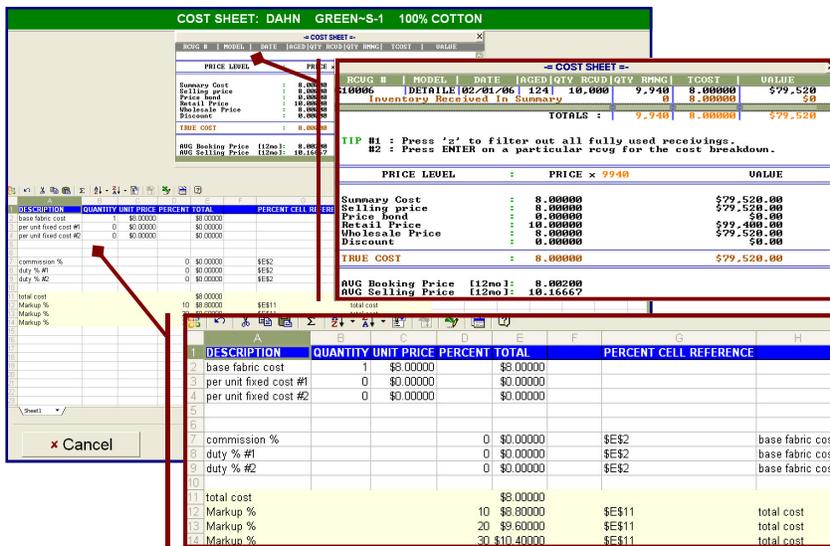


All About Costing in MOD2

Helpful Q&A's Regarding Costing in MOD2

Q1: I would like to know how much an inventory item is costing me. Where should I look for costing in MOD2?

A1: MOD2's recommended way to see costing for an inventory item is go to inventory display, select an inventory item, and then go to the cost-sheet button. You will see in the cost-sheet the "true cost" and the other related price buckets. You will also see useful statistics about your inventory item such as average buying price, average selling price, historical prices and more.

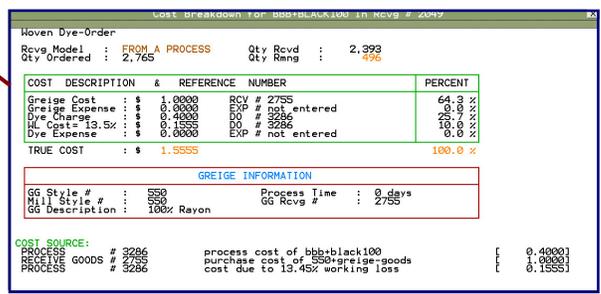


COST SHEET: DAHN GREEN-S-1 100% COTTON

| RCVG # | MODEL | DATE | AGED QTY | RCVD QTY | RPNQ | TCOST | VALUE | | |
|-----------------|------------------|------|----------|----------|------|---------|--------------|----------------|-----------------|
| 100006 | DETAILS 02/01/06 | 124 | 10.000 | 9.940 | 0 | 8.00000 | \$79,520 | | |
| TOTALS : | | | | | | | 9.940 | 8.00000 | \$79,520 |

| DESCRIPTION | QUANTITY | UNIT PRICE | PERCENT | TOTAL | PERCENT CELL REFERENCE |
|------------------------|----------|------------|---------|-----------|------------------------|
| base fabric cost | 1 | \$8.00000 | | \$8.00000 | |
| per unit fixed cost #1 | 0 | \$0.00000 | | \$0.00000 | |
| per unit fixed cost #2 | 0 | \$0.00000 | | \$0.00000 | |
| commission % | 0 | \$0.00000 | \$E\$2 | | base fabric cost |
| duty % #1 | 0 | \$0.00000 | \$E\$2 | | base fabric cost |
| duty % #2 | 0 | \$0.00000 | \$E\$2 | | base fabric cost |
| total cost | 10 | \$8.00000 | \$E\$11 | | total cost |
| Markup % | 10 | \$8.00000 | \$E\$11 | | total cost |
| Markup % | 20 | \$9.60000 | \$E\$11 | | total cost |
| Markup % | 30 | \$10.40000 | \$E\$11 | | total cost |

If you press enter on a receiving in the cost sheet, it will show you the breakdown of the costing for that specific item. The picture on the right shows the cost breakdown of a woven dye-order, including greige cost, dye charges, and cost due to working loss.



Cost Breakdown for Distribution in Rcvg # 3286

Hoven Dye-Order
Rcvg Model : FROM A PROCESS Qty Rcvd : 2,393
Qty Ordered : 2,765 Qty Rmg : 496

| COST DESCRIPTION & | REFERENCE NUMBER | PERCENT |
|--------------------|-----------------------------|----------------|
| Greige Cost | \$ 1.0000 RCV # 2755 | 64.3 % |
| Greige Expense | \$ 0.0000 EXP # not entered | 25.0 % |
| Dye Charge | \$ 0.4000 DO # 3286 | 10.0 % |
| W.L. Cost = 13.5% | \$ 0.1555 DO # not entered | 0.0 % |
| Dye Expense | \$ 0.0000 EXP # not entered | 0.0 % |
| TRUE COST | \$ 1.5555 | 100.0 % |

GREIGE INFORMATION

GG Style # : 530 Process Time : 0 days
GG Style # : 530 GG Rcvg # : 2755
GG Description : 100% Rayon

COST SOURCE:

PROCESS # 3286 process cost of bbb:black100 0.40001
RECEIVE GOODS # 2755 purchase cost of 530:greige-goods 1.00001
PROCESS # 3286 cost due to 13.45% working loss 0.15551

Q2: You mentioned, "true cost" and "price buckets" in your last answer. What is true cost? How do I change the values for the true cost?

A2: "True cost" refers to a special MOD2 feature that calculates your inventory values based on your purchased cost for the goods and any associated expenses or charges for that item. "True cost" values are transaction driven. When you ask the system about the "true cost", the system is able to back track any portion of the item, figure out for each receiving the originating purchase contract or process, and back track further for any associated costs related to the goods. Using "true cost" MOD2 is able to calculate a real value for the cost of the goods. No approximations, no averages, no first in first out. Say you are importing one item in one purchase contract. Say a portion of the item shipped via Air and you paid \$0.50 extra per unit. The rest was shipped by boat. Even though it is one item, and from one booking price, using "true cost" MOD2 knows that a portion of the goods cost more than the rest. If you sell the goods all to one customer at one selling price, your profit using "true cost" is based on two different costs.

May 2006 Edition



MOD2 Inc.
An Intelligent Approach

www.MOD2.com

Welcome to MOD2 Inc!
We use a software firm located in Los Angeles. We have developed a software product that specializes in automation and management of the day to day activities of textile and garment importers, converters, and wholesalers.

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MOD2 Inc. Readers Write Q&A



Frequently Asked Questions (continuation)

True cost values can not be changed. If you change the transactions related to the true cost of the item, the system dynamically changes the true cost values. Examples of activities that alter the true cost of an item include changing the booking price, associating an expense with a purchase contract or process, setting a duty% for purchase agreement, setting a fixed cost per item for a purchase agreement, modifying the working loss of a process, and more.

Q3: What if I do not want to use true cost? Is there a way that I can associate my own price for costing of an inventory item? Is there a way that I could possibly associate multiple costs with an inventory item?

A3: Yes there is. MOD2 allows you to have nine inventory “price buckets”. Traditionally the first bucket has been called “summary cost”. You can choose and edit the bucket titles. You can select how many buckets you would like the system to manage. Unlike true cost values, inventory bucket values can be changed and they apply to an inventory item globally. To change the values of an inventory bucket, from the main menu, go to inventory [F2], then to modify [F3], select an item, and follow the prompts.

You can associate multiple buckets to be related for costing. When you run your inventory reports, you can select which bucket you want the system to use.

| Modification Options | | select option to modify | |
|----------------------|------------------------|-------------------------|--|
| 1 | Style#..... | DAHNY | |
| 2 | Color..... | WHITE | |
| 3 | Cost Price..... | 1.05 | |
| 4 | Selling Price..... | 1.50 | |
| 5 | Price Bond..... | 0.00 | |
| 6 | Retail Price..... | 1.75 | |
| 7 | Wholesale Price..... | 1.30 | |
| 8 | Discount..... | 0.00 | |
| 9 | Price #1..... | 0.00 | |
| 10 | Price #2..... | 0.00 | |
| 11 | Price #3..... | 0.00 | |
| 12 | Price #4..... | 0.00 | |
| 13 | Price #5..... | 0.00 | |
| 14 | Price #6..... | 1.40 | |
| 15 | Price #7..... | 0.00 | |
| 16 | Price #8..... | 0.00 | |
| 17 | Price #9..... | 0.00 | |
| 18 | Markdown Price..... | NONE | |
| 19 | Vendor..... | Lightspeed04 | |
| 20 | Reference#..... | 0 | |
| 21 | Summary Warehouse..... | OUR MAIN WAREHOUSE | |

Q4: How do I edit the labels for the “price buckets”?

A4: Typically this is done with the help of your MOD2 system administrator. Go to the main menu, go to Options, go to Installation, and select Inventory Parameters. You will see a screen where you can choose how many price levels or buckets are defined and the bucket names. We recommend that you keep the name of the first bucket “summary cost price / cost price”.

| [Price Level(s)] | | | |
|----------------------|-----------------|----------------------|----------|
| Price Level 0 name ? | Cost Price | Price Level 5 name ? | Discount |
| Price Level 1 name ? | Selling price | Price Level 6 name ? | Price #6 |
| Price Level 2 name ? | Price bond | Price Level 7 name ? | Price #7 |
| Price Level 3 name ? | Retail Price | Price Level 8 name ? | Price #8 |
| Price Level 4 name ? | Wholesale Price | Price Level 9 name ? | Price #9 |

Q5: What are some of the common inventory bucket labels in use in MOD2 installations?

A5: Depending on your companies needs, you can customize the labels for your own needs. Here are some of the common bucket labels we have seen over the years:

“LDP price”, “JOBBER price”, “LINE price”, “MARKET price”, “CHAIN STORE price”, “SHOW price”, “BOUTIQUE price”, “RETAIL price”, “WHOLESALE price”, “IN BOND price”, “ALT COST price”, “FIN STMT price”, and “MANAGER price”.