



## HOW TO LOSE PROFIT AND POTENTIALLY BANKRUPT YOUR COMPANY WHILST PROCESSING DATA.

I am writing this in response to observations that have been made when dealing with customer queries.

Names have not been divulged in order to protect the guilty, but these are from actual case histories, so don't think it can't happen to you!

1. Whilst processing purchase orders or suppliers' invoices DO NOT look at the screen whilst you are working. It does not matter if you get the quantity or costs wrong, and definitely DO NOT check to see if the quantities and/or prices agree with the supplier's invoice.
2. When entering a raw material or packaging item into the system make sure you use the "per" field incorrectly.

Price	Exc Price	Inc Price	Updated

Price is Per 1.00

Packed In 0.000

Quantity Location

This way you can have the last cost at 100<sup>th</sup> or even 1000<sup>th</sup> of the real price. Of course, you can also have it the other way round, so your cost of the material is 100 or 1000 times the real cost, but that way you will price yourself out of the market, so you won't sell much anyway.

3. DO NOT regularly do a re-costing in ALCHEMIST. (Especially if you have set your system not to re-calculate the product's cost when manufacturing it – See **[Alchemist][Formulations][Alchemist – Global Settings][Setup][Production]<Finished goods routing and costing>**

Recost Product

No

Yes

This way your costs can be way out of date and you can base all of your selling prices on data that was captured when oil was still \$28.00 per barrel.

4. ALWAYS set ALCHEMIST to recalculate the costs when finalising a finished product in manufacture, as shown in 3], above (say "Yes" under Recost Product), and then, when you process the finished goods make sure you enter the wrong figures for the quantities produced.

If the batch calls for, say, 100 by 5 litres and this was what was actually made, enter 120 by 5 litres. This way you can screw up your stock records as well as re-cost the products at a figure 20 percent less than the real cost and the Sales guys can imagine they are making a good gross, when actually they make less profit than the commission they get.

This works especially well if you actually did produce more than the quantity scheduled because the lab made some additions to the batch, but you forgot to process the Lab Additions. This screws up the Raw

material stocks as well.

- 5. This one is really sneaky, so I am going to tell you what you SHOULD be doing so you can avoid it. Within the **[Supplier][Purchase Orders][Miscellaneous][Setup][Operating Parameters]<Details>** we have the following facility:

Invoice Price

Is actual cost

May not be actual cost

If this is set to “May not be actual cost”, then, when processing a supplier’s invoice, in the Details section, the following appears:

Item	Name	Inv Qty	U	Inv Price	Addit. Cost	Disc %	Excl Value	G/L Code
		0.000		0.00000	0.00000	0.00	0.00	

You will notice an extra field (outlined in red, above).

This is where you may enter additional costs that are to be used in costing your manufactured products, but which do not add to the value of your stock.

For example, you may import a product “XXX” from Eish Chemikal Suppliers in Timbuktu. They charge you 10 bucks a kilo, however, it costs you another 5 bucks for shipping and another 2 bucks for insurance, so you want to use 17 bucks as the real cost of the material in your formulations. What you don’t want to do is to process Eish Chemikal Supplier’s invoice at 17 bucks per kilo, because then your books show you owe them too much.

So, using the feature above when processing Eish’s invoice, you stick 10 bucks under “Inv Price” and 7 bucks under “Addit. Cost”.

The “Addit. Cost” does not reflect on the invoice total, but is used when this material is used in a formula for costing purposes.

### STOCK VALUE

When you look at an item that has been processed in the above manner, you will see a screen like this:

Code: M824, Name: M824, Description: M824

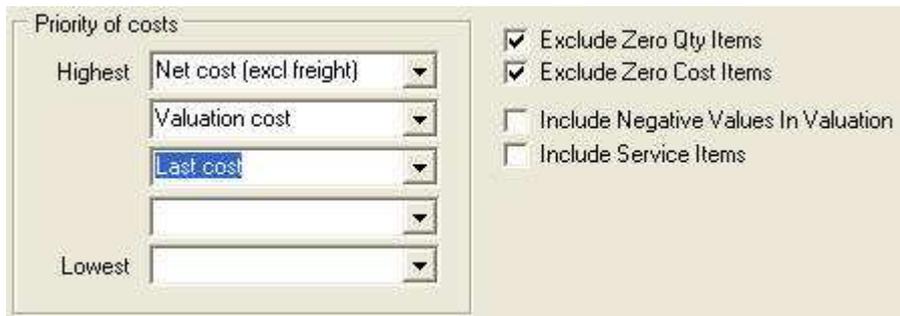
Cost per Unit:

Cost Type	Value	Date
Last	43.000	2009-10-30
Average	43.000	
Standard	0.000	
Valuation	0.000	
Edited	0.000	
Additional	3.000	2008-10-30

You will notice that, under –Cost per Unit- at the bottom there is a field called “Additional” – this is where those additional costs are held.

The Last cost shown reflects the actual cost of the item PLUS the additional costs and may be used for costing purposes, however you will not wish to use this value when valuing your stock, therefore you should set up the stock as follows:

If you go to **[Stock][Reports][Stock Value][Standard Items][Stock Value]** , you will see, on the report setup screen a section like this:



This is where you establish the priority of costs to use in your valuation.  
I recommend that you use the setup as shown above.

What this will do is the following:

If the computer finds a Last cost and also an additional cost it will subtract the additional cost from the last cost and use the result for the valuation calculation.

If the computer finds no additional cost it will use the Valuation cost for the calculation (if it finds one); if not it will use last cost.

This means that your stock will be valued correctly.

Of course, if you are intent on bankrupting your company, do not do any of the things in 5., above. This will have the effect of a) under-costing your manufactured products and/or b) over-valuing your stock so your books show a profit when you are actually making much less.

6. Please, NEVER look at the following reports:

**[Stock][Reports][Over / Under Recovery]** – this report calculates the prices you should be selling products for (based on the markup factors in each price list), shows you what you did sell the stuff for, and shows you whether you are gaining on the swings or losing on the roundabouts.

**[Customer][Reports][Stock Items][By Customer (Det)] with the selection “Show Cost/GP” selected.**

This will show you where you made too little GP and where you ripped the customer off.

**[Customer][Reports][Accounts][GP per Account]** – This shows you which of your customers are worth dealing with and which ones you are wasting your time servicing.

All of the above should NEVER be exported to Excel and manipulated in various ways because you may discover interesting and valuable information about your products and customers that may help you to sell and market more efficiently – now you wouldn't want to do that, would you?

#### DISCLAIMER

Peter and I will probably find some more ways you can help in the general decline of the economy, but actually we are hoping you will all prosper and continue to support Technisoft, so we would appreciate it if you spoke really seriously to those members of your staff who are doing 1. to 4., above, or not doing, as the case may be, number 5.

If they persist, please send them to us for training.

And if you're doing all or some of Number 6, then you may send yourself!