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## Headline News

At Sage Summit 2011, Sage announced plans to rename their software products to create stronger Sage brand recognition. In the coming year, Sage ERP MAS 90, 200, and 200 SQL will become Sage 100 ERP, Standard, Advanced, and Premium ERP. The new names will not change any functionality; the software will still be a great fit for your business just as it always has. You will see the new name reflected in future issues of this newsletter.

# Optimize Inventory Management

## Drive Performance Excellence Using The Tools Available In Sage ERP MAS 90

**P**erformance excellence is a process rather than an end result, requiring a business to continuously examine and refine standard operating procedures across the organization. In this article, we focus on the powerful capabilities of the Inventory Management module of Sage ERP MAS 90 and 200 (soon is becoming Sage 100 ERP).

### Balance Supply And Demand

The key to reducing costs while maximizing productivity is maintaining a lean inventory. This means having the right products available when customers need them while minimizing the expense of overstocking. To achieve this, you need to get a tight grip on your inventory at every stage of the supply chain, from procurement through production to shipping.

Effective inventory management requires detailed analysis of what to order, when to order it, and where to stock it. Not to mention tracking physical inventory, returns, and detailed information on the items you carry. As your organization gets better at managing inventory, you gain a true competitive advantage. With tighter control of costs, you will find yourself in a position to offer lower prices or faster shipping.

### Smart Part Numbers

The Sage ERP MAS 90 Inventory Management module helps you keep inventory organized with intelligent item numbers. Using up to 30 alphanumeric characters, you can embed meaningful information in smart



part numbers such as UPCs, a vendor's number, recycling codes, and special handling requirements information. Pricing, cost, stock, and order information can be tracked for an unlimited number of locations for each item. The inventory status of each item, such as available for sale, not in stock, overstocked, oversold, on hand, on order, committed to sale/production are tracked by location as well.

### Built-In Reporting

Extensive reporting capabilities provide the insights you need to optimize stock levels. You easily can monitor the activity, status, valuation, turnover, and month-to-month sales history of any inventory item. Profit analysis of each item and a month-by-month comparison of past pricing, and sales equip you with the big-picture insight into which items

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## Optimize Inventory Management

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to carry and which to discontinue.

To help your staff stay on top of important metrics and to keep stocking levels precisely where you want them, we recommend scheduling alerts using Business Alerts or Sage Knowledgesync.

### Leverage The Power Of The Purchase Order Module

When the Inventory Management module is integrated with the Purchase Order module, you can configure key items to be ordered automatically. When your on-hand quantity falls below a specified minimum level, Sage ERP MAS 90 will automatically generate a purchase order according to your specifications to the correct vendor to ensure that you never run out of key items. You can set up price schedules for specific vendors, product lines, or inventory items based on the standard cost or a specified discount method.

### Measure Your Results

How do you know if your efforts to achieve a leaner inventory are working? Key metrics within your software can tell you. These include the average age of inventory, the average total value of inventory, and the percentage of total inventory value residing in inactive items.

The **Reorder Report** lists stock on hand that has reached a specified reorder point. The reorder point is unique to each item at each location. The suggested reorder quantity can be based upon an economic order quantity, maximum stock quantity, or reorder point.

Inventory Turns is another important metric; it compares the cost of sales to the average inventory value, generally over a year's time. You can use the **Inventory Turnover Report** to evaluate year-to-date inventory turnover. Analyzing high and low turnover items can help determine which items are overstocked

or have a low turnover rate, and which are under stocked or have a high turnover rate. This information enables you to adjust sale pricing and reordering strategies.

The **Sales Recap by Product Line** report in Sales Order shows sales by product line for the fiscal/calendar year and period/month, with an option to print warehouse sales detail for each product line. The information provided helps you to analyze product sales.

### Pricing Flexibility

Another way that Sage ERP MAS 90 helps you to optimize profitability is through the flexible pricing features. Pricing promotions allow you to effectively market the products you want to move through inventory to maximize your profitability. Reporting tools within the module give you the insight you need to determine which products you should promote.

Detailed price schedules based on customer price levels and the quantity sold can be created for each item. Prices can be calculated as a discount on the standard price or as a markup of the standard cost and can be calculated based on standard cost, average cost, LIFO, FIFO, and lot/serial methods. Sales promotions and customer contract pricing also can be established. You can set up pricing based on cost plus a percentage or amount. You can assign a series of markup or discount price levels for each item.

### Count On Sage ERP MAS 90 Inventory Management

With easily accessible information, you can make better business decisions about what merchandise to stock and how to price it. Analyzing your inventory history gives you the flexibility to plan special pricing to be more competitive. Taking the time to analyze the information provided by the Inventory

## ZOOM IN

INVENTORY TURNOVER REPORT						
ITEM NUMBER	DESCRIPTION	UNIT	QUANTITY	AVERAGE	QUA	
VENDOR NUMBER	PROD LN	PROD TYP	ON HAND	INVENTORY	ISSUE	
1001-HON-H212	HON 2 DRAWER LETTER FILE W/ LK	EACH	26.00	18.75		
01-CONT	W7&A FINISHED GOOD		17.00	3.75		
			19.00	2.50		
	ITEM 1001-HON-H212 TOTAL:		0.00	17.00		
1001-HON-H213LK	HON 2 DRAWER LETTER FILE W/ LK	EACH	73.00	7.38		
01-CONT	W7&A FINISHED GOOD		0.00	3.35		
			8.00	0.63		
	ITEM 1001-HON-H213LK TOTAL:		81.00	11.28		
1001-HON-H214	HON 4 DRAWER LETTER FILE W/ LK	EACH	72.00	11.24		
01-CONT	W7&A FINISHED GOOD		33.00	8.00		
			9.00	1.58		
	ITEM 1001-HON-H214 TOTAL:		114.00	20.62		
1001-HON-H214LK	HON 4 DRAWER LETTER FILE W/ LK	EACH	32.00	5.25		
01-CONT	W7&A FINISHED GOOD		9.00	3.00		
			1.00	0.38		
	ITEM 1001-HON-H214LK TOTAL:		42.00	8.63		
	REPORT TOTAL:		257.00	57.51		

The Inventory Turnover Report can help you determine proper stocking levels by showing you which items have a low turnover rate and which have a high turnover rate.

Management module can help you formulate new or improved purchasing policies, sales policies, pricing methods, and even enhance customer service.

Are you taking full advantage of the reports and metrics available to manage your inventory effectively?

Please call us with your questions or for assistance. ✨

# FYI: Calculation Of Available Quantities And Costs

Customers often ask us how the Sage ERP MAS 90 Inventory Management module calculates costs and quantities available. Here we provide the explanation.

## Calculating Quantity Available

Here we describe the calculation used for printing the quantity available on Inventory Management and Bill of Materials module reports. The calculation depends on the selections in the *Include in Quantity Available* in the Inventory Management Options window.

- » Due to the differences in vendor lead times from business to business, the quantity on purchase orders can be used when calculating the quantity available. To include quantity on purchase orders in the quantity available calculation, select Purchase Orders.
- » Due to the differences in manufacturing lead times, quantity on work order can be used in the quantity available calculation. To include quantity on work orders and quantity required for work orders in the quantity available calculation, select Work Orders.
- » To include both quantity on purchase orders, work orders, and quantity required for work orders in the quantity available calculation, select POs and WOs.
- » If you prefer that the quantity available calculation not to be considered in either purchase orders or work orders, select No POs and WOs.

The quantity available is calculated using:

*[Quantity on Hand + Quantity on Purchase Order + Quantity on Work Order] - [Quantity on Sales Order + Quantity on Back Order + Quantity Required for Work Order].*



## Inventory Item Cost Hierarchy

The valuation method of an item affects the order in which each type of cost is used in the Sales Order, Purchase Order, and Inventory modules. Below we describe the hierarchy used for each valuation or costing method.

### Standard Valuation Cost Hierarchy

The standard cost from the Inventory Masterfile is the first value used for unit cost. If the standard cost is zero, the unit cost defaults to the last cost. If the last cost is zero, the unit cost defaults to the warehouse average cost. If the warehouse average cost is zero, the unit cost defaults to the item average cost.

### Average Valuation Cost Hierarchy

The warehouse average cost from the Inventory Masterfile is the first value checked for unit cost. If the warehouse average cost is zero, the unit cost defaults to the item average cost. If the item average cost is zero, the unit cost defaults to the last cost. If the last cost is zero, the unit cost defaults to the standard cost.

### FIFO/LIFO/Lot/Serial Valuation Cost Hierarchy

For purchases, the vendor last cost is the first value checked for unit cost. If there is no vendor last cost, the last cost from the item costing file is used. If the last cost is zero, the unit cost defaults to the standard cost. If the standard cost is zero, the unit cost defaults to the warehouse average cost. If the warehouse average cost is zero, the unit cost defaults to the item average cost. Once goods are received, the cost is recorded in the FIFO/LIFO/LOT/Serial cost tier, and the specific cost tier value is used in all transactions.

### Other Considerations

In the Sales Order module, the determination of what cost to apply is calculated during the Sales Journal update. When using a pricing method that is a Markup Percentage or a Markup Amount and the standard cost is zero, the cost hierarchy is followed to determine the unit price.

In the Inventory module, the hierarchy determines the cost used in Inventory Transaction Entry for all transaction types.

In the Purchase Order module, the Auto Generate Orders Selection Window uses the following hierarchy when selecting *Update Unit Cost With*:

1. Standard Default or Last Unit Cost: the Primary Vendor's last cost is used.
2. Standard Unit Cost: the item's standard cost is used.
3. Average Unit Cost: the item's average cost is used.
4. If any of the costs are zero for the above selections, the unit cost used follows the cost hierarchy based on the valuation methods listed.

Please call us with your questions. ✨



## IN THE SPOTLIGHT: Paying Employees

**P**aying employees is an essential part of being in business. Modern payroll solutions reduce the time needed and take the headache out of generating payroll. Here we take a brief look at the wide range of options available to Sage ERP MAS 90 and 200 (soon to become Sage 100 ERP) users.

### Sage ERP MAS 90 Payroll

With the integrated Sage ERP MAS 90 Payroll module, you can securely process your payroll at a fraction of the cost and in less time than a manual system or service bureau. Employing an efficient graphical entry form, Payroll automatically applies earnings and deductions, calculates employee and employer payroll taxes, and prints checks. All federal and state tax tables are included, and you can easily set up special local taxes. Payroll reporting capabilities provide high-level, insightful business data regarding employee costs for more informed business decisions.

### Sage HRMS And Payroll

If you also need to manage other employee-related processes and tasks, the combination of Sage HRMS and Sage Payroll may be the perfect solution. Sage HRMS helps you stay compliant with government regulations relating to employees, as well as track benefits,

training, and certifications. Powerful attendance tracking features include the ability to document and analyze employee attendance data. The system securely records time off, as well as FMLA leave.

The Payroll module is very flexible, supporting a range of tax management capabilities; variable pay plans, including sales commission and piece-rate plans; and a variety of pay frequencies. The combination of Sage HRMS and Payroll facilitates faster, more effective HR management and decision-making, while maintaining a high level of security for sensitive data.

### eFiling And Reporting

The Federal and State eFiling and Reporting software service is compatible with both Sage ERP MAS 90 and Sage HRMS Payrolls. It includes approximately 250 federal and state forms such as Unemployment, Withholding, New Hire reports, W2s, and W3s to facilitate filing payroll tax information. Automatically eFile W2s and 1099s, print and mail forms to your employees, or go completely green with the fee-based eFiling service.

### Direct Deposit

Sage ERP MAS 90 and Sage HRMS Payrolls both offer Direct Deposit. Improve

your employees' satisfaction with immediate access to their pay, while saving time, money, and valuable resources.

Call us to discuss the best solution for you. ✨



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