

## Production & Costing

Matrix Costing enables companies to allocate costs to items produced. It allows an organisation to be in close touch with costs. This enables them to determine how to fix prices and economize costs.

**In an organisation costs may be incurred in two ways: -**

1. Direct Cost relating to Cost of Manufacture of a particular product
2. Indirect Cost relating Overheads

**These are of two kinds :**

- a. Those which can be allocated to products as cost centers
- b. Those which can be allocated as percentage to various products

Direct Costs are calculated by defining a Bill of Material for every product that is being manufactured. Indirect Costs are calculated by allocating the overhead expenses to the various products.

**→ Matrix Costing is integrated with the following Matrix modules**

- Matrix Financials
- Matrix Materials Management
- Matrix production Planning and Control

Since Matrix Costing is closely integrated with other modules in the matrix ERP system, it can generate accurate costings by drawing upon the resources of the other modules.

The cost centers in the Matrix Financials module are linked to products or group of products which are created through Matrix Materials Management. As a result expenses incurred can be allocated to the product.

This results in a cost sheet being prepared for every product as the expenses being incurred are being allocated. To enable this, proper creation of cost centers and accounting methods have to be adhered to. Indirect costs can be allocated by giving the cost in terms of percentages amongst the various products which the company produces.