

Cost Price Management in Candela

Cost Price

Cost price is the price at which a retailer buys goods or services.

The cost price of various goods and services is variable and can change periodically. Depending on the nature of the business, such changes can be occasional or frequent.

As you know, retail price is fixed by taking into account the cost price of a particular product and adding a certain markup to it. Thus it is important to prepare your retail pricing strategy by accommodating cost fluctuations.

Cost Price Management Candela

Candela provides a total cost price management solution. With Candela you can confidently make your retail pricing decisions because the system effectively incorporates any changes in the cost price of products. This helps a retailer in a number of ways:

- Retailers can react to such changes in costs by adjusting their retail prices.
- Can make informed decisions about purchase of materials and utilities.
- Can predict fluctuations in profit margins
- Can predict changes in prices of assembly products by taking into account changing costs of component of an assembly product.

How Cost Price Changes are Incorporated and Managed in the System

Consider an example:

A retail business purchases a product from a wholesaler at 100 per item.

On August 1 it purchases 50 items. Thus the total cost of the stock is: $100 \times 50 = 5000$

It sells 30 items. Now the current stock is 20 items

On September 1, it purchases 60 items at 120 per item

Now the total stock becomes: 20 (old stock) + 60 (new stock) = 80 items.

Now what do you think will be the cost price of 80 items?

Should it be 120? **NO**.

The system will consider the old and new costs plus old and new stocks and then arrive at an average cost. This cost is called **weighted average cost** and is calculated in the system by this formula:

Weighted average cost:

$$(\text{old stock} * \text{old average cost} + \text{new stock} * \text{new cost}) / (\text{Old stock} + \text{new stock})$$

Let's apply this formula to our example:

$$(20 * 100 + 60 * 120) / (20 + 60) = (2000 + 7200) / 80 =$$

$$9200 / 80 = 115$$

Thus the new weighted average cost price will be 115.

Rationale for calculating a weighted average cost: As there is some old stock lying that costs 100 per unit, the system instead of applying the new cost price to the entire stock will calculate a weighted average cost price that can be applied to the entire stock.

Thus whenever there is a price change, the system will make provisions for such changes by calculating weighted average cost prices of products.

Here is an example of a weighted average cost price of a product over a period of 5 months:

Weighted Average Cost price incorporating cost price changes over a period of five months

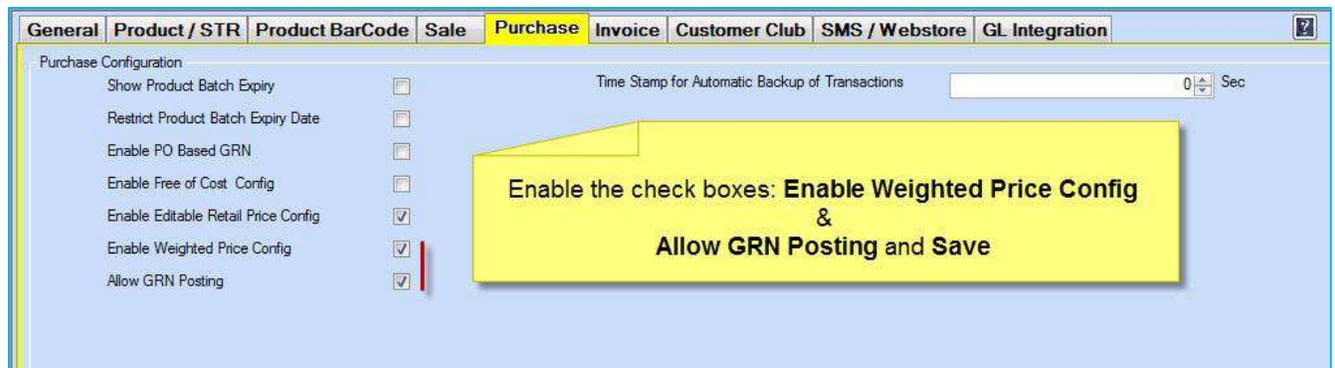
Date of purchase	New Stock	Cost per unit	Total stock	Weighted Average Cost	*Items sold	Current stock (stock-sold items)
Aug 1	50	100	50	$(0 * 0 + 50 * 100) / (50) = 100$	30	$(50 - 30) = 20$
Sept 1	60	120	$(20 + 60) = 80$	$(20 * 100 + 60 * 120) / (20 + 60) = 115$	50	$(80 - 50) = 30$
Oct 1	40	130	$(30 + 40) = 70$	$(30 * 115 + 40 * 130) / (30 + 40) = 123.57$	60	$(70 - 60) = 10$
Nov 1	55	135	$(10 + 55) = 65$	$(10 * 123.57 + 55 * 135) / (10 + 55) = 133.24$	40	$(65 - 40) = 25$
Dec 1	80	140	$(25 + 80) = 105$	$(25 * 133.24 + 80 * 140) / (25 + 80) = 138.39$	70	$(105 - 70) = 35$

**Other than sales, stock transfer, purchase return, sale return, entering of GRNs etc., can impact the amount of stock*

Now that you have a fairly good idea of why it is important to calculate weighted average cost and how the system calculates it, let's move on to Candela screens and learn how it is done in Candela.

CONFIGURING YOUR SYSTEM FOR CALCULATING WEIGHTED AVERAGE COST

Configuration > System Configuration > Purchase



Entering Cost Price

In Candela, you can enter cost price of your products in the following ways:

1. You can enter cost price on the product definition screen while defining the product. If you have defined a product and saved it, you cannot enter or change its cost price on the product definition screen.
2. You can enter/ change cost price while preparing a GRN.
3. You can enter/ change cost price through price utilities tab ([Utilities > Price Utilities > change Product Cost price](#))

Weighted Average Cost Price

The following two steps are required for the system to calculate weighted average cost price;

1. Cost price is entered in the GRN
2. GRN is posted on GRN Posting screen

1. Purchase > GRN Matrix (GRN Matrix because it is a size and colour item)

The screenshot displays the 'GRN Matrix Records' window. At the top, there are fields for Supplier (Pirochio), Due Date (11/Aug/2014), Invoice No (6), and Invoice Amount (5000). Below these are fields for Batch No (6), Payment Mode (Cash), Date (11/Aug/2014), and Comments. A table below shows the GRN record for product GN00001, with columns for Product, Color, R Price, Rate, 999, Total Quantity, Total Amount, and Delete. The record shows a Rate of 100.00 and a Total Quantity of 50. A yellow callout box with a red arrow pointing to the 'Rate' field contains the text: 'Cost price is 100 quantity entered is 50'. The interface also includes various navigation and control buttons at the bottom.

Product	Color	R Price	Rate	999	Total Quantity	Total Amount	Delete
GN00001	Default Color	300.00	100.00	50	50	5,000.00	Delete

- Cost in GRN is editable and rights based

Security > Group Rights > Purchase > GRN/ GRN Matrix

Editable Rate of GRN checkbox should be checked for the user who is given the rights to edit GRN cost.

- Rights to enter GRN and rights to manage cost can be given to two different people.
For example, one person can enter GRN but s/he may not be able to view cost or update it.
Security > User

Select the user and uncheck the checkbox **Enable View Cost Price**

- Similarly, another group (cost users) of persons can have the right to manage cost. They will load the prepared GRNs from Records screen, enter cost, and update cost. They may or may not have the right to load products
Security > Group Rights > purchase>GRN
If the **Qty to Cost User** checkbox is checked for the cost user, s/he can enter new GRN or update and change it.
But if the checkbox is unchecked for the cost user, s/he can update a GRN but cannot create a new one.

2. You can now post the GRN (posting can be done one minute after the preparation of the GRN). **Purchase > GRN Posting**

GRN Posting

This field shows the date and time in the system when the posting is being done

Posting Date: 11/Aug/2014 04:53:05 AM

Last Posting: 11/Aug/2014 04:43:05 AM

Transaction Timestamp: 11/Aug/2014 04:42:41 AM

User: demo

Posting ID	Time Stamp	User	Posting Date
3	11/08/2014 04:...	demo	11/08/2014 04:...

Posting Date: Here you can select the date up to which you want to post the GRNs. All GRNs created between **Last Posting** and **Posting Date** are posted

Last Posting Date: It is the read only date and shows the date up to which posting has been done. The field is editable when you post GRNs for the first time. After the first posting of GRNs, this date becomes read only. No new GRNs can be posted before the **Last Posting** date

Save after giving the **Posting Date**, and the posted GRNs will appear in the grid

Record: 1 Of 1

Navigation icons: Back, Previous, Next, Forward, Save, Print, Delete, Exit

Old GRNs prepared before the last posting date will be locked, this means they cannot be deleted or updated.

GRNs are posted by Admin users. Once posted, the admin users can delete the posted GRN if s/he has the rights.

During the posting process, new weighted average cost price is created for each GRN. The system will apply weighted average cost formula (explained above) to all products one by one.

Once a weighted average cost price is calculated for a particular product, its cost price on the product definition screen will also change.

It is recommended that you regularly post your GRN. It takes only a minute. If there's a gap between GRN preparation and GRN posting, the sales invoices and STRs created within this gap will be based on the old cost price.

COST PRICE MANAGEMENT UTILITIES

There are certain utilities in CANDELA that help you manage cost in the system. These utilities can also rectify some of the problems which may be created due to work flow issues; however, there are also certain limitations.

Change Cost Price

On this screen you can enter cost price of a product or change the existing cost price. The changes made in the cost price on this screen will be reflected on the product definition screen.

However, any change in cost price made on this screen will have no impact on the cost price (whether entered manually or weighted average cost calculated by the system) appearing on already prepared GRN.

[Utilities > Price Utilities > Change Cost Price](#)

Criteria Set Product Cost Price

Product Range [] - []

Line Items: (01) General, (GR) Grocery, (LS) ladies shoes, (SH) shoes

Basic Advance Selected Products

Category: casual | Product Group: offline only | Gender: gents | sizes: US, Female, Common, Male

Select the line item to change or enter cost price of the product defined under it. You can also give product range or select products by different variables like product group, sizes, category, Gender. Moreover, you can also load products from text files by clicking **Selected Product** button

After the selection, click **Move Next** button

Criteria Set Product Cost Price

Add Product [] Hold Product Help

Action: --Select-- | Value: [] | Generate Price

Percentage of Retail Price
 Percentage of Cost Price
 Flat Increase
 Flat Decrease
 Latest GRN Net Purchase price

Product	RPrice	CPrice	NPrice	Delete
SH00001-030-BLK SH00001 030 BLK	120.00	50.00		Delete
SH00001-038-BLK SH00001 038 BLK	30.00	0.00	20.00	Delete
SH00001-042-BLK SH00001 042 BLK	20.00	0.00	10.00	Delete
SH00001-042-OGR SH00001 042 OGR	20.00	0.00	10.00	Delete
SH00001-038-OGR SH00001 038 OGR	10.00	0.00		Delete
SH00001-030-OGR SH00001 030 OGR	20.00	0.00		Delete
SH00002-999-999 SH00003 030 BLK	800.00			Delete
SH00003-038-OGR SH00003 038 OGR	108.00	0.00		Delete
SH00003-042-OGR SH00003 042 OGR	580.00	0.00		Delete
SH00003-042-OGR SH00003 042 OGR	100.00	0.00		Delete

You can perform various actions (flat increase, decrease, etc., give Value and **Generate** new cost price

If you select **Latest GRN Net Purchase price**, the Value field will become disabled and system will pick the purchase price entered in the latest GRN

You can also enter or change cost price of every product and **Update**

Record: 14 of 83

Set Average Cost Price

This utility only shows those products or items where the manually entered/changed cost price on the product cost price screen (**Item Avg Cost**) is different from the system calculated latest

GRN weighted average (**GRN Avg Cost**). If both the costs are same for all products (which should be the case) then no record is displayed on this screen.

The screen is used to reconcile differences between manually entered/changed cost price and the system calculated weighted average cost price.

This utility can be used in one of the two ways:

1. You can overwrite the manually entered/changed cost by the system calculated weighted average cost.

This option is useful if you have done some change in the cost price on the **Change Product Price** screen and you want to reverse those changes. Before running this utility the **Item Avg Cost** and **GRN Avg Cost** will be different and after running this utility, the GRN Cost price will be overwritten on the Item cost price.

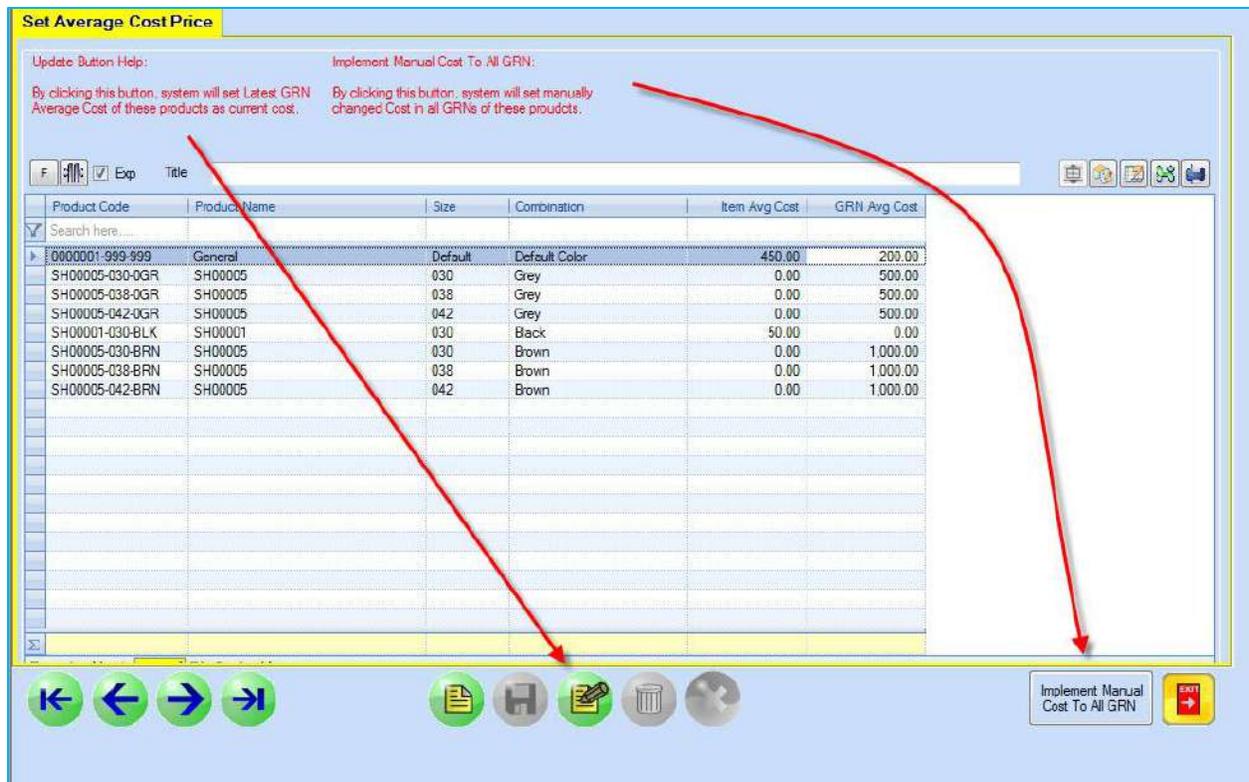
This also means that if you have made some changes to the cost prices on the **Change Product Cost Price** screen and later run this utility, those changes will be lost.

2. You can copy **Item Avg Cost** to all previous GRNs and thus set the current average cost price based on the changes you have made on the **Change Product Cost Price** screen.

This option is useful if you have made changes on the **Change Product Cost price** screen and want to incorporate those changes to the GRNs. When you run this utility, the cost price on all previous GRNs will be overwritten by the manually changed cost price.

This process is irreversible and should be run with care. A backup should be taken before running this utility.

Utilities > Price Utilities > Set Average Cost Price



GRN Based Cost Update

This utility is used to enter correct cost in the Sales and STR documents.

As mentioned earlier, if GRN posting is not done in time, the cost price in the Sales Invoices and STRs made during the gap between the creation and posting of GRNs will not change. You can modify cost in these documents on this screen.

The cost changes can only be made in the documents for a particular period *after* GRN posting has been done for that particular period.

Utilities > Price Utilities > GRN Based Cost Update

Update Cost

STR Sales

Select Date Range

From: 12/Aug/2014 To: 12/Aug/2014

Update Sales Update STRs

1
Select the radio button **STR** or **Sales** depending upon which one you want to update

2
Give **From** and **To** dates to provide the date range. All sale invoices or STRs made during this time period will be updated.

3
Click **Update Sales** or **Update STR** depending on your requirements

For the duration of the given date range, the system picks up all the GRNs created during that date range and works from the first GRN (during that date range) to the last GRN, one by one.

This utility picks up the cost price stored in every GRN against available product items and then updates cost for the selected product items in all Sales Invoices and STRs starting from the date of that GRN. This process is repeated for all GRNs within the given date range

Cost Management Reports

Purchase price change report

[Reports > F-Purchase Reports > F-14 Purchase Price Change Report](#)

This reports shows comparison of history of the changes in cost price as appearing on GRNs.

F-14 Purchase Price Change Report

Criteria Result

F-14 Reports shows changes in the purchase price on GRNs within the selected date range.

Drag a column header here to group by that column:

Search here.....

Product Code	Product Name	Previous Cost Price	Current Cost Price	Previous Invoice #	Current Invoice #	Shop Name
01 [Test Product]	Test Product	50.00	62.22	7	9	Land of OZ
01 [Test Product]	Test Product	56.00	62.22	8	9	Land of OZ
02 [02]	02	50.00	60.00	10	11	Land of OZ

Product 01
Its cost price was 50 when it was purchased against the **GRN#7**

It was then purchased at 60 and after GRN posting the system calculated weighted average cost against the **GRN #8** became 56

The current cost (last purchase) was 70 and the system calculated weighted average cost against the **GRN # 9** became 62.22

Product 02
it's cost price against the GRN # 10 was 50
The current cost (last purchase) against the GRN # 11 is 60

History of purchase price changes will be shown in this report whether GRN posting is done or not. If the posting is done, the cost will show weighted average cost, otherwise it will simply show the changes in the cost price appearing on GRNs

Cost price History Report

This report shows changes in price as well as changes in stock. If you have done GRN posting, the report shows the purchase price, weighted average cost as well as the formula used for calculating the weighted average cost.

[Reports > G-Product Reports > G-09 Cost Price History](#)

Cost Price History

Criteria
Product: 01
Date Range: 12/Aug/2014 - 12/Aug/2014
Generate Report

Exp Title

Drag a column header here to group by that column.

Product ...	Product Name	GRN Date	Pack...	Unit ...	Purchase ...	Cost	Old Qty	Posting Time	Formula
01	Test Product	12/Aug/2014 0...	20	20	50.00	50.00	0	8/12/2014	(((LastWeighteAvgCostOfSKU = 50) * (Old_Qty=0)) + ((NewQty=20 - NewQty...
01	Test Product	12/Aug/2014 0...	30	30	60.00	56.00	20	8/12/2014	(((LastWeighteAvgCostOfSKU = 50) * (Old_Qty=20)) + ((NewQty=30 - NewQty...
01	Test Product	12/Aug/2014 0...	40	40	70.00	62.22	50	8/12/2014	(((LastWeighteAvgCostOfSKU = 56) * (Old_Qty=50)) + ((NewQty=40 - NewQty...

purchase/cost price

System calculated Weighted average cost

Record: 1 Of 3

Navigation icons: Home, Back, Forward, End, Print, Save, Edit, Delete, Refresh, Exit