

Know what each job really costs.

The Manufacturing Costing Buyer Guide is for finance, operations and IT teams choosing software to compare standard and actual cost per job: where each cost comes from, how to read a variance, and what to test before you rely on the numbers.



A cost-input map

Where material, labour and overhead values come from, who owns them and which unit they are in.

One worked job, end to end

Standard, actual and a variance split you can recalculate, plus an investigation worksheet.

Questions that expose gaps

Policy choices to settle first, WIP and ERP boundaries, RFP questions and a scored checklist.

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Who this is for

Controllers, cost accountants, plant and operations managers, and IT teams who currently rebuild job cost in spreadsheets after month end, or who cannot explain why a product's margin moved.

How to use it

- Agree the cost-input map (page 4) and your policy choices (page 8) with finance before talking to suppliers.
- Recalculate the worked job on page 6 in any system you evaluate. The answer should match to the cent.
- Use one of your own recent jobs, ideally one with a surprising variance, for every demonstration.

Important. This guide explains costing mechanics for software evaluation. It is not accounting, tax or audit advice, and it does not say how any accounting standard applies to you. Agree costing policy with your accountants and auditors.

1 • THE PROBLEM

Why job costs go wrong

Most cost surprises are not fraud or bad maths. They come from values typed in late, units that don't match, or rates nobody has reviewed since they were set.

SYMPTOM	TYPICAL CAUSE	WHAT SOFTWARE SHOULD MAKE VISIBLE
Margin moves and nobody knows why	Actual cost rebuilt from memory at month end	Actual quantities captured at the step, per job
Material cost looks too high	Overuse, scrap, or a price change mixed together	Price and usage shown separately
Labour cost is a guess	Hours estimated from shift length	Hours recorded or entered against the job, with who and when
Numbers change after close	Late corrections without a trail	Corrections kept with old value, new value, who and why
Unit cost wrong by a factor	Purchasing in bags, issuing in kg, costing per unit	Explicit units and conversions on every line
Standard costs nobody trusts	Standards edited without history	Standard changes kept with who, when and effective date
Finance and operations disagree	Two systems, two versions of the job	One job record that finance can trace to source

The outcome to buy. A cost per job that anyone can trace back to the recorded quantities, prices and hours, with differences explained before close.

Avoid buying a chart. A margin dashboard is only as good as its inputs. Ask to see one number traced to the record it came from.

2 • INPUTS

The cost-input map

Every value in a job cost has a source, an owner and a unit. Agree these before configuring any system.

1	Standard material cost Price per unit for each material	RECORDED Price, unit, effective date, change history	WHO DECIDES Finance / purchasing owns the standard
2	Recipe or bill of materials Quantity of each material per batch or unit	RECORDED Quantity, unit, approved revision	WHO DECIDES Product owner under change control
3	Actual material quantity Dispensed or issued to the job	RECORDED Quantity, unit, lot, who and when	WHO DECIDES Recorded on the floor; scale where connected
4	Actual material price Purchase or receipt price, or standard	RECORDED Price source and date	WHO DECIDES Your costing policy decides
5	Labour hours Time spent on the job	RECORDED Hours, person or crew, recorded or entered	WHO DECIDES Recorded on the floor or by a supervisor
6	Labour and overhead rates Rates and drivers you set	RECORDED Rate, driver (hour, line hour, unit), effective date	WHO DECIDES Finance owns rates
7	Good output and scrap Units completed, rejected and reworked	RECORDED Quantities, reason codes	WHO DECIDES Recorded at completion
8	Variance review Differences explained before close	RECORDED Comments, decision, who	WHO DECIDES A person decides what it means

Ask: "Open the actual quantity for this material on this job. Show me who recorded it, when, from which scale or entry, and in which unit."

3 • UNITS

Units, conversions and standard versus actual

Unit mistakes are the quietest source of cost error. Make every unit explicit and every conversion visible.

ITEM	BOUGHT IN	STORED / ISSUED IN	COSTED IN	CONVERSION TO CHECK
Base powder	25 kg bag	kg	per kg	1 bag = 25 kg; partial bags issued by weight
Flavour blend	5 kg pail	kg	per kg	Small quantities: confirm scale resolution
Pouches	Carton of 1,000	each	per each	Count issued vs count used vs scrap
Labour	—	hours	per hour	Crew size × elapsed time, or hours per person
Overhead	—	line hours	per line hour	Driver chosen by your policy (hour, unit, batch)

Standard versus actual, in plain words

Standard

What the job *should* cost: recipe quantities × standard prices and rates, scaled to the good output actually made.

Actual

What the job *did* use: recorded quantities and hours × the prices and rates your policy chooses.

Variance

Actual – standard. Split into price/rate and usage/efficiency so each has an owner.

CHECK	WHAT GOOD LOOKS LIKE	OK
Units on every line	Each cost line shows quantity and unit, not just a value.	☐
Conversions stored once	Pack-to-base conversions held in one place, with history.	☐
Standard scaled to output	Standard is compared with the good output actually made, not the plan.	☐
Rounding rule agreed	Where rounding happens (line, job, unit cost) is documented.	☐
Currency explicit	One currency per job; exchange rates handled by your finance policy.	☐

4 • WORKED EXAMPLE

One worked job

A fictional job, WO-5502 (P-55 seasoning pouch). 500 units were planned and 480 good units were made, so the standard is scaled to 480 units. Sample maths only — not a customer result.

LINE	STANDARD FOR GOOD OUTPUT	PLANNED	ACTUAL RECORDED	ACTUAL	DIFFERENCE
Base powder	240 kg × \$4.00	\$960.00	262 kg × \$4.10	\$1,074.20	\$114.20
Flavour blend	4.8 kg × \$30.00	\$144.00	5.2 kg × \$30.00	\$156.00	\$12.00
Pouches	480 each × \$0.20	\$96.00	495 each × \$0.20	\$99.00	\$3.00
Labour	5.76 h × \$32.00	\$184.32	6.75 h × \$32.00	\$216.00	\$31.68
Line overhead	5.76 line h × \$45.00	\$259.20	6.75 line h × \$45.00	\$303.75	\$44.55
Total		\$1,643.52		\$1,848.95	\$205.43

Cost per good unit. Planned \$3.42 · actual \$3.85. The \$205.43 difference is 12.5% of the planned cost.

Recalculate it. Ask each supplier to enter these quantities, prices and rates. Planned should be \$1,643.52, actual \$1,848.95.

Where each actual came from

LINE	SOURCE RECORD	OWNER
Base powder, flavour blend	Dispensing record for the job (scale where connected)	Operator records; supervisor reviews
Pouches	Material issue to the job, including 15 scrapped	Packing operator
Labour and line overhead	Hours recorded or entered against the job	Supervisor confirms; finance sets rates
Prices	Standard costs, and the actual price your policy uses	Finance / purchasing

5 • VARIANCE

Investigating a variance

Split each difference so it reaches the person who can act on it: purchasing for price, production for usage and hours.

Price / rate

$(\text{actual price} - \text{standard price}) \times$
actual quantity

Usage / efficiency

$(\text{actual quantity} - \text{standard quantity})$
 $\times$ standard price

Check

price part + usage part = line
difference

LINE	PRICE / RATE PART	USAGE / EFFICIENCY PART	LINE DIFFERENCE
Base powder	Price: \$26.20	Usage: \$88.00	\$114.20
Flavour blend	Price: \$0.00	Usage: \$12.00	\$12.00
Pouches	Price: \$0.00	Usage: \$3.00	\$3.00
Labour	Rate: \$0.00	Efficiency (hours): \$31.68	\$31.68
Line overhead	Rate: \$0.00	Efficiency (hours): \$44.55	\$44.55

Investigation worksheet

QUESTION	ANSWER FOR THIS JOB	WHO
Is the variance above our review threshold?	_____	_____
Is the recorded quantity right (scale, unit, late entry)?	_____	_____
Was there scrap, rework or a yield loss? Reason recorded?	_____	_____
Did a price change, or is the standard out of date?	_____	_____
Were hours longer because of downtime or changeover?	_____	_____
Decision and action (none / correct record / update standard / CAPA)	_____	_____

In the example, most of the difference is base-powder usage (22 kg over standard) and 0.99 extra hours. A person decides whether that is a process issue, a recording issue or an out-of-date standard.

Labour and overhead: your policy choices

Software applies the rules you choose. Settle these with finance first, then check that each supplier can apply them.

DECISION	COMMON OPTIONS	YOUR CHOICE
Actual material price	Standard price · last receipt price · average cost · lot cost	_____
Labour time	Recorded per person · per crew · entered by supervisor	_____
Labour rate	One blended rate · rate per role · rate per line	_____
Overhead driver	Per labour hour · per line hour · per unit · per batch	_____
Scrap and rework	Charged to the job · to a scrap account · separately reported	_____
Review threshold	Value or % above which a variance needs a comment	_____
Standard updates	Annual · quarterly · on approved change only	_____

What V5 records (confirmed in its product reference)

- Standard costs per material, with changes kept in the audit history.
- Material actuals from recorded dispensing and issue.
- Labour and overhead from rates and drivers you set; hours recorded or entered as your set-up allows.
- Standard versus actual and variance per batch, lot and product, with yield and material variance.

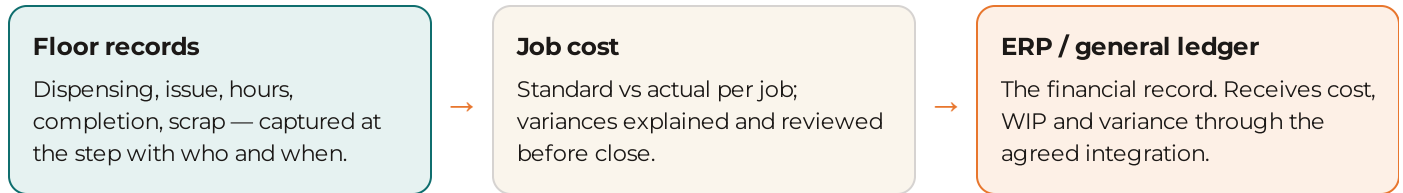
Confirm in evaluation

- How labour time is captured in your workspace.
- Which actual-price method your configuration uses.
- How scrap and rework are reported in your cost view.
- Plan inclusion: cost and variance are in Professional and Enterprise.

7 • BOUNDARIES

Work in progress, period close and your ERP

Decide which system does what. Operational cost should feed finance, not compete with it.



QUESTION TO SETTLE	WHY IT MATTERS
Which system values inventory and WIP for the books?	Two valuations of the same stock cause reconciliation work every month.
When is a job closed for costing, and can it reopen?	Late corrections after close need a trail and an owner.
What goes to the ERP: totals, lines, variances, journals?	Defines the integration scope and testing.
Who approves the transfer at period close?	A person should confirm before numbers post.
How are corrections after posting handled?	Reversals and adjustments should be traceable on both sides.

Source ownership and evidence

CHECK	WHAT GOOD LOOKS LIKE	OK
Standards	Owner named; changes approved, dated and kept in history.	☐
Recipes / BOMs	Approved revision recorded on each job.	☐
Recorded actuals	Every quantity and hour shows who, when and source.	☐
Corrections	Old value, new value, reason and person kept.	☐
Close	Job close date and approver recorded; ERP transfer logged.	☐

RFP questions and scored checklist

Inputs and units

- Show standard cost history for one material: who changed it, when, effective date.
- How are pack and base units converted, and where is that stored?
- How are actual quantities captured: scale, scan, manual entry?

Variance

- Enter our worked job (page 6). Do you get the same planned, actual and split?
- Can price/rate and usage/efficiency be shown separately per line?
- How are scrap and rework shown?

Policy fit

- Which actual-price methods and overhead drivers can be configured?
- How is labour time recorded per job in practice?

Close and ERP

- What exactly is sent to our ERP, when, and who approves it?
- How are corrections after close handled and traced?
- Which plan includes costing and the ERP connection?

AREA	WHAT TO SEE DEMONSTRATED	SYSTEM A	SYSTEM B
Worked job	Our example recalculated to the cent.	_____	_____
Traceability	One cost value traced to its source record.	_____	_____
Units	Pack, base and costing units explicit.	_____	_____
Variance split	Price/rate and usage/efficiency per line.	_____	_____
Policy fit	Our price method, labour capture and overhead driver applied.	_____	_____
Corrections	Change kept with reason and person.	_____	_____
Close and ERP	Transfer scope, approval and reversal shown.	_____	_____
Your own job	A recent job of ours rebuilt and explained.	_____	_____
Total (0–3 each)		_____	_____

Where V5 fits, and sources

- **Finance area:** cost model, variances, work in progress, period close, COGS and ERP journal, alongside production records.
- **Cost and variance:** standard versus actual rollup per batch, lot and product (SKU), using standard costs you maintain and rates and drivers you set. Professional and Enterprise.
- **Where actuals come from:** dispensing and issue recorded on the floor (scales where connected), completion and yield, and hours recorded or entered as your set-up allows.
- **ERP:** your ERP stays the financial record; what is exchanged depends on the configured integration.
- **People decide:** V5 doesn't set selling prices or decide what a variance means.
- **Confirm in evaluation:** labour capture, actual-price method and integration scope for your workspace.

Further reading for your finance team

Listed so your accountants can check how inventory and cost rules apply to you; this guide does not summarise or interpret them. Links reviewed 1 October 2026.

Accounting standards (apply according to your reporting framework)

- **IFRS Foundation — IAS 2 Inventories** — www.ifrs.org/issued-standards/list-of-standards/ias-2-inventories/
- **FASB — Accounting Standards Codification (US GAAP)** — asc.fasb.org/

Records

- **US 21 CFR Part 11 — electronic records and signatures (where your records fall under it)** — www.ecfr.gov/current/title-21/chapter-I/subchapter-A/part-11

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