

Payroll Best Practices For SMB MFG

How to integrate your payroll practice to your manufacturing cost tracking

WHY?

How do I setup Cetec ERP so I can see Labor COGS/expenses on my Income Statement, in the way that *I* want to see it!

Let's review COGS Labor tracking and payroll entry best practices.

COGS Labor & Payroll Best Practices

Method 1 - The Default Settings (The Cetec ERP Way)

Method 2 - The Traditional / Manual Way

Miscellaneous

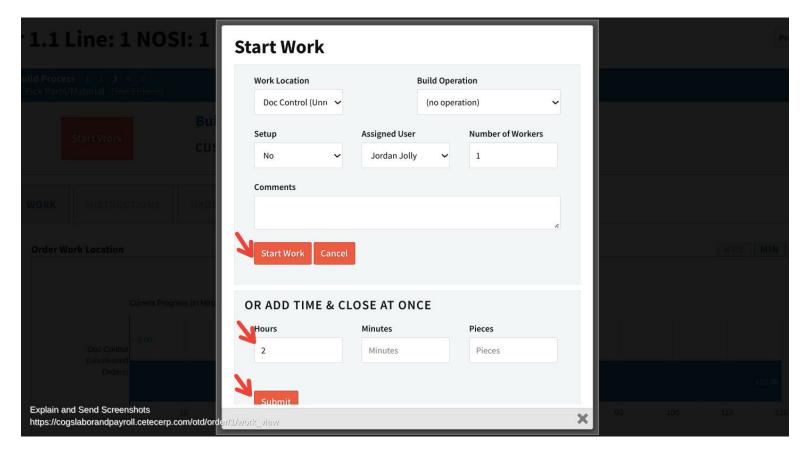
- Poll The Crowd On An Idea
- Overhead COGS?

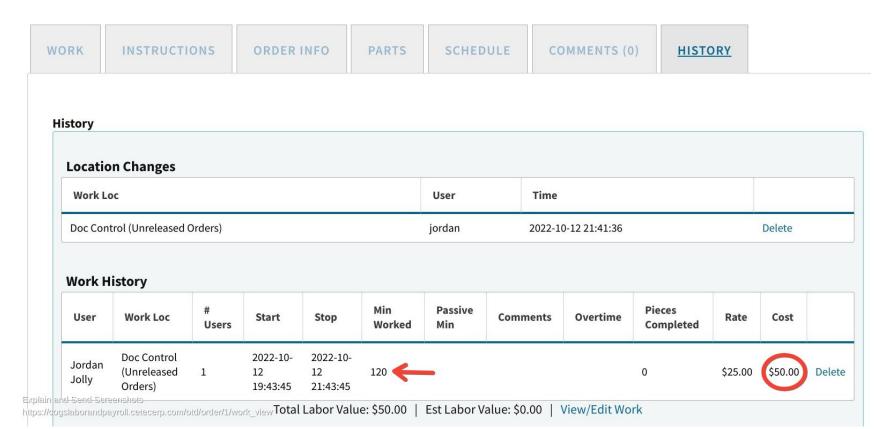
Cetec ERP....

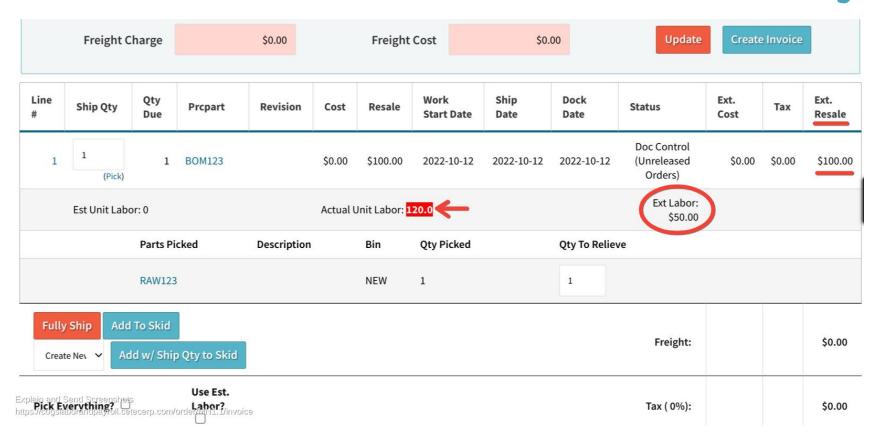
- Supports time tracking on work orders
- Will multiply a labor rate (location / work location / user specific) by hours tracked on a work order
- Helps companies understand actual production costs against estimates.

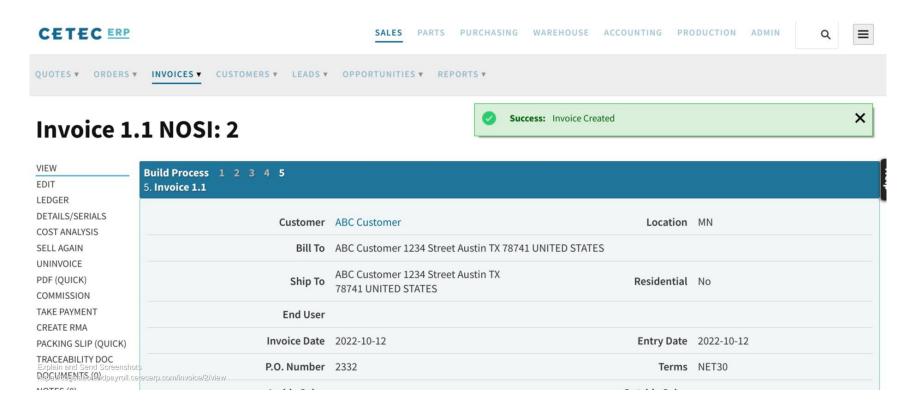
Cetec ERP also...

- Takes those production labor costs and lets you map them to COGS Labor GL entries
- These entries post *automatically* to financial statements, in real-time, at time of closing the work order (i.e. ship/invoicing).



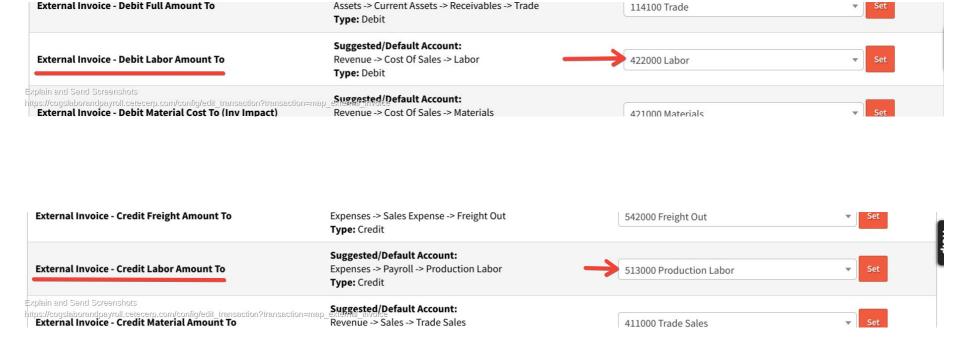


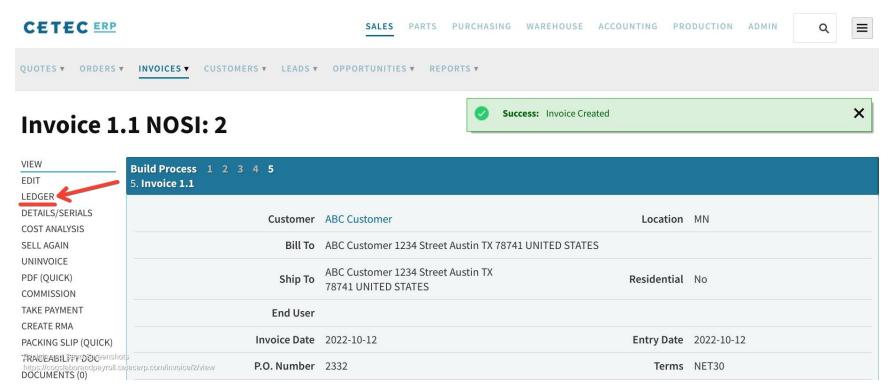




G/L Labor COGS & Labor Expense Mapping...

- DB Revenue >> COGS >> COGS Labor
- CR Expenses >> Payroll >> Production Labor



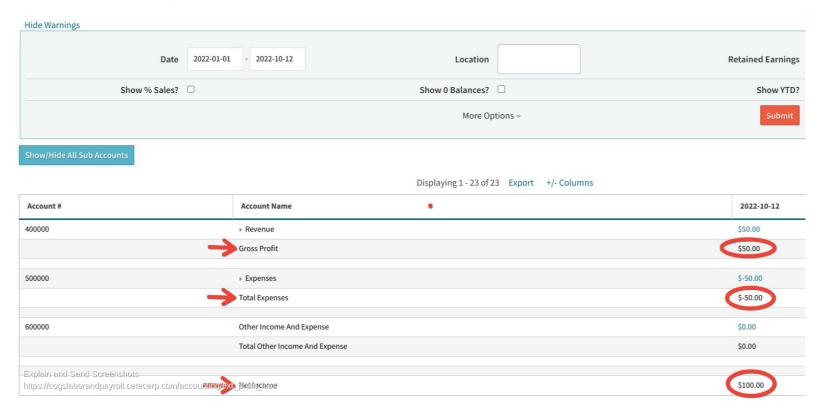


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Entry #	Name	Date	Ву	Object Type	Object ID	Payment Type	Account	Account #	Amount
6	Invoice 1.1	2022-10- 12	Jordan Jolly	Invoice	2	N/A	Trade	114100	\$100.00
6	Invoice 1.1	2022-10- 12	Jordan Jolly	Invoice	2	N/A -	L abor	422000	\$50.00
6	Invoice 1.1	2022-10- 12	Jordan Jolly	Invoice	2	N/A	Production Labor	> 513000	\$-50.00
6	Invoice 1.1	2022-10- 12	Jordan Jolly	Invoice	2	N/A	Trade Sales	411000	\$-100.00

Explain and Send Screenshots

Profit And Loss Statement



Account #	Account Name	2022-10-12
411000	Trade Sales	\$100.00
	Net Sales	\$100.00
420000	▼ Cost Of Sales	\$0.00
422000	Labor	\$-50.00
	Total Cost Of Sales	\$-50.00
	Gross Profit	\$50.00
500000	▼ Expenses	\$-50.00
510000	▼ Payroll	\$0.00
513000	Production Labor	\$-50.00
	Total Payroll	\$-50.00
Explain and Send Screenshots https://cogslaborandpayroll.cetecerp.cr	om/accounting/ext_profit_loss	\$-50.00

SwordEdge #1

- Real-time "Gross Profit" on the income statement be real-time and accurate in the middle of a pay period
- But, Net Income will be overstated, *until* you enter the payroll entry.

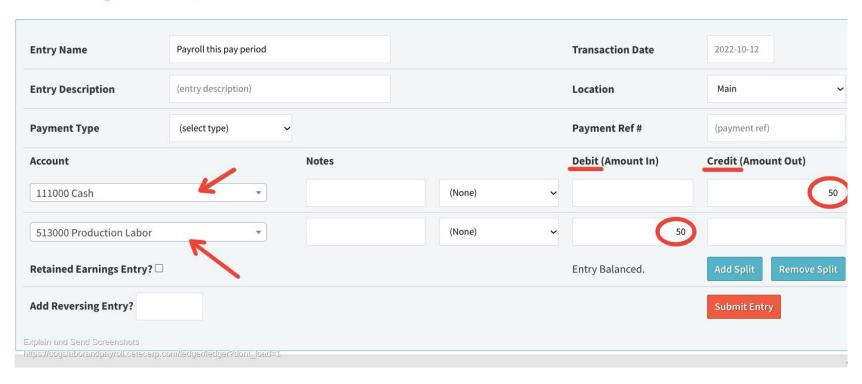
Account Name	2022-10-12
▶ Revenue	\$50.00
Gross Profit	\$50.00
▶ Expenses	\$-50.00
Total Expenses	\$-50.00
Other Income And Expense	\$0.00
Total Other Income And Expense	\$0.00
Net Income ain and Send Screenshots	\$100.00

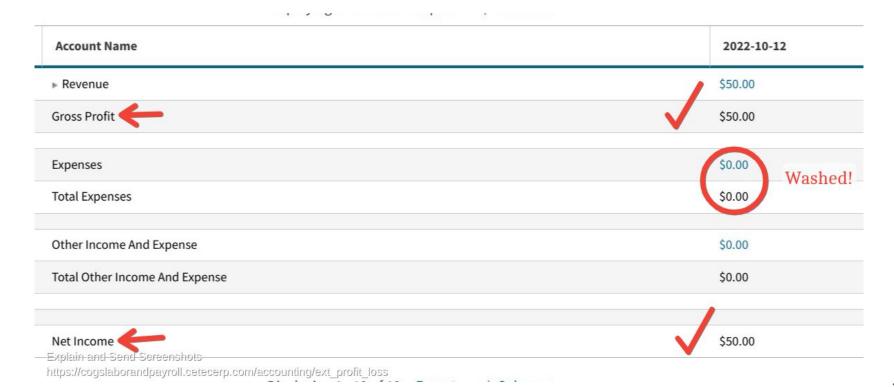
https://cogslaborandpayroll.cetecerp.com/accounting/ext_profit_loss

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Until you enter the payroll entry...

Add Ledger Entry





CAUTION!

- Make sure you map your payroll GL entry to the right account!
- Map it to CREDIT CASH and DEBIT [the same account as your GL mappings dictate...]



CAUTION!

- (in other words... don't map your payroll GL entries to COGS!)

CAUTION!

- Many folks are accustomed to entering the payroll to credit cash and debit labor COGS.
- But, if you did that... you would be double dipping, debiting Labor COGS twice.

(This is a common problem after moving from Quickbooks to Cetec ERP!)

Incidentally...

- This brings us to Method #2

Context...

- In the above slides, we saw the pitfalls of mapping your GL production payroll entries straight to COGS Labor.

- People are accustomed to mapping their payroll entries directly to COGS Labor... **because** they've never had a work order time tracking system directly integrated to auto-post to COGS GL (to impact gross profit in real-time).

But...

 That being said, some people *LIKE* having control and manually posting to COGS Labor to control their Gross Profit numbers at month end!

It's understandable...

- If your time tracking numbers and respective rates post automatically to Labor COGS, then you're relying on the discipline of your shop floor employees and supervisors to accurately log time to produce accurate labor COGS on your P&L.
- During phase one of a new Cetec ERP implementation... this could be scary!

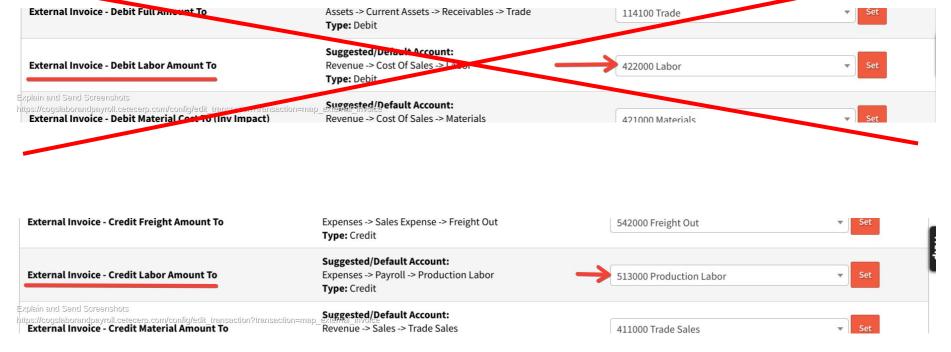
So...

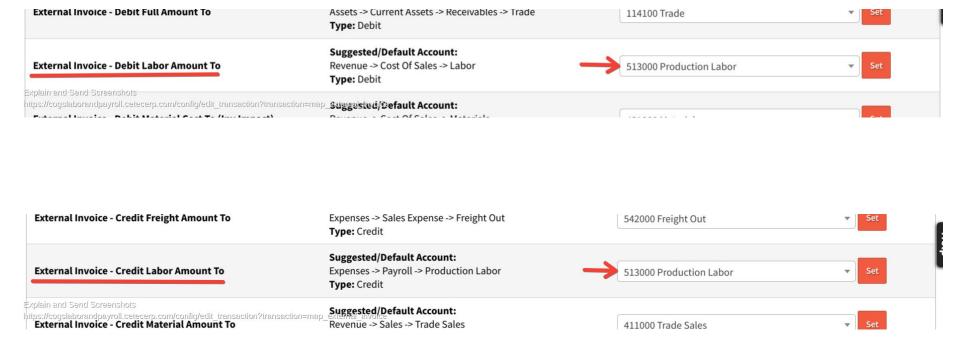
- How would you setup Cetec ERP to keep the benefit of nice production labor <u>estimate vs. actual cost reporting</u>...
- ...But avoiding the automatic posting of production labor time tracking to the income statement.

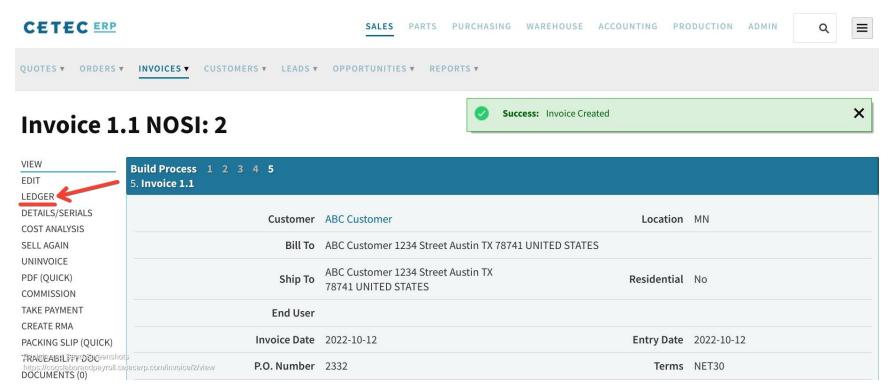
The trick is in your GL Mapping Settings.

GL Mapping Settings...

- On external invoice and internal invoice (build to stock work orders), anywhere you see "labor", set the credit and debit to post to the same wash account (it doesn't matter which account!)







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Entry #	Name	Date	Ву	Object Type	Object ID	Payment Type	Account	Account #	Amount
11	Invoice 1.1	2022-10-12	Jordan Jolly	Invoice	4	N/A	Trade	114100	\$100.00
11	Invoice 1.1	2022-10-12	Jordan Jolly	Invoice	4	N/A —	Production Labor	513000	\$50.00
11	Invoice 1.1	2022-10-12	Jordan Jolly	Invoice	4	N/A	Production Labor	513000	\$-50.00
11	Invoice 1.1	2022-10-12	Jordan Jolly	Invoice	4	N/A	Trade Sales	411000	\$-100.00

Displaying 1 - 4 of 4 Export +/- Columns

https://cogslaborandpayroll.cetecerp.com/ledger/ledger?object_id=4&loaded=1&object_type=Invoice&display_date_from=2022-10-12

Total Included: \$0.00

This means...

- This will wash any production labor \$ out of appearing *anywhere* on your P&L.

Displaying 1 - 4 of 4 Export +/- Columns Entry # By **Object Type Object ID Payment Type** Name Date Account Account # Amount 2022-10-12 Jordan Jolly N/A Trade \$100.00 11 Invoice 1.1 114100 Invoice N/A **Production Labor** \$50.00 11 Invoice 1.1 2022-10-12 Jordan Jolly Invoice 513000 Production Labor \$-50.00 11 Invoice 1.1 2022-10-12 Jordan Jolly Invoice N/A 513000 Trade Sales 11 Invoice 1.1 2022-10-12 Jordan Jolly Invoice 4 N/A 411000 \$-100.00

Export

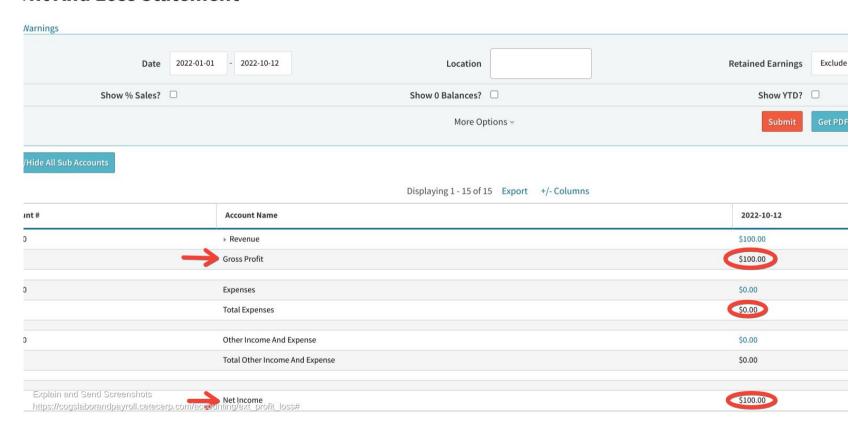
+/- Columns

Displaying 1 - 4 of 4

https://cogslaborandpayroll.cetecerp.com/ledger/ledger/object_id=4&loaded=1&object_type=Invoice&display_date_from=2022-10-12

Total Included: \$0.00

ofit And Loss Statement



This means...

- That means you get control over posting Labor to your P&L.
- You could map your payroll entry to Labor COGS if you'd like (if you're assuming most/all of your production employee can reasonably be accounted to COGS)
- Or you could map your payroll entry to Expenses. It's wherever you want that number to sit in your P&L.

Under COGS Labor (impacting Gross Profit) or under Expenses (impacting Net Income)

SwordEdge #2

- Both Gross Profit and Net Income will be overstated, *until* you enter the payroll entry for production labor.



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