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Fix Labour & Overhead Cost in Odoo Manufacturing



Webinar by

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About Us

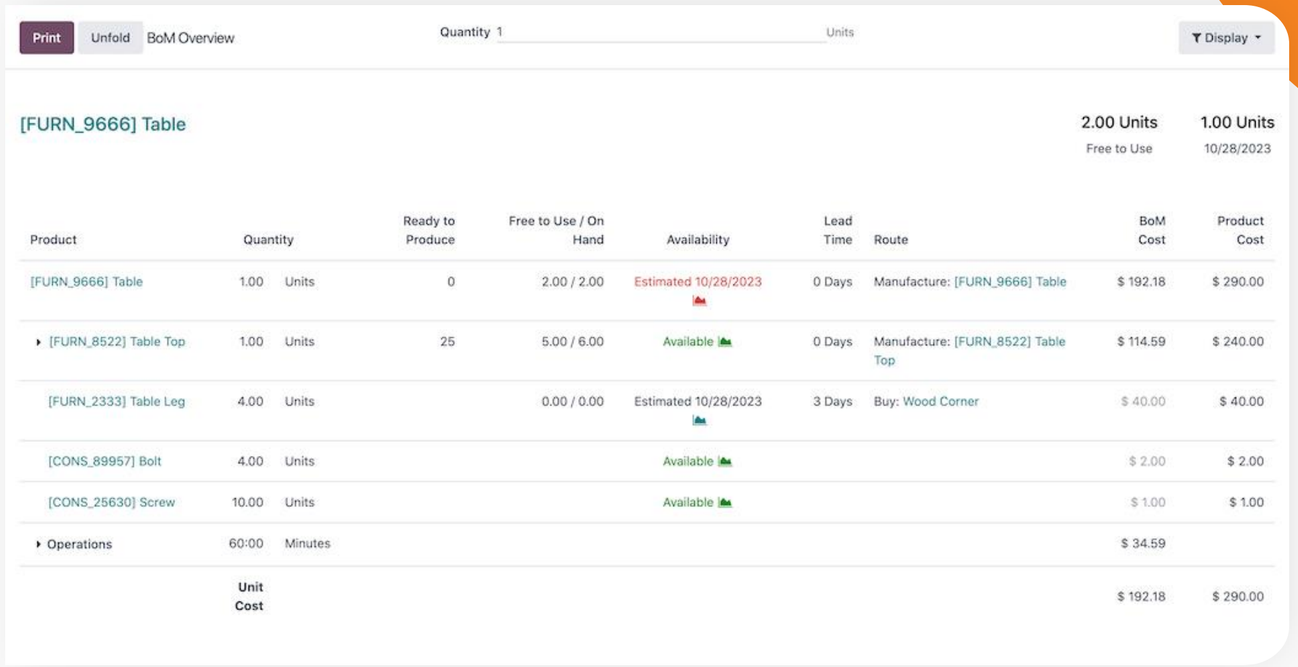
Techvaria is a global leader in digital transformation, specializing in AI, ERP and Bespoke application development and implementation, workflow automation, and business process automation. Our mission is to empower businesses through technology, driving positive change.



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Why Track Manufacturing Costs?

Tracking the cost of a finished product is crucial for accurate pricing and profitability.



Product	Quantity		Ready to Produce	Free to Use / On Hand	Availability	Lead Time	Route	BoM Cost	Product Cost
[FURN_9666] Table	1.00	Units	0	2.00 / 2.00	Estimated 10/28/2023	0 Days	Manufacture: [FURN_9666] Table	$ 192.18	$ 290.00
[FURN_8522] Table Top	1.00	Units	25	5.00 / 6.00	Available	0 Days	Manufacture: [FURN_8522] Table Top	$ 114.59	$ 240.00
[FURN_2333] Table Leg	4.00	Units		0.00 / 0.00	Estimated 10/28/2023	3 Days	Buy: Wood Corner	$ 40.00	$ 40.00
[CONS_89957] Bolt	4.00	Units			Available			$ 2.00	$ 2.00
[CONS_25630] Screw	10.00	Units			Available			$ 1.00	$ 1.00
Operations	60:00	Minutes						$ 34.59	
	Unit Cost							$ 192.18	$ 290.00

In Odoo Manufacturing, proper cost tracking helps in financial planning and controlling production expenses.

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Types of Costs in Manufacturing

Every finished product cost is associated with



Direct Material Cost



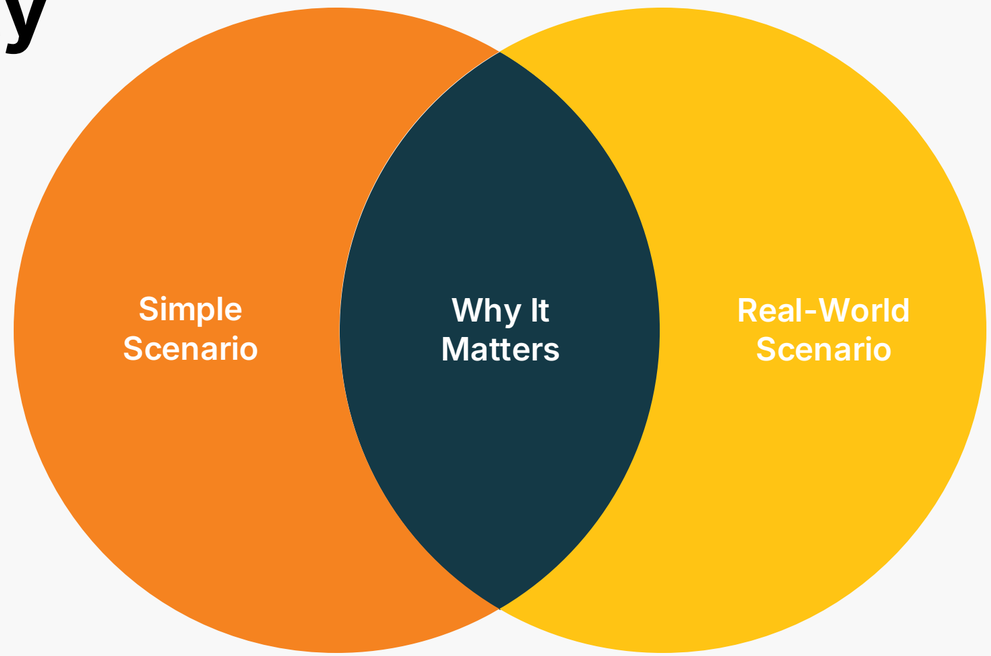
Labour Cost



Overhead Cost

Product Costing: Basics vs. Reality

- Product consumes only raw components
- Total Cost = Sum of component costs



- Product passes through multiple operations
- Operations involve workers and machines
- Adds labour and overhead costs

- Labour & overhead must be captured
- Essential for accurate product costing
- Prevents underpricing or margin errors

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Understanding Overhead



Indirect costs incurred during production.



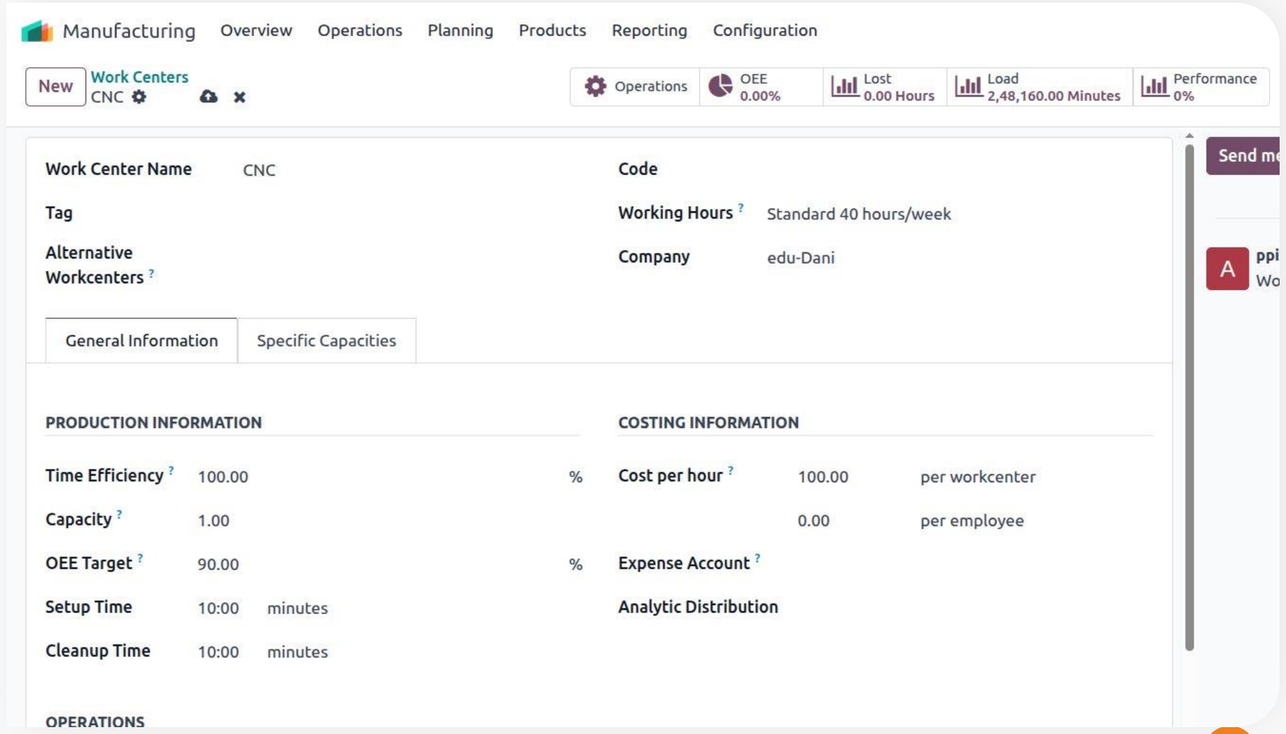
Cannot be directly assigned to a specific product.

Examples:

Factory Rent, Equipment Depreciation, Electricity & Water, Supervisors' Salary

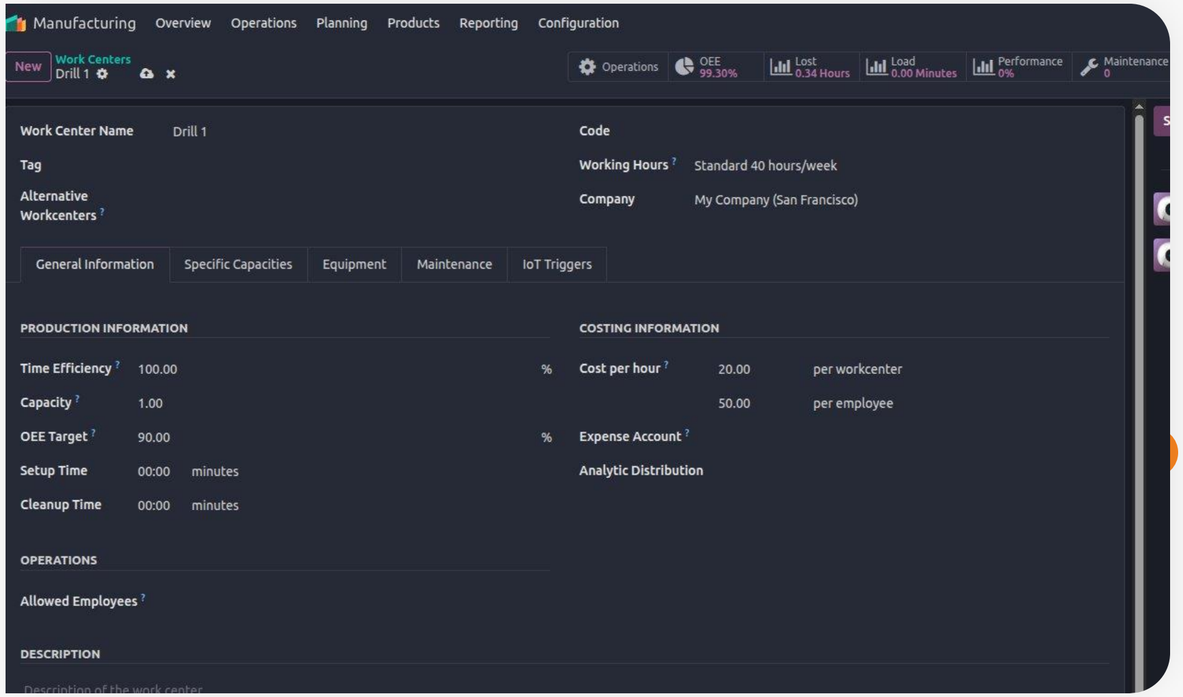
Tracking of Overhead Cost

In odoo we try to track overhead cost with work center cost and operation cost



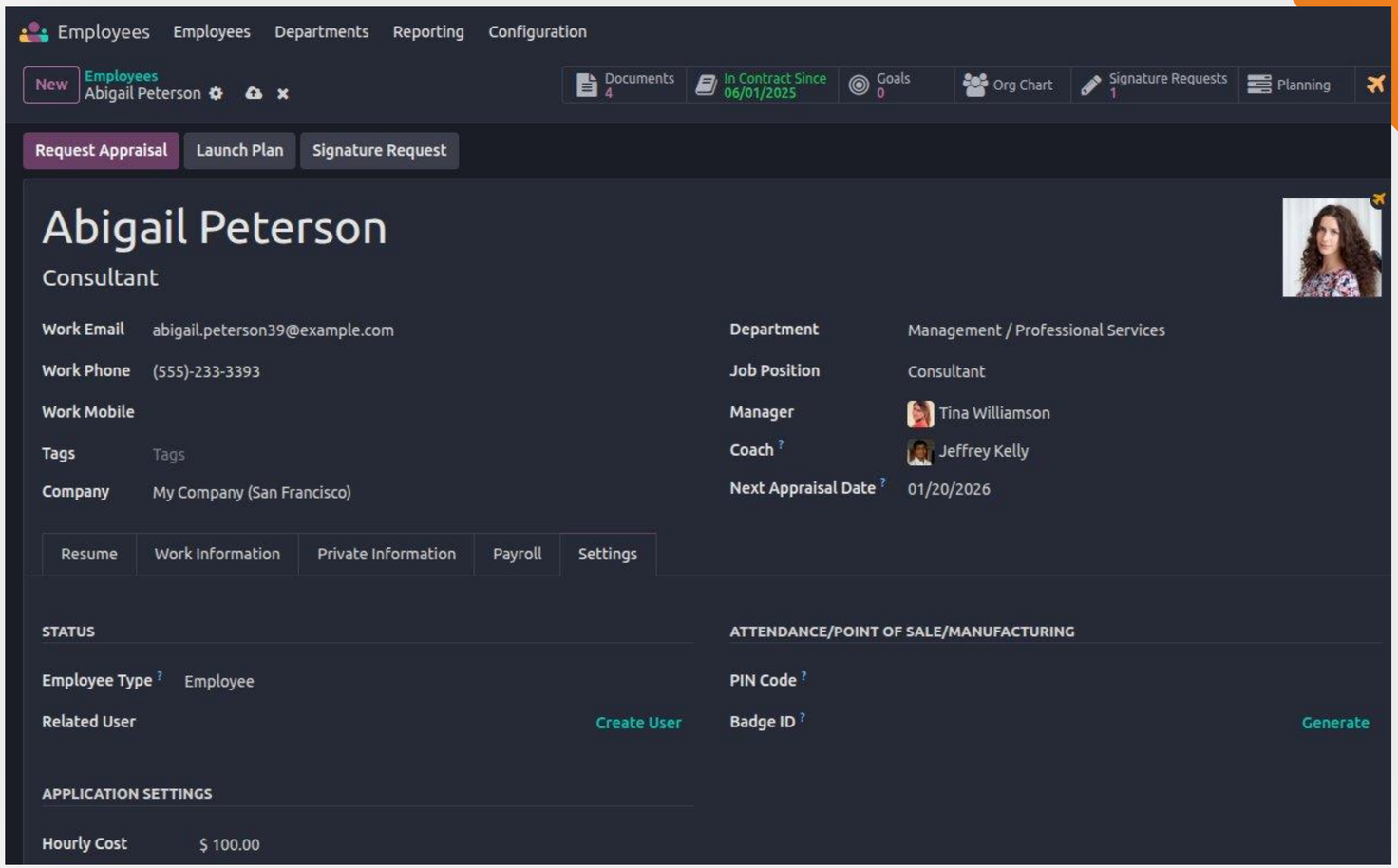
Labour

- Define labour rate in cost per hour in **Work Center settings**.
- Work Center cost = Labour + Overhead per hour.
- Odoo multiplies operation time × hourly rate to get labour cost.
- Go to **Manufacturing > Configuration > Work Centers**.
- Set **'Cost per hour'** to include labour component.
- Add realistic values based on employee wage structure.

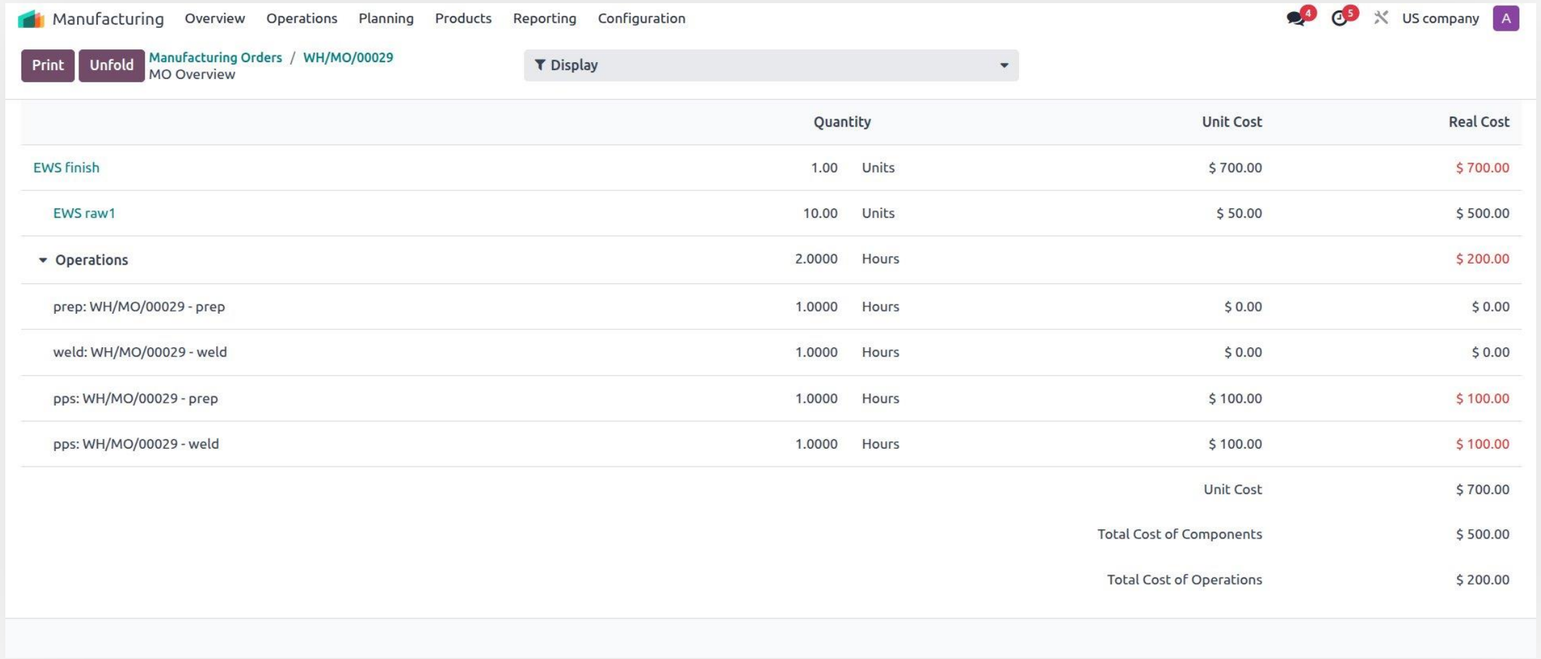


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Employee Hourly Cost



Cost of Finished Product



	Quantity		Unit Cost	Real Cost
EWS finish	1.00	Units	$ 700.00	$ 700.00
EWS raw1	10.00	Units	$ 50.00	$ 500.00
▾ Operations	2.0000	Hours		$ 200.00
prep: WH/MO/00029 - prep	1.0000	Hours	$ 0.00	$ 0.00
weld: WH/MO/00029 - weld	1.0000	Hours	$ 0.00	$ 0.00
pps: WH/MO/00029 - prep	1.0000	Hours	$ 100.00	$ 100.00
pps: WH/MO/00029 - weld	1.0000	Hours	$ 100.00	$ 100.00
			Unit Cost	$ 700.00
			Total Cost of Components	$ 500.00
			Total Cost of Operations	$ 200.00

Clarification Needed: Potential Double Booking

Current Scenario

- We already pay employee salaries directly.
- We also cover rent and electricity bills regularly

Concern

Are these same expenses being recorded again elsewhere

Question

- Wouldn’t this result in double-booking the same costs?
- That we now understand by accounting entries?? and jump to the database

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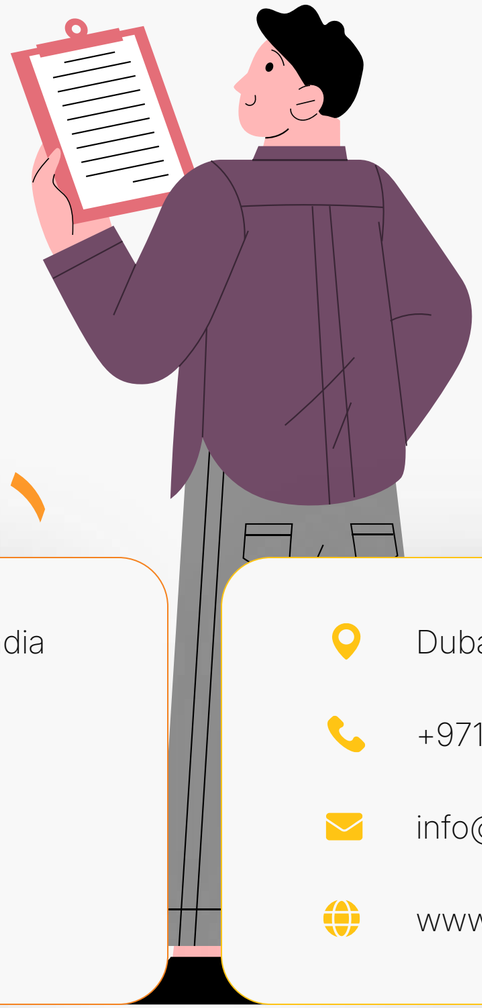


Q&A

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Thank You

for attending this webinar



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