Business One in Action - Why does an item which is defined as a Sales BOM show 100% as gross profit in the Gross Profit window?

Applies to:

SAP Business One, Logistics, Sales and Purchasing

Summary:

This article describes how the system calculates the gross profit for a Sales Bill of Material item, as determined by the setting in the Document Settings window. The article also provides suggested workaround to be able to generate the expected gross profit in the Sales Analysis Report.

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Author Bio:

Lorna Real joined SAP in 2007 and is currently active as Senior Support Consultant for SAP Business One. She has worked as both technical and business consultant. She authored this article as a direct response to a partner enquiry during the Expert-on-Phone project, where she consulted on mainly Logistics and Finance related topics.

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Note 1355755

Business Scenario

In Document Settings -> General tab, the display for a bill of materials (BOM) of a sales type is set to 'Price and Total for Parent Item Only'. This setting allows users to enter a sales price on the parent item instead of setting independent sales prices for the component items. The 'Base Price Origin' field is also set at 'Item Cost' as basis for gross profit calculation.

The Sales BOM is shown below:

When creating a sales invoice for an item defined as a Sales BOM, the 'Item Cost' field in the 'Gross Profit' window is empty. Hence, the gross profit is calculated at 100%. Why is this so?

Explanation

In SAP Business One, an item that is defined as a Sales BOM cannot be defined as a 'Stock' item. The logic behind this system definition is that Sales BOM items are regarded as kit items which can be quickly assembled during the sales process. It is then not necessary to maintain physical stocks of such kit items. As an item that is not defined as a stock item in the system does not maintain item cost, the 'Base Price' will then show zero when the 'Item Cost' is used in the 'Gross Profit' window.
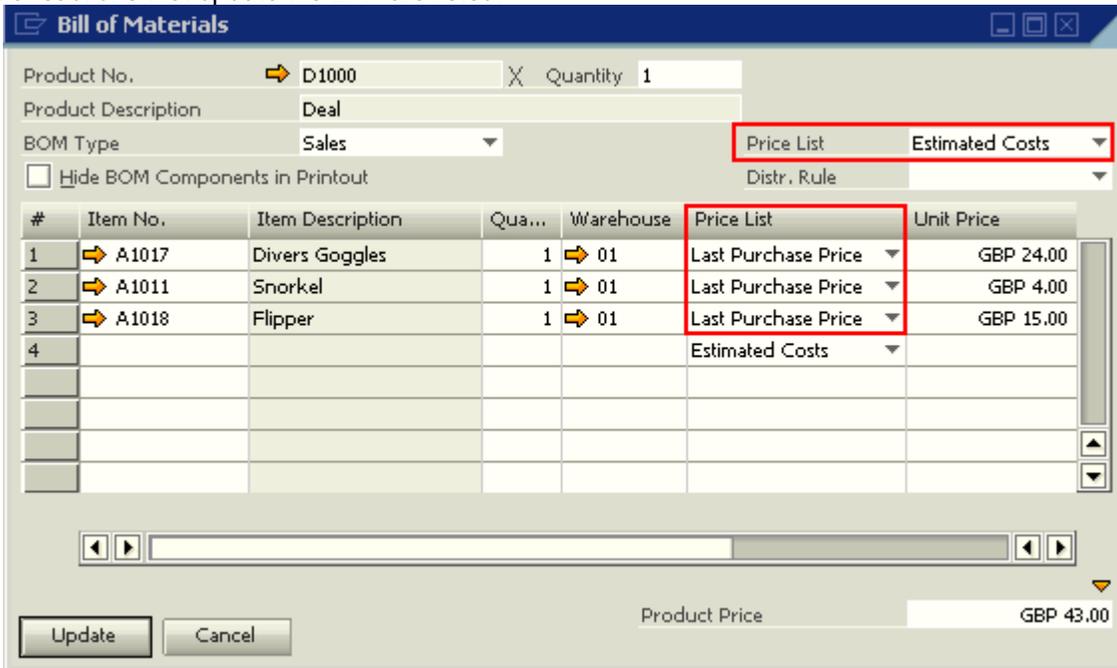

To get an estimated gross profit for each 'Sales Type' BOM, the following workaround can be considered:

1. In the 'Sales Type' BOM record, select a 'Price List' that will hold the estimated costs of the parent. This is the sum of all its components. In the screenshot shown below, a 'Price List' called 'Estimated Costs' has been created. Then, for each component line item, select the 'Last Purchase Price' (LPP) as 'Price List' (PL). The 'Last Purchase Price' will be the closest estimated costs of the components. As in the screenshot, the 'Estimated Costs' is GBP 43.00.

With respect to data correctness in the LPP, please consider Note [889702](#): The 'Last Purchase Price' is updated automatically by the system when posting specific SAP Business One transactions, where all transactions that update the LPP are listed.

#	Item No.	Item Description	Qua...	Warehouse	Price List	Unit Price
1	A1017	Divers Goggles	1	01	Last Purchase Price	GBP 24.00
2	A1011	Snorkel	1	01	Last Purchase Price	GBP 4.00
3	A1018	Flipper	1	01	Last Purchase Price	GBP 15.00
4					Estimated Costs	

Bill of Materials

Product No. D1000 X Quantity 1
Product Description Deal
BOM Type Sales
Price List Estimated Costs
Hide BOM Components in Printout
Distr. Rule

Product Price GBP 43.00

Update   Cancel

2. When creating sales documents for the Sales Type BOM, in the 'Gross Profit for Outgoing Invoices' window, select the 'Estimated Costs' in the 'Base Price List' field before adding the document. Then, click on 'Update' in the 'Gross Profit of Outgoing Invoice' window.
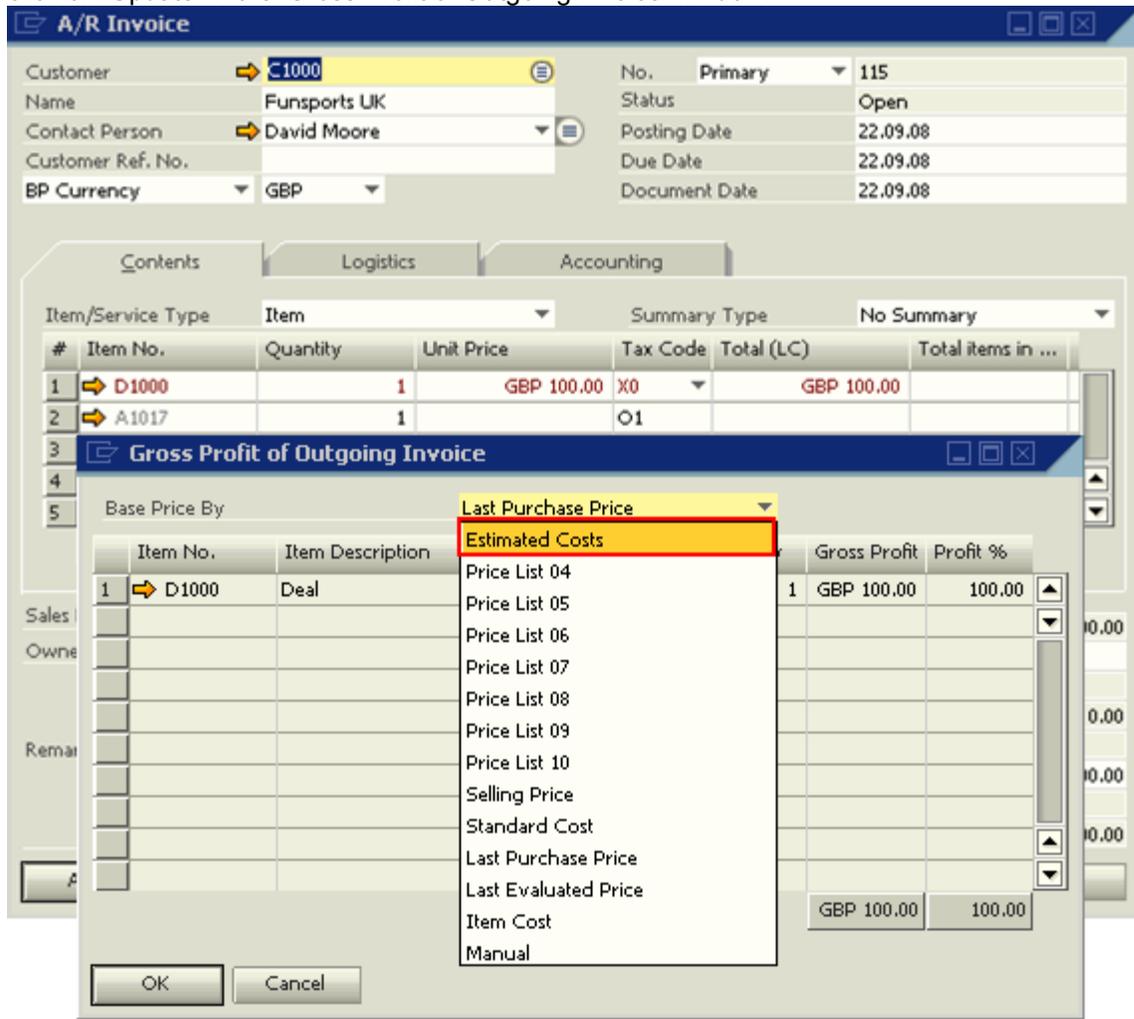
3. Once selected, the 'Base Price' will now show the GBP 43.00. The 'Gross Profit' will now show the difference between the Unit Price and the Base Price. Hence GBP 100.00 less GBP 43.00 is equal to GBP 57.00. The 'Profit %' field is computed based on the 'Calculate % Gross Profit' option selected in the 'Document Settings' window.

4. Alternatively, if maintaining such an 'Estimated Costs' PL is not feasible, the Base Price may be set to 'Manual' and the user can enter the appropriate cost.

Related Contents

- [SAP Business One in Action Catalog Page](#)
- Note [1355755](#)
- Note [889702](#)
- For more information, visit the [Business One homepage](#).

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