

# What is the Item Cost Hierarchy? Where does the Unit Cost on a Purchase Order in Sage 100 come from?

## Products

Sage 100

## Country

North America

## Description

What is the Item Cost Hierarchy? Where does the Unit Cost on a Purchase Order in Sage 100 come from?

Item Unit Cost changes when the Order quantity is entered or changed, in Purchase Order for Sage 100

How is Unit Cost derived for line items in Purchase Order Entry, Receipt of Goods Entry, Receipt of Invoice Entry, Return of Goods Entry, Material Requisition Issue Entry, Automatic Reorder Selection, or Auto Generate Orders Selection?

## Resolution

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.

**Note:** For the **Item Pricing Hierarchy**, see the **Related Resources** section.

**In the Purchase Order module, the valuation method determines the Unit Cost used in:**

- Automatic Reorder Selection
- Auto Generate Orders Selection
- Purchase Order Entry
- Receipt of Goods Entry
- Return of Goods Entry
- Material Requisition Issue Entry

**The Item Costing Hierarchy begins with (for Purchase Order module only):**

1. **Vendor Price Levels** (highest priority):
  - Open **Accounts Payable, Main** menu, **Vendor Maintenance**
    - Select or enter a **vendor**
    - Click the **More** button to access a drop-down selection of buttons
    - Select **Items** to access the **Vendor Receipt History** task window
    - Click the Pricing button to access **Vendor Price Level Maintenance**
  - Click the **Vendor Price List** (flashlight icon) button to access the **Vendor Price List** task window

- Search to see if there is a price level setting that exists for the specific **Vendor** that applies to purchases from a specific **Product Line** and/or **Item Code**
  - Review applicable entries and edit (if necessary) or delete as desired, including Quantity Break
2. For situations where Vendor Price Levels are not used:
- **For Standard and Average cost items** in Purchase Order Entry, Receipt of Goods Entry, Return of Goods Entry (no purchase order specified), Material Requisition Issue Entry (one-step) and material requisitions entered in Purchase Order Entry, the cost hierarchy specified below:
    - **Standard Valuation** - The standard cost from the Inventory master file is used. 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** - The warehouse average cost from the Inventory master file is used. 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.
  - **For LIFO/FIFO/Lot/Serial cost items,**
    - Vendor Last Cost is used
    - If the Vendor Last Cost is zero, or no vendor is assigned to the item, then the Item Last Cost is used.
    - If the Item Last Cost is zero, then the cost hierarchy specified below for each valuation method is followed.
3. In the **Auto Generate Orders Selection** window, when selecting 'Update Unit Cost With':
- Standard Default or Last Unit Cost - the Primary Vendor's last cost is used.
  - Standard Unit Cost - the item's standard cost is used.
  - Average Unit Cost - the item's average cost is used.
  - 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 below.

**Standard Valuation** - The standard cost from the Inventory master file is used. 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** - The warehouse average cost from the Inventory master file is used. 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. If there are zero or negative quantity on hand the hierarchy assigns an estimate based on Item.lastcost.

**FIFO/LIFO/Lot/Serial** - The VENDOR last cost is used. 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.

#### Notes:

- 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.

## Related resources

How to set up or maintain pricing by customer or item, or determine the Item Pricing Hierarchy for Item Codes on Sales Orders or Invoices in Sage 100

Item Cost Hierarchy is not followed in Sales Order Update if item quantity is zero or negative

## Category

Batches, entries, posting  
Processing

**ID:20910 Last modified:7-2-2019**