NETSUITE

NetSuite WIP and Routings

Optimize Manufacturing Processes and Control Costs

NetSuite WIP and Routings helps in establishing realistic volume and cost targets and tracking performance against them. It also enables root causes to be identified and researched instances where these targets are missed.

Solution Highlights

Work In Process

The ability to track work in process (WIP) is critical for manufacturers that have a high volume of open work orders, work orders that remain open for a significant period of time (typically across one or more periods) or some combination of the two.

NetSuite WIP and Routings adds a multi-step process with the following transactions:

- **Work Order Issue:** The issue transaction not only issues component parts to the work order, but takes cost out of inventory and transfers it to the WIP account associated with the assembly item on the work order.

- **Work Order Completion:** The completion transaction puts the assembly item into inventory so it is available for other transactions or fulfillment. During work order completion, scrap can be recorded against a work order.

- **Work Order Close:** The close transaction adds the ability to review cost variances before accepting that a work order is closed and locking in the costs associated with it.
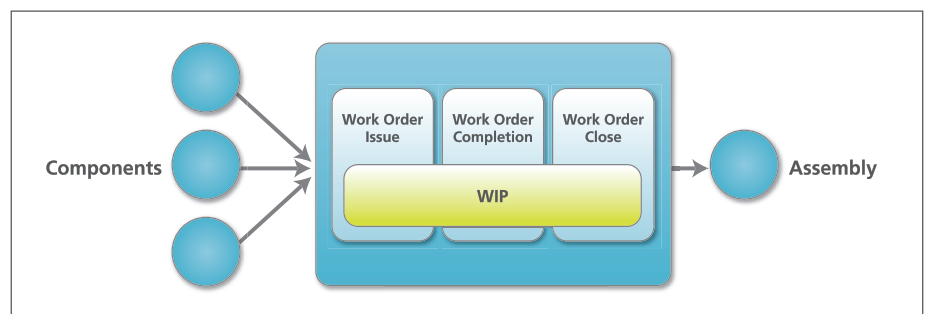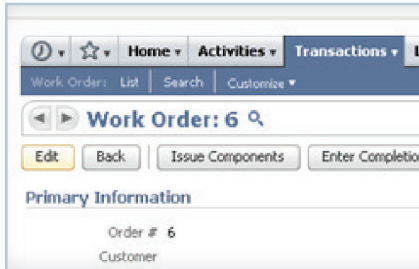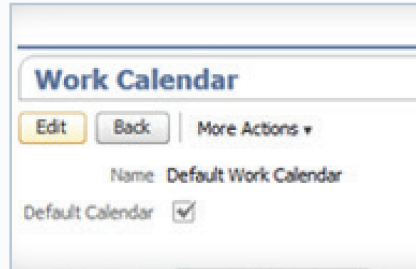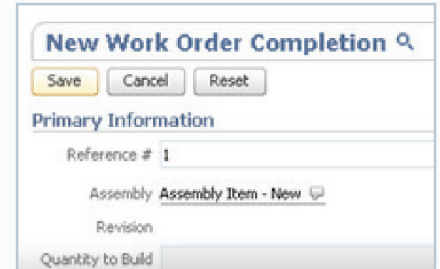
Key Benefits

- • Minimize inventory holding costs, prevent stockouts and maximize efficiency.
- More easily identify cost-saving opportunities in production and procurement.
- Optimize manufacturing operations by streamlining operations.
- Track manufacturing activities more closely with a multi-step process.
- Roll up standard costs using assigned operations.

Production managers can track work order activity by operation.

Optimise shop floor activities with Work Calendar.

Cost accountants can assign multiple labour and machine overheads.

Manufacturing Routing and Scheduling

NetSuite enables manufacturers to optimize production of complex work orders with the routing and scheduling feature in the Manufacturing WIP and Routings module. This functionality allows production engineers to create manufacturing routings to detail the steps that an item must go through during the manufacturing process.

On a routing, users can define scheduling parameters such as work center assignment, number of resources, setup time and run rates. NetSuite also supports multiple routings per item. Once a default routing has been defined, the system will automatically create and schedule the operations necessary to complete a work order. The system also considers the default Work Calendar when scheduling work orders.

By assigning and tracking production by operation, NetSuite helps manufacturers to optimize production lead times and costs. Production managers can now monitor shop floor performance by tracking actual work order activity by operation. On the completion page, operators can now enter completed quantities, labor and machine times for an individual operation or multiple operations at once.

Completion quantities and times are automatically updated for each operation to give the production manager the visibility and control necessary to optimize activities on the shop floor. Based on the actual time spent and the time remaining for an operation, subsequent start and end times of subsequent operations will automatically be adjusted to provide a more realistic schedule of the shop floor.

Controlling Overhead Costs

As competition becomes more intense and customers demand more services, it is important that management control its overhead and understand how overhead is assigned to assemblies. With the Manufacturing WIP and Routings module, cost accountants can assign multiple labor and machine overheads against each operation sequence in a routing. These overheads may include costs incurred by the factory in addition to the costs of direct materials and direct labor required to build an assembly.

For example, manufacturing overhead can include the depreciation of or rent on a factory building, or the depreciation of factory equipment. Upon the operator's input of completed quantity, setup time and runtime of machines and labor resources on the completion page, accounting lines for direct cost and variable overheads will be automatically entered into the system.

Additionally, cost accountants can easily identify financial and operational opportunity areas for continuous process improvements. When standard costing is used with this feature, cost accountants can review variances associated with setup costs, setup overhead costs, run rate costs and run rate overhead costs of machines and labor.

Leveraging NetSuite WIP and Routings will allow your organization to further streamline and optimize its manufacturing process.