



How to Guide: Average Cost Calculations.

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Introduction

Almost all Point of Sale solutions today works on Average Cost, or weighted cost, which, in simple language, means that if you have old stock at a cheaper price, and you receive new stock at a higher price, then the system will Average the cost to somewhere between these figures, depending on the quantities of old and new stock, this document will explain how it gets calculated.

All costs and profits in Genesis are excluding VAT, and this exclusive amounts are used for calculations, only when it gets to selling prices, Genesis will use inclusive of the products with including VAT figures.

Genesis recalculates Average costs on GRV Authorized and Return to Suppliers transactions. So, if you receive stock at a higher or lower price than before, then the Avg Costs gets recalculated, the same with Supplier return, if you return stock at a higher price, then your Avg Costs gets lowered.

If your onhand traded into a negative, and you GRV new stock at a higher price, and this new GRV move your onhand into a positive figure, then the Avg Cost will be inflated.

If you traded into a negative onhand figure, and the new GRV is not sufficient to bring your onhand into a positive figure, then the Avg Cost calculation gets ignored and the Avg Cost becomes the GRV Cost.

1. So how does Avg Cost calculation work?

In theory is it very simple, you take the Valuation of the old stock, add to it the new stock received, get a total on value and quantity and divide the value by quantity, this will give you Avg Cost. A quick example, you have 100 items at R50, thus R5,000 valuation. You now receive 100 items at R100, so you receiving R10,000 in value; the Nett effect is that you have $R5,000+R10,000=R15,000$ of value, and 200 quantity (100+100). To calculate the Avg Cost, $R15,000$ divide by 200 units = R75.

The example below explains how Genesis displays and calculates Average cost. Let's ignore Rebates for now. The **Value before GRV** are the figure save on the item, before we do the GRV, this includes Last, Avg, Buy and Rebate Last and Rebate Avg; these figures were determined by the previous GRV or Supplier Return. We are only interest in **Avg Cost Excl** and **Rebate Avg Excl**. Below the steps:

1. We take the on hand in all warehouses, in this case 46,663 units.
2. Then we calculate the Stock Valuation before GRV, 46,663 units divide by 12 Units in this pack size and multiply it by the Avg Cost of R229,392; getting a Value of **R892,009.908**
3. The same calculation for Rebate Valuation, $46,663/12 * R16.404 = \mathbf{R63,788.321}$
4. The middle column in the actual GRV, we interested in Quantity, which is Receive Qty plus Received Free Qty, in this case 1,200 cases multiplied by 12 Units = **14,400** units.
5. The top of the right-hand column, is the total Quantity, in this case **61,063** by adding the calculations above.
6. Now to calculate the Stock Value after the GRV, in this case the R892,009.908 mentioned above, plus the Received Total Excl, in this case R275,275.868, totaling R1,167,286.776
7. Now for the calculation, Valuation of R1,167,286.776 divided by 61,063 Units, is R19.116 Avg Cost per unit or R229.39 for a case of 12.
8. The same calculation gets followed for Rebate to determine the Rebate Avg Excl.
9. The Last field not mentioned is Avg Cost Gain/Loss; this is used if the stock was in a negative....

Stock Receipts : GRVs - Average Cost Calculation Values					
Account	TIG002	TIGER FOOD BRANDS CULLINARY	Txan.Type	STKGRV	
Stock Code	11253	Link Code	11253-012	GRV Number	7578767
Description #1	CROSSE & BLACKWELL MAYONNAISE 750G (2X6)				
Units	12	Cost Decimals	3		
[Values before GRV]		[GRV Values]			
Last Cost Excl.	229.397	Recv.Qty.	1 200.00	Onhand before GRV	46 663.00
Last Cost Incl.	263.807	Recv. Free Qty.	0.00	GRV Qty (Units)	14 400.00
Avg. Cost Excl.	229.392	Recv. Cost Excl.	229.397	GRV Free Qty (Units)	0.00
Avg Cost Incl.	263.796	Recv.Total Excl.	275 276.868	Onhand After GRV	61 063.00
Buy Cost Excl.	225.120	Recv.Rebate Amnt.	19 680.000	Valuation before GRV	892 009.908
Buy Cost Incl.	258.840	Recv.Unit Qty.	14 400.00	GRV Value	275 276.868
Rebate Last Excl.	16.400	Recv.Unit Free Qty.	0.00	Valuation after GRV	1 167 286.776
Rebate Avg. Excl.	16.404	Recv.Unit Cost Excl.	19.116	Units	12
Onhand	46 663.00	Recv.Unit Reb. Amnt.	1.367	New Avg. Cost (Units)	19.116
Stock Valuation	892 009.908	Avg. Cost Gain / Loss	0.00	New Reb. Value	83 468.321
Rebate Valuation	63 788.321			New Unit Reb. Amnt	1.367
STK203		GRV - Detail Lines - Average Cost Calculation Values			

That concludes the User Guide.