

# Production Overview

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## Explanation of Terms

**Product** - Something that will be sold to a customer. It could be:

- ✚ the finished item that is delivered to the customer
- ✚ one or more of the components that make up the finished item
- ✚ something purchased from a vendor for resale
- ✚ labor for a service

**Inventory** - Materials that will be used to make the finished item, but are not yet part of a work in process for which you would like to track usage and cost. It might include:

- ✚ products
- ✚ assemblies
- ✚ materials used in production or for the finished item

**Work Order** - A set of adjustments and instructions attached to a product. The work order can include:

- ✚ additional costs, like labor, specific to a job
- ✚ additional material costs, added as a percentage, to a product's cost
- ✚ a set of instructions for production of the product

**Assembly** - Two or more products or functions that are combined to form another product. Assemblies can be made up of:

- ✚ products
- ✚ other materials
- ✚ job activities



## Cost vs. Price

- ✚ **Cost** - The money YOU PAY VENDORS AND EMPLOYEES to produce a finished item. It includes material, labor, overheads, purchased parts, and anything else you pay for, and that goes into the finished item (including purchases made on accounts payable).
- ✚ **Price** - The amount YOU CHARGE YOUR CUSTOMER for the finished product.
- ✚ The difference between Cost and Price – You BUY at the cost, you SELL for the price

## How they are Used

### Example:

The customer just had twin girls. She can find “It’s a Girl” signs at any store, but she wants a yard sign that says “They’re Girls.” She places an order with you for a 24” X 18” sheet-metal sign, pink background with the lettering in black. She also wants a 3’ metal ground-stake pre-mounted.

You have three ways of building your cost model. Your choice. It’s that flexibility that makes **ACTIVITY** so powerful.

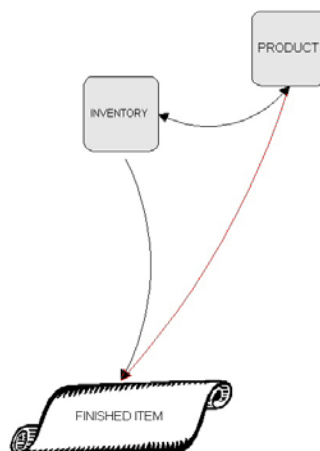
### Detailed Model:

You list each item separately. Each one is a product.

- ✚ PRODUCT: Sheet metal
- ✚ PRODUCT: Labor to cut metal
- ✚ PRODUCT: Paint
- ✚ PRODUCT: Labor to paint
- ✚ PRODUCT: Metal post
- ✚ PRODUCT: Hardware to attach post
- ✚ PRODUCT: Labor to attach post

The Detailed Model option doesn’t include instructions to production (like color, dimensions, wording.)

Inventory will be updated for those products you keep there.

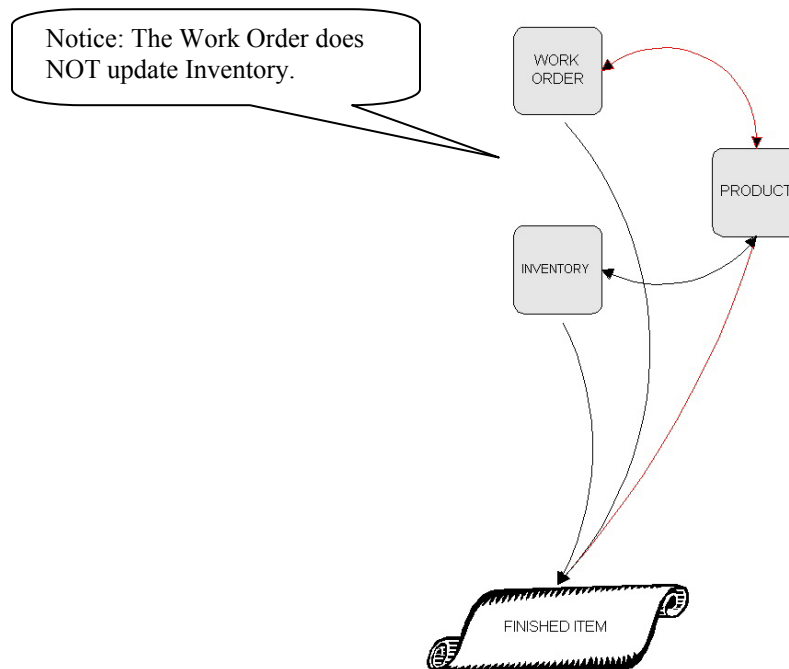


## Work Order Model:

You use a work order to add costs and instructions to a product.

- ✚ PRODUCT: Sheet metal
  - WORK ORDER
    - COST & PRICE: Paint
    - COST & PRICE: Labor to cut and paint
    - INSTRUCTIONS: Color of paint
    - INSTRUCTIONS: Font & size of lettering
    - INSTRUCTIONS: Wording
    - INSTRUCTIONS: Dimensions to cut
  
- ✚ PRODUCT: Metal Post
  - WORK ORDER
    - COST & PRICE: Nuts & Bolts
    - INSTRUCTIONS: Attach post

Any products included in the Work Order will not be updated in Inventory.

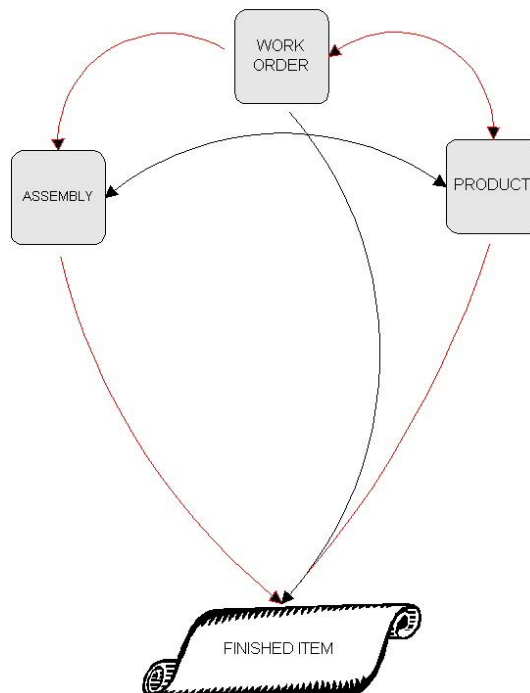


## Assembly Model:

Use an Assembly to make a Product from sub-products.

- ✚ ASSEMBLY: Sign
  - PRODUCT: Sheet metal
    - WORK ORDER
      - ✚ COST & PRICE: Paint
      - ✚ COST & PRICE: Labor to cut and paint
      - ✚ INSTRUCTIONS: Color of paint
      - ✚ INSTRUCTIONS: Font & size of lettering
      - ✚ INSTRUCTIONS: Wording
      - ✚ INSTRUCTIONS: Dimensions to cut
- ✚ ASSEMBLY: Post
  - PRODUCT: Metal Post
  - PRODUCT: Nuts & Bolts

Notice you can use Work Orders in Assemblies.



*How they Fit Together*

Production is the Heart of ACTIVITY

