# Using Additional Cost of Purchase

In many situations, more than one item is purchased where the expense incurred is charged as a lump-sum amount. However, to give an effective cost including the expense to each of the items, additional costs of purchase option is used. This process is automated and allocation of the expense to stock item can be done on a predefined basis.

> **Note:** These expenses posted using **Additional cost on Purchase** features, do not affect the relevant nominal ledger accounts but update the cost of the Stock Item, i.e., the additional costs incurred are updated without actually affecting accounting, only the stock value goes up.

Enabling Additional Costs of Purchase

In **F11: Features (F2: Inventory Features)** under **Purchase Management**, set **Track additional costs of purchases** to **Yes**.
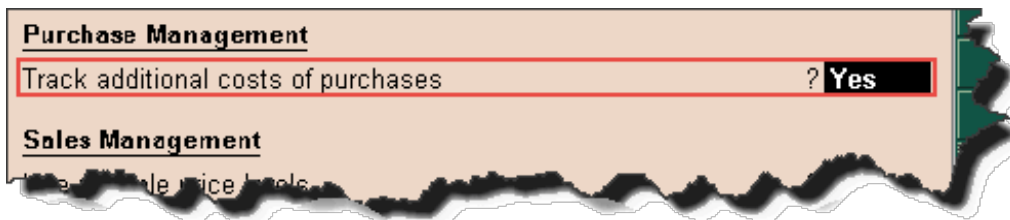
The additional costs/ expenses incurred can be allocated to each item based on:

- Quantity

or

- Value

The following set-up activity is required to appropriate the additional costs:

- Alter the Parent Group of the expense ledger accounts, e.g. Indirect Expenses. (Go to **Gateway of Tally > Accounting Info > Groups >Alter > Direct Expenses**).

- You will find a new option - **Method to Allocate when used in Purchase Invoice**.

- If you want to appropriate the ledger accounts under this group to stock items either by Quantity or value, you must select the respective option. For example, select Appropriation by Qty.

Note: To get the option **Method to Allocate when used in Purchase Invoice**, enable the option **Record purchases in invoice mode** in **F11: Features (F1: Accounting Features)**

Creating Purchase Entry

Purchase entry in As Voucher mode: The additional cost details have to be filled in after the allocation of each purchase item.

While creating the Purchase Voucher, once after giving the Quantity and Rate in the **Inventory Allocations**, press **Enter** button on the **Amount column**, **Additional Cost Details** screen will be displayed.

Additional Cost Details for : **Item A**		
Type of Cost	%-age	**Amount**
Transporation Charges		*66.67*
		66.67

Type of Cost

Select the expense ledger from the **List of ledgers Accounts**.

% age

Additional costs can be entered in terms of percentage also. For example, 1%, 2% etc. You can also skip the percentage field to enter the amount directly.

Amount

You can enter the amount of additional cost directly or if the percentage is entered, then amount will be calculated automatically.

> **Note:** If there are two or more items, then for items, the 'Additional Cost Details' screen will be displayed.

Purchase	No. 1					1-Apr-2008
Ref.:						Tuesday

Particulars				Debit	Credit
Cr **Supplier A**					5,200.00
Cur Bal: 5,200.00 Cr					
New Ref **1**		5,200.00 Cr			
Dr **Purchase**				5,200.00	
Cur Bal: 5,200.00 Dr					
Item A	10.00 nos 100.00/nos	1,000.00			
Actuals :	106.67/nos	(1,066.67)			
Item B	20.00 nos 200.00/nos	4,000.00			
Actuals :	206.67/nos	(4,133.33)			

Narration:		5,200.00	5,200.00

Purchase entry in **As Invoice** mode: The treatment of additional costs on stock items is automated.

Purchase	No. 1				1-Apr-2008
Ref.:					Tuesday

Party's A/c Name : **Supplier A**
Current Balance :

Name of Item	Quantity	Rate per	Amount
Item A	10.00 nos	100.00 nos	1,000.00
Item B	20.00 nos	200.00 nos	4,000.00
			5,000.00
Transporation Charges			200.00

Narration:	30.00 nos	5,200.00

Report on Additional Cost Details

The reports on appropriation of additional costs/ expenses can be viewed in the Stock Summary.

Go to **Gateway of Tally > Stock Summary.**

Particulars	ABC Company For 1-Apr-2008		
	Closing Balance		
	Quantity	Rate	Value
Item A	10.00 nos	106.67	1,066.67
Item B	20.00 nos	206.67	4,133.33
Grand Total	30.00 nos		5,200.00

Let us consider as an example, the appropriation calculation for Item A.

Total of Expenses ledger = Rs. 200

Total of no of quantities = 30

Number of quantities of Item A = 10

200 / 30 * 10 = 66.66

Total amount + additional charges

1000 + 66.66 = 1066.67/-