



FIFO Costing method

The costing method in Inventory is FIFO (First in First Out). When receipting items into stores it receipts them as 'layers', each with its own cost and quantity.

Therefore, when issuing via FIFO it consumes the earliest received items first that still have a positive quantity balance.

The FIFO item cost is the weighted average of its layer items costs. Following the introduction of the new costing method and amendments you have more options available when it comes to querying information.



An example of using FIFO

Receipt Item: AKA0043

Layer 1: PO receipt Quantity 10 @unit cost of £5.00 = £50.00

Layer 2: PO Receipt Quantity 10 @unit cost of £5.75 = £57.50

Initial Valuation: total quantity of 20 with total value of £107.50. Weighted average cost is £5.38

Issue Item: AKA0043, quantity of 15, which consumes the following layers

Layer 1: Completely consumed, quantity 10 @ £5.00 = £50.00

Layer 2: Partially Consumed quantity 5 @ £5.75 = £28.75

Total value of issue= £78.75, with weighted average cost of £5.25

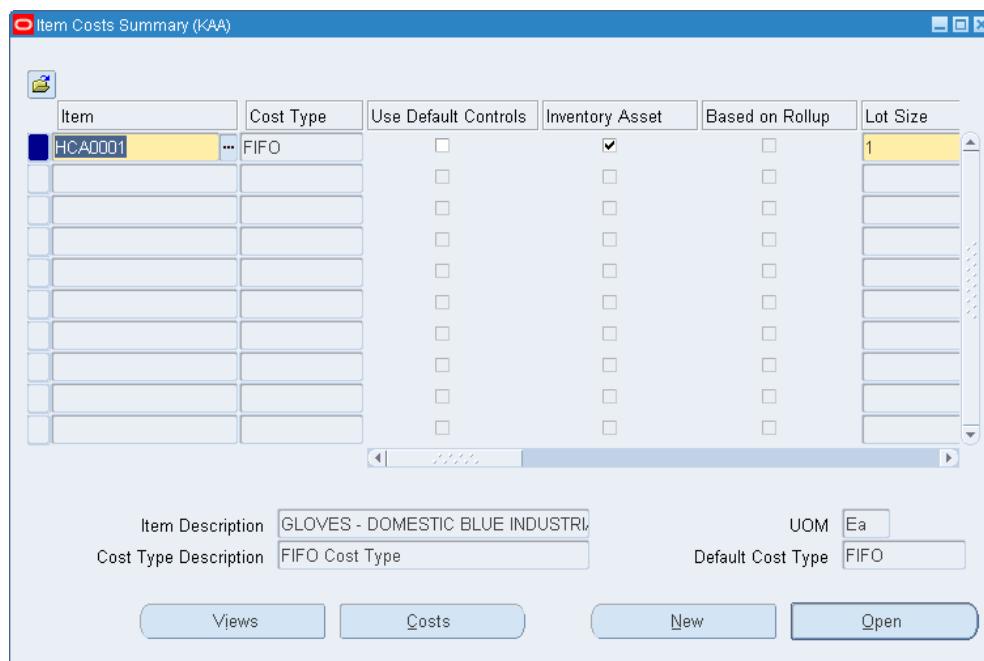
Item Costs using FIFO

You can run an Items Cost enquiry on a stock item code and find the following information.

Last PO Price	How much the item cost when it was last raised on order.
Invoice Price	How much the item cost when we last paid for it on supplier's invoice.

Responsibility: CAPSA XX: INV Stores Supervisor Responsibility
Navigate: On-Hand, Availability → Item Costs

1. Once you have navigated and clicked **Item Costs**, the Find Item/Cost Type screen will display.
2. Complete the **Item** field with the stock item code you wish to look at.
3. In the **Cost Type** field, click on the **List of Values** and select **FIFO**.
4. Click **OK** and click **Find**, the Items Costs Summary screen will display.



5. Click **Open** and Item Costs Details screen will display where you can view information on unit, last PO, invoice price and remaining quantity as per example overleaf.