



## **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?**

# Method #1: The Default Cetec ERP Way

## 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.

# Method #1: The Default Cetec ERP Way

## 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).

# Method #1: The Default Cetec ERP Way

**1.1 Line: 1 NOSI: 1**

Build Process 1 2 3 4 5  
Pick Parts/Material (Unreleased)

**Start Work**

**Start Work**

**WORK** **INSTRUCTIONS** **ORD**

**Order Work Location**

Current Progress (in Min)

Doc Control (Unreleased Orders)

**Start Work** **Cancel**

**OR ADD TIME & CLOSE AT ONCE**

**Hours** **Minutes** **Pieces**

2 Minutes Pieces

**Submit**

90 100 110 120

10

120.00

10

[https://cogslaborandpayroll.cetecerp.com/otd/order/1/work\\_view](https://cogslaborandpayroll.cetecerp.com/otd/order/1/work_view)

# Method #1: The Default Cetec ERP Way

WORK   INSTRUCTIONS   ORDER INFO   PARTS   SCHEDULE   COMMENTS (0)   **HISTORY**

### History

#### Location Changes

Work Loc	User	Time	
Doc Control (Unreleased Orders)	jordan	2022-10-12 21:41:36	Delete

#### Work History

User	Work Loc	# Users	Start	Stop	Min Worked	Passive Min	Comments	Overtime	Pieces Completed	Rate	Cost	
Jordan Jolly	Doc Control (Unreleased Orders)	1	2022-10-12 19:43:45	2022-10-12 21:43:45	120				0	\$25.00	\$50.00	Delete

Explain and Send Screenshots - [https://cogslaborandpayroll.cetecerp.com/otd/order/1/work\\_view](https://cogslaborandpayroll.cetecerp.com/otd/order/1/work_view)

Total Labor Value: \$50.00 | Est Labor Value: \$0.00 | [View/Edit Work](#)

# Method #1: The Default Cetec ERP Way

Freight Charge		\$0.00		Freight Cost		\$0.00		Update		Create Invoice	
----------------	--	--------	--	--------------	--	--------	--	--------	--	----------------	--

Line #	Ship Qty	Qty Due	Prcpart	Revision	Cost	Resale	Work Start Date	Ship Date	Dock Date	Status	Ext. Cost	Tax	Ext. Resale
1	<input type="text" value="1"/> (Pick)	1	BOM123		\$0.00	\$100.00	2022-10-12	2022-10-12	2022-10-12	Doc Control (Unreleased Orders)	\$0.00	\$0.00	\$100.00
Est Unit Labor: 0					Actual Unit Labor: <b>120.0</b> ←			Ext Labor: \$50.00					
Parts Picked			Description		Bin	Qty Picked		Qty To Relieve					
RAW123					NEW	1		<input type="text" value="1"/>					

Fully Ship		Add To Skid		Freight:		\$0.00	
Create New		Add w/ Ship Qty to Skid		Tax ( 0%):		\$0.00	

Use Est. Labor?

Explain and Send Screenshots  
Pick Everything?   
<https://cogslabbrandpa7011.cetecerp.com/order/0111/invoice>



# Method #1: The Default Cetec ERP Way

**CETEC ERP**      SALES   PARTS   PURCHASING   WAREHOUSE   ACCOUNTING   PRODUCTION   ADMIN  

QUOTES ▾   ORDERS ▾   INVOICES ▾   CUSTOMERS ▾   LEADS ▾   OPPORTUNITIES ▾   REPORTS ▾

 **Success:** Invoice Created

## Invoice 1.1 NOSI: 2

- VIEW
- EDIT
- LEDGER
- DETAILS/SERIALS
- COST ANALYSIS
- SELL AGAIN
- UNINVOICE
- PDF (QUICK)
- COMMISSION
- TAKE PAYMENT
- CREATE RMA
- PACKING SLIP (QUICK)
- TRACEABILITY DOC
- DOCUMENTS (0)
- NOTES (0)

**Build Process** 1 2 3 4 5  
**5. Invoice 1.1**

<b>Customer</b>	ABC Customer	<b>Location</b>	MN
<b>Bill To</b>	ABC Customer 1234 Street Austin TX 78741 UNITED STATES		
<b>Ship To</b>	ABC Customer 1234 Street Austin TX 78741 UNITED STATES	<b>Residential</b>	No
<b>End User</b>			
<b>Invoice Date</b>	2022-10-12	<b>Entry Date</b>	2022-10-12
<b>P.O. Number</b>	2332	<b>Terms</b>	NET30

# Method #1: The Default Cetec ERP Way

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

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

# Method #1: The Default Cetec ERP Way

<b>External Invoice - Debit Full Amount To</b>	Assets -> Current Assets -> Receivables -> Trade <b>Type:</b> Debit	114100 Trade	<input type="button" value="Set"/>
<b>External Invoice - Debit Labor Amount To</b>	<b>Suggested/Default Account:</b> Revenue -> Cost Of Sales -> Labor <b>Type:</b> Debit	422000 Labor	<input type="button" value="Set"/>
<b>External Invoice - Debit Material Cost To (Inv Impact)</b>	<b>Suggested/Default Account:</b> Revenue -> Cost Of Sales -> Materials	421000 Materials	<input type="button" value="Set"/>
<b>External Invoice - Credit Freight Amount To</b>	Expenses -> Sales Expense -> Freight Out <b>Type:</b> Credit	542000 Freight Out	<input type="button" value="Set"/>
<b>External Invoice - Credit Labor Amount To</b>	<b>Suggested/Default Account:</b> Expenses -> Payroll -> Production Labor <b>Type:</b> Credit	513000 Production Labor	<input type="button" value="Set"/>
<b>External Invoice - Credit Material Amount To</b>	<b>Suggested/Default Account:</b> Revenue -> Sales -> Trade Sales	411000 Trade Sales	<input type="button" value="Set"/>

Explain and Send Screenshots

[https://cogslaborandpayroll.cetecerp.com/config/edit\\_transaction?transaction=map\\_external\\_invoice](https://cogslaborandpayroll.cetecerp.com/config/edit_transaction?transaction=map_external_invoice)

Explain and Send Screenshots

[https://cogslaborandpayroll.cetecerp.com/config/edit\\_transaction?transaction=map\\_external\\_invoice](https://cogslaborandpayroll.cetecerp.com/config/edit_transaction?transaction=map_external_invoice)

# Method #1: The Default Cetec ERP Way

## Invoice 1.1 NOSI: 2

Success: Invoice Created

- VIEW
- EDIT
- LEDGER**
- DETAILS/SERIALS
- COST ANALYSIS
- SELL AGAIN
- UNINVOICE
- PDF (QUICK)
- COMMISSION
- TAKE PAYMENT
- CREATE RMA
- PACKING SLIP (QUICK)
- FRACILIPY DOC
- DOCUMENTS (0)

Build Process 1 2 3 4 5			
5. Invoice 1.1			
Customer	ABC Customer	Location	MN
Bill To	ABC Customer 1234 Street Austin TX 78741 UNITED STATES		
Ship To	ABC Customer 1234 Street Austin TX 78741 UNITED STATES	Residential	No
End User			
Invoice Date	2022-10-12	Entry Date	2022-10-12
P.O. Number	2332	Terms	NET30

https://cogslaborandpayroll.cetecerp.com/invoice/2/view

# Method #1: The Default Cetec ERP Way

Displaying 1 - 4 of 4   Export   +/- Columns

Entry #	Name	Date	By	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	→ Labor	→ 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

[https://cogslaborandpayroll.cetecerp.com/ledger/ledger?object\\_id=2&display\\_date\\_from=2022-10-12&object\\_type=Invoice&loaded=1](https://cogslaborandpayroll.cetecerp.com/ledger/ledger?object_id=2&display_date_from=2022-10-12&object_type=Invoice&loaded=1)

Displaying 1 - 4 of 4   Export   +/- Columns

# Method #1: The Default Cetec ERP Way

## Profit And Loss Statement

Hide Warnings

Date  -  Location

Show % Sales?  Show 0 Balances?  Show YTD?

More Options ▾ Submit



Show/Hide All Sub Accounts

Displaying 1 - 23 of 23 [Export](#) [+/- Columns](#)

Account #	Account Name	2022-10-12
400000	▸ Revenue	\$50.00
	→ Gross Profit	\$50.00
500000	▸ Expenses	\$-50.00
	→ Total Expenses	\$-50.00
600000	Other Income And Expense	\$0.00
	Total Other Income And Expense	\$0.00
		\$100.00

<https://cojglaborandpayroll.cetecerp.com/accounts/finance>

# Method #1: The Default Cetec ERP Way

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
	 Total Expenses	\$-50.00
<small>Explain and Send Screenshots <a href="https://cogslaborandpayroll.cetecerp.com/accounting/ext_profit_loss">https://cogslaborandpayroll.cetecerp.com/accounting/ext_profit_loss</a></small>		

# Method #1: The Default Cetec ERP Way

## 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.



# Method #1: The Default Cetec ERP Way

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
<b>Net Income</b>	\$100.00

Explain and Send Screenshots

[https://cogslaborandpayroll.cetecerp.com/accounting/ext\\_profit\\_loss](https://cogslaborandpayroll.cetecerp.com/accounting/ext_profit_loss)

Displaying 1 - 22 of 22 - Export - 1 / Columns

# Method #1: The Default Cetec ERP Way

**\*Until\* you enter the payroll entry...**





# Method #1: The Default Cetec ERP Way

## Add Ledger Entry

<b>Entry Name</b>	<input type="text" value="Payroll this pay period"/>	<b>Transaction Date</b>	<input type="text" value="2022-10-12"/>				
<b>Entry Description</b>	<input type="text" value="(entry description)"/>	<b>Location</b>	<input type="text" value="Main"/>				
<b>Payment Type</b>	<input type="text" value="(select type)"/>	<b>Payment Ref #</b>	<input type="text" value="(payment ref)"/>				
<b>Account</b>	<input type="text" value="111000 Cash"/>	<b>Notes</b>	<input type="text" value="(None)"/>	<b>Debit (Amount In)</b>	<input type="text" value="50"/>	<b>Credit (Amount Out)</b>	<input type="text" value="50"/>
	<input type="text" value="513000 Production Labor"/>		<input type="text" value="(None)"/>	<input type="text" value="50"/>			
<b>Retained Earnings Entry?</b>	<input type="checkbox"/>	Entry Balanced.		<input type="button" value="Add Split"/>	<input type="button" value="Remove Split"/>		
<b>Add Reversing Entry?</b>	<input type="text"/>			<input type="button" value="Submit Entry"/>			

Explain and Send Screenshots  
[https://cogslaborandpayroll.cetecerp.com/ledger/ledger?font\\_load=L](https://cogslaborandpayroll.cetecerp.com/ledger/ledger?font_load=L)

# Method #1: The Default Cetec ERP Way

Account Name	2022-10-12
► Revenue	\$50.00
Gross Profit 	\$50.00 
Expenses	\$0.00
Total Expenses	\$0.00
Other Income And Expense	\$0.00
Total Other Income And Expense	\$0.00
Net Income 	\$50.00 

Explain and Send Screenshots

[https://cogslaborandpayroll.cetecerp.com/accounting/ext\\_profit\\_loss](https://cogslaborandpayroll.cetecerp.com/accounting/ext_profit_loss)

Washed!

# Method #1: The Default Cetec ERP Way

## 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...]

<b>External Invoice - Credit Freight Amount To</b>	Expenses -> Sales Expense -> Freight Out <b>Type:</b> Credit	542000 Freight Out	Set
<b><u>External Invoice - Credit Labor Amount To</u></b>	<b>Suggested/Default Account:</b> Expenses -> Payroll -> Production Labor <b>Type:</b> Credit	513000 Production Labor	Set
<b>External Invoice - Credit Material Amount To</b>	<b>Suggested/Default Account:</b> Revenue -> Sales -> Trade Sales	411000 Trade Sales	Set

Explain and Send Screenshots

[https://cogslaborandpayroll.cetecerp.com/config/edit\\_transaction?transaction=map\\_external\\_invoice](https://cogslaborandpayroll.cetecerp.com/config/edit_transaction?transaction=map_external_invoice)

# Method #1: The Default Cetec ERP Way

## CAUTION!

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

# Method #1: The Default Cetec ERP Way

## 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!)

# Method #1: The Default Cetec ERP Way

## Incidentally...

- This brings us to Method #2



# Method #2: Traditional/Manual Way

## 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).

# Method #2: Traditional/Manual Way

## But...

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

# Method #2: Traditional/Manual Way

## 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!

# Method #2: Traditional/Manual Way

So...

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

The trick is in your GL Mapping Settings.

# Method #2: Traditional/Manual Way

## 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!)

# Method #2: Traditional/Manual Way

<b>External Invoice - Debit Full Amount To</b>	Assets -> Current Assets -> Receivables -> Trade <b>Type:</b> Debit	114100 Trade	<input type="button" value="Set"/>
<b>External Invoice - Debit Labor Amount To</b>	<b>Suggested/Default Account:</b> Revenue -> Cost Of Sales -> Labor <b>Type:</b> Debit	422000 Labor	<input type="button" value="Set"/>
<b>External Invoice - Debit Material Cost To (Inv Impact)</b>	<b>Suggested/Default Account:</b> Revenue -> Cost Of Sales -> Materials	421000 Materials	<input type="button" value="Set"/>
<b>External Invoice - Credit Freight Amount To</b>	Expenses -> Sales Expense -> Freight Out <b>Type:</b> Credit	542000 Freight Out	<input type="button" value="Set"/>
<b>External Invoice - Credit Labor Amount To</b>	<b>Suggested/Default Account:</b> Expenses -> Payroll -> Production Labor <b>Type:</b> Credit	513000 Production Labor	<input type="button" value="Set"/>
<b>External Invoice - Credit Material Amount To</b>	<b>Suggested/Default Account:</b> Revenue -> Sales -> Trade Sales	411000 Trade Sales	<input type="button" value="Set"/>

Explain and Send Screenshots  
[https://cogslaborandpayroll.cetecerp.com/config/edit\\_transaction?transaction=map\\_external\\_invoice](https://cogslaborandpayroll.cetecerp.com/config/edit_transaction?transaction=map_external_invoice)

# Method #2: Traditional/Manual Way

<b>External Invoice - Debit Full Amount To</b>	Assets -> Current Assets -> Receivables -> Trade <b>Type:</b> Debit	114100 Trade	<input type="button" value="Set"/>
<b>External Invoice - Debit Labor Amount To</b>	<b>Suggested/Default Account:</b> Revenue -> Cost Of Sales -> Labor <b>Type:</b> Debit	513000 Production Labor	<input type="button" value="Set"/>
<b>External Invoice - Debit Material Cost To (Inventory)</b>	<b>Suggested/Default Account:</b> Revenue -> Cost Of Sales -> Materials		<input type="button" value="Set"/>

Explain and Send Screenshots  
[https://cogslaborandpayroll.cetecerp.com/config/edit\\_transaction?transaction=map\\_external\\_invoice](https://cogslaborandpayroll.cetecerp.com/config/edit_transaction?transaction=map_external_invoice)

<b>External Invoice - Credit Freight Amount To</b>	Expenses -> Sales Expense -> Freight Out <b>Type:</b> Credit	542000 Freight Out	<input type="button" value="Set"/>
<b>External Invoice - Credit Labor Amount To</b>	<b>Suggested/Default Account:</b> Expenses -> Payroll -> Production Labor <b>Type:</b> Credit	513000 Production Labor	<input type="button" value="Set"/>
<b>External Invoice - Credit Material Amount To</b>	<b>Suggested/Default Account:</b> Revenue -> Sales -> Trade Sales	411000 Trade Sales	<input type="button" value="Set"/>

Explain and Send Screenshots  
[https://cogslaborandpayroll.cetecerp.com/config/edit\\_transaction?transaction=map\\_external\\_invoice](https://cogslaborandpayroll.cetecerp.com/config/edit_transaction?transaction=map_external_invoice)

# Method #2: Traditional/Manual Way

## Invoice 1.1 NOSI: 2

✓ **Success:** Invoice Created ✕

- VIEW
- EDIT
- LEDGER**
- DETAILS/SERIALS
- COST ANALYSIS
- SELL AGAIN
- UNINVOICE
- PDF (QUICK)
- COMMISSION
- TAKE PAYMENT
- CREATE RMA
- PACKING SLIP (QUICK)
- FRACILIPY DOC
- DOCUMENTS (0)

Build Process 1 2 3 4 5			
5. Invoice 1.1			
Customer	ABC Customer	Location	MN
Bill To	ABC Customer 1234 Street Austin TX 78741 UNITED STATES		
Ship To	ABC Customer 1234 Street Austin TX 78741 UNITED STATES	Residential	No
End User			
Invoice Date	2022-10-12	Entry Date	2022-10-12
P.O. Number	2332	Terms	NET30

https://cogslaborandpayroll.cetecerp.com/invoice/2/view



# Method #2: Traditional/Manual Way

more options

Displaying 1 - 4 of 4 Export +/- Columns

Entry #	Name	Date	By	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

Explain and Send Screenshots

[https://cogslaborandpayroll.cetecorp.com/ledger/ledger?object\\_id=4&loaded=1&object\\_type=Invoice&display\\_date\\_from=2022-10-12](https://cogslaborandpayroll.cetecorp.com/ledger/ledger?object_id=4&loaded=1&object_type=Invoice&display_date_from=2022-10-12)

**Total Included: \$0.00**

# Method #2: Traditional/Manual Way

## This means...

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

# Method #2: Traditional/Manual Way

more options

Displaying 1 - 4 of 4 Export +/- Columns

Entry #	Name	Date	By	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

Explain and Send Screenshots

[https://cogslaborandpayroll.cetecorp.com/ledger/ledger?object\\_id=4&loaded=1&object\\_type=Invoice&display\\_date\\_from=2022-10-12](https://cogslaborandpayroll.cetecorp.com/ledger/ledger?object_id=4&loaded=1&object_type=Invoice&display_date_from=2022-10-12)

**Total Included: \$0.00**

# Method #2: Traditional/Manual Way

## Profit And Loss Statement

Warnings

Date  -  Location

Retained Earnings  Exclude

Show % Sales?  Show 0 Balances?  Show YTD?

More Options

Displaying 1 - 15 of 15  +/- Columns

int #	Account Name	2022-10-12
0	▶ Revenue	\$100.00
	→ Gross Profit	\$100.00
0	Expenses	\$0.00
	Total Expenses	\$0.00
0	Other Income And Expense	\$0.00
	Total Other Income And Expense	\$0.00
	→ Net Income	\$100.00

Explain and Send Screenshots

[https://cogslaborandpayroll.cetecerp.com/accounting/ext\\_profit\\_loss#](https://cogslaborandpayroll.cetecerp.com/accounting/ext_profit_loss#)

# Method #2: Traditional/Manual Way

## 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)

# Method #2: Traditional/Manual Way

## SwordEdge #2

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



## **Payroll Best Practices For SMB MFG**

*How to integrate your payroll practice to your manufacturing cost tracking*