

## Overhead Cost

Overhead cost is the additional cost (other than routine expenses such as direct material, direct labor, and direct machine costs) incurred within the manufacturing process. It is an indirect recurring cost of running a business that is not linked directly to the goods or service produced and sold.

The Overhead Key (code) must be defined prior to formula entry.



An H-type transaction is executed when a Batch with Overhead Costs is closed. Whenever an H-type transaction is generated, it posts to two accounts: *Overhead* and *WIP* (Work In Progress). Here the *Overhead* account is credited whereas the *WIP* account is debited. H-type transactions have no effect on the Item Location, Cost Layer, or Accounts.



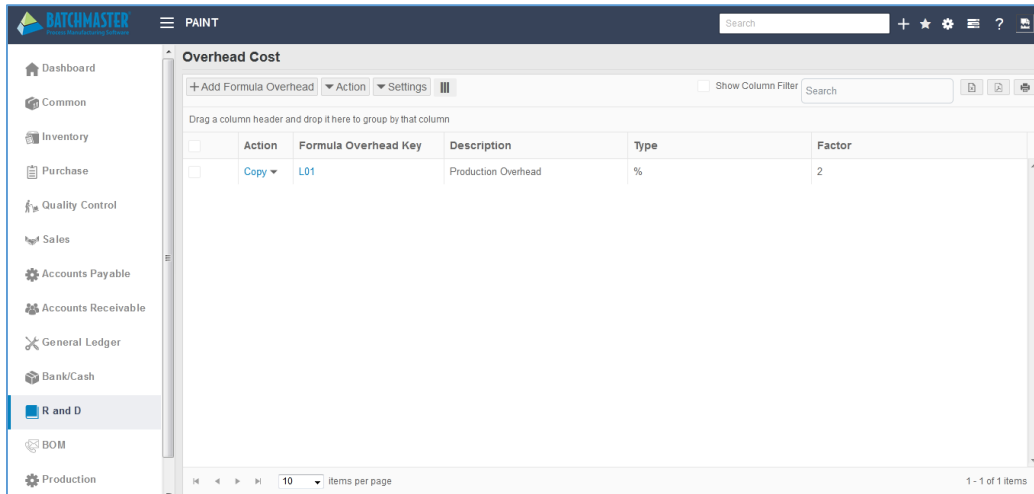
Accounts should be available for attaching to the Overhead Cost:

- When the BatchMaster WEB Company is not interfaced with a finance package, the accounts can be defined at the *Default Ledger Setup* screen in the *Administration Module*.
- When the BatchMaster WEB Company is interfaced with a finance package, the following possibilities exist:
  - a. In the case of a QuickBooks, MAS, GP, or ACCPAC interface, the accounts are defined in the respective finance package.

**Go To: R and D → Formula → Overhead Cost.**

## Overhead Cost Dashboard

You can manage *Overhead Cost* from this dashboard. By default, the system displays all the existing Overhead Cost(s) maintained for your business / company. You can click on any Overhead Cost record to view its details.

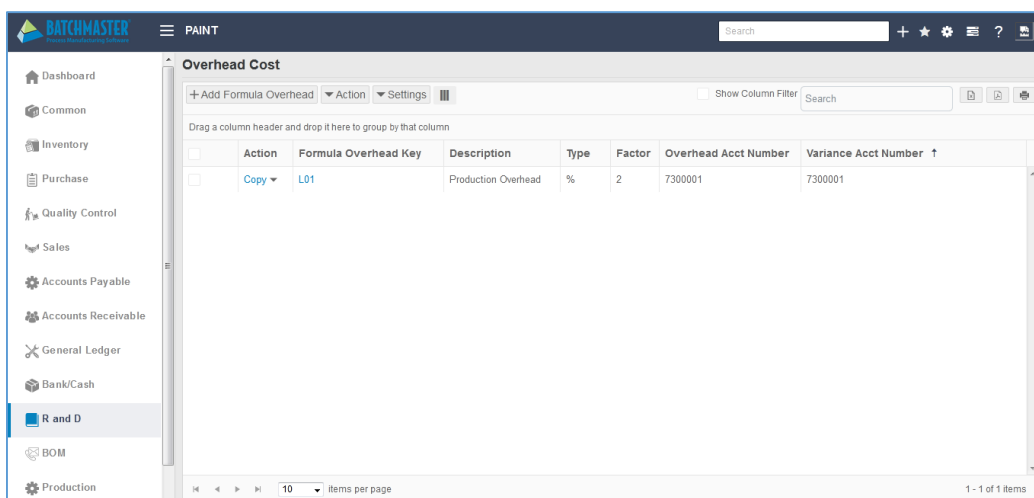


The *Overhead Cost* dashboard contains many elements that occupy 100% of the browser window. Resizing the window would resize the elements to fit. The elements can be rearranged, i.e., docked, resized, grouped, and stacked. The header and the side panel can't be rearranged.

Using the *Action* button from the dashboard you can:

- Print selected record(s)
- Delete selected record(s)
- Copy an existing record to create a new one

After you select all the columns of the *Overhead Cost* dashboard, the middle grid displays the selected columns.



The *Overhead Cost* dashboard provides a clear vision of the created Overhead Cost in a read-only mode. You can view the defined Overhead Cost as per the number of pages provided per page.

## Overhead Cost Screen – Add Mode

To add a new Overhead Cost to your BatchMaster WEB database, click on the + *Add Formula Overhead* button. The system displays the *Overhead Cost Details* screen, where you can create a new record.

The screenshot shows the 'Overhead Cost Details' form. The 'Formula Overhead Key' field is set to 'L01'. The 'Type' dropdown is set to '%-Percentage'. The 'Overhead Acct Number' and 'Variance Acct Number' are both set to '7300001'. The 'Description' field is set to 'Production Overhead', and the 'Factor' field is set to '2'. The 'Overhead Account Description' and 'Variance Account Description' fields are both set to 'Overhead Production'. The bottom bar contains buttons for 'New', 'Copy', 'Save', 'Delete', 'Search', and 'Close'.

### Screen Fields:

**Formula Overhead Key:** This is the unique key that user can use to apply the overhead costs to your formulas. This is a mandatory field.

**Description:** This is a description or additional information for the defined Formula Overhead Key.

**Type:** BatchMaster WEB provides two options for recording the overhead costs:

- **\$-Currency Amount:** If this option is selected, the value of the Factor field is interpreted as an hourly rate, in the Home Currency of the BatchMaster Company.
- **%-Percentage:** If this option is selected, the value of the Factor field is interpreted as percentage.

**Factor:** This is a numeric value that is interpreted in accordance to the setting done at the Type field on this screen.

**Overhead Acct Number:** This is the overhead account number associated with this Formula Overhead Key.

**Overhead Account Description:** This is a description or additional information for the defined Overhead Account Number.

**Variance Acct Number:** This is the variance account number associated with this Formula Overhead Key.

**Variance Account Description:** This is a description or additional information for the defined Variance Account Number.

In general, a variance is the difference between a budgeted, planned or standard amount and the actual amount incurred or sold. Variance can be carried out for both costs and revenue. For example, if a direct material has a standard cost of \$500 but the company paid \$522, the financial statement must report \$522 (the standard cost of \$500 plus the price variance of \$22).

## Creating an Overhead Cost Record

1. Open the *Overhead Cost* Dashboard.
2. Click on the *+Add Formula Overhead* button to open the *Overhead Cost Details* screen.
3. Enter a unique key at the *Formula Overhead Key* field.
4. Enter a description for the Overhead Cost being created in the *Description* field.
5. Enter the appropriate value in the *Type* field. Available options are *\$-Currency Amount* and *%-Percentage*.
6. In the *Factor* field, enter the applicable factor value in accordance with the setting done at the *Type* field of this screen.



If the Overhead is set to *\$-Currency Amount*, the Factor is a currency value that will be multiplied by the line quantity to achieve the desired value. If the Overhead is set to *%-Percentage*, the Factor is a percentage value that will be multiplied by the line value to which it is attached (i.e., if the line is a labor line of 3 hours x \$10.00, and the *%-Percentage* is 5%, the value calculated will be  $3 \times \$10 \times 5\% = \$1.50$ ). Overheads can also be attached to material lines.

7. Enter the associated Overhead Account Number in the *Overhead Acct Number* field.
8. Enter the Variance Account Number in the *Variance Acct Number* field.
9. The WIP account will be assigned by the Formula Class.
10. Click the *Save* button to save the *Overhead Cost* record.