call from a grocery chain often goes like this: “At what price can you supply this article in a certain quantity starting next week? We are right in the middle of the decision-making meeting. We’ll give you about 30 minutes.”

Such a situation leaves only two options:

- +** making a quick decision lacking a real base
- +** making a decision on the basis of accurate online numbers (originating from material management data = procurement, product costing, from enterprise resource planning = sales volume, sales calculation)

The CSB-System for bread and baked goods helps decision-makers to make sound decisions since product costing and the calculation of sales costs will lead to article and customer-specific marginal costing, i.e. integrated cost unit accounting.



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To calculate the product costs, all production steps are depicted in a hierarchical tree (preliminary product – intermediate product – finished product). For each step, nine costing levels are available leading to the following price levels: material price, cost price, profitability price, imputed sales price.

The material price includes all relevant procurement costs for raw materials, auxiliary goods, and packaging. Information is provided online that means it is up-to-date. All variable costs (payroll, machines) are allocated to the cost price. The profitability price includes all fixed costs (sales, administration, etc.) originating from accounting data. The imputed sales price includes imputed mark-ups or other charges.

On the sales side (sales calculation), all direct terms (e.g. discounts) and implicit terms (e.g. bonus) are taken into consideration based on gross customer revenue by article order. These conditions may include: article-related terms and conditions (special price, sales promotions, discount), order-related terms (mark-ups or deductions per order), periodic billing (special discounts on invoices for food retailers). Additionally, all revenue impairments such as agent’s/agency fees, bonuses, contributions to advertising expenses, partner rewards, etc. are integrated in the calculation on other levels in order to maintain the resulting net-net revenue minus all revenue reductions.

The integrated model of cost unit accounting offers numerous ways for contribution costing. It provides flexible and quick answers to both the question of overall costs or direct costs and sales costs on a net-net base with or without revenue reductions. This makes the CSB System for bread and baked goods an excellent tool for quickly determining the lower price limit.

A sound calculation basis enables the sales division to quickly react in fast-paced everyday life in order to face tougher competition with its increasing price pressure. The integrated CSB System lists all required production capacities in the production scheduling module. **END +++**

