**GREEN TOYS**

**BOM Policy**

Date: June 23, 2017

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1. **Policy**

Introduction**:**

Green Toys’ BOM Policy has been developed to document procedures and controls to ensure BOM’s are accurate and up to date.

Scope:

This Policy’s goal is to create clarity over ownership of the BOM’s and ensure that BOM’s are properly set up, recorded in NetSuite and the information contained within them is reviewed and updated on a regular basis. Best practice is that BOM accuracy should be 98%.

BOM Set Up:

* 1. BOM’s are owned by the R&D team, who design the products.
  2. When a new product is designed, R&D create the BOM workbooks for each new inventory item / BOM (turn key product) and assembly build / BOM (assembled product with underlying SKU’s for each part). Note: Since BOM’s determine the cost of products, they should include a scrap level.
  3. R&D sends the BOM workbooks to accounting / finance who load the details by inventory item / BOM (for turnkey products) and by assembly build / BOM (for assembled products with underlying SKU’s for each part) into NetSuite. Note: a) for assembled builds, the underlying SKU’s should be noted in the components tab in NetSuite; b) all BOM’s in NetSuite should have the BOM workbook uploaded as a file attachment so there is a document against which to cross-check the BOM’s within NetSuite; c) an Excel workbook with packaging amounts is attached to the BOM in NetSuite for turn key and assembled products.
  4. R&D reviews the set up in NetSuite to ensure the BOM details have been loaded correctly into NetSuite.
  5. Once the BOM’s are reviewed and deemed accurate, production is the able to place PO’s.
  6. Once set up, access to the BOM’s should be restricted to the R&D team so they are not altered without authorization.
  7. All new BOM’s will be reviewed in NetSuite by R&D each month.
  8. Any unit errors will be corrected by R&D without consultation with the CEO. Any price corrections will require consultation with the CEO and the production / accounting / finance teams.

BOM Maintenance:

2.0 BOM’s should be subject to on going audit and regular review – at least quarterly.

2.1 The focus should be on BOM’s that are used the most.

2.2 R&D reviews BOM accuracy and ensures that:

* The correct sub-assembly SKU’s roll up to the item for an assembled product.
* There are no duplicate SKU numbers.
* All R&D turn key and / or assembled product corrections and reconfigurations are updated in NetSuite and communicated to accounting / finance / production internally and to the 3PL’s externally.
* PO’s are being issued using the correct BOM specifications and SKU / item numbers.
* Standard costs are updated at least once / year so that purchase price variances are meaningful (please see Inventory Policy for more details on calculation and JE”s for purchase price variances).
  1. BOM accuracy should be measured each quarter = # accurate parts listed in the BOM / total # parts in the BOM. This % should be at least 98% across all BOM’s.