

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:

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Why does an item which is defined as a Sales Bill of Materials show 100% as gross profit in the Gross Profit window?

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.

Document Settings

General | Per Document

Calculate Gross Profit
Base Price Origin: Item Cost

Calculate % Gross Profit as:
 Profit/Sales Price
 Profit/Base Price

Document Remarks Include:
 Base Document Number
 BP Reference Number

For a Sales BOM in Documents, Display:
 Price and Total for Tree Only
 Price for Component Items

Response to Release of Stock below the Minimum Level:
 Without Warning
 Warning Only
 Block Release Manage Stock by Warehouse

Block Negative Stock

Rounding Method
 By Currency
 By Document

Exchange Rate Base Date (AP Documents): Document Date

Display Rounding Remark
 Use Warehouse Address
 Manage Freight in Documents
 Block Documents with Earlier Posting Date
 Allow Future Posting Date

OK Cancel

The Sales BOM is shown below:

The screenshot shows the SAP Bill of Materials (BOM) window for Product D1000. The BOM Type is set to Sales. The table lists the following components:

#	Item No.	Item Description	Quantity	Warehouse	Price List	Unit Price
1	A1017	Divers Goggles	1	01	Selling Price	GBP 30.00
2	A1011	Snorkel	1	01	Selling Price	GBP 5.00
3	A1018	Flipper	1	01	Selling Price	GBP 20.00
4					Selling Price	

Product Price: GBP 55.00

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.

The screenshot shows the 'Item Master Data' dialog box in SAP Business One. The 'Sales Item' checkbox is checked and highlighted with a red box. Other fields include Item Number (D1000), Description (Deal), Item Type (Items), and Price List (Standard Cost). The 'Production Data' section shows 'Phantom Item' unchecked and 'Issue Method' set to 'Backflush'.

Item Number	D1000	Bar Code		<input type="checkbox"/> Inventory Item
Description	Deal			<input checked="" type="checkbox"/> Sales Item
Desc. in Foreign Lang.				<input type="checkbox"/> Purchased Item
Item Type	Items			<input type="checkbox"/> Fixed Assets
Item Group	Items			
Price List	Standard Cost	Unit Price		

General | Purchasing Data | Sales Data | Inventory Data | Planning Data | Properties | Remarks

Production Data

Phantom Item

Manufacturer: - No Manufacturer - | Issue Method: Backflush

Additional Identifier: | Shipping Type: 1st Class

Serial and Batch Numbers

Manage Item by: None

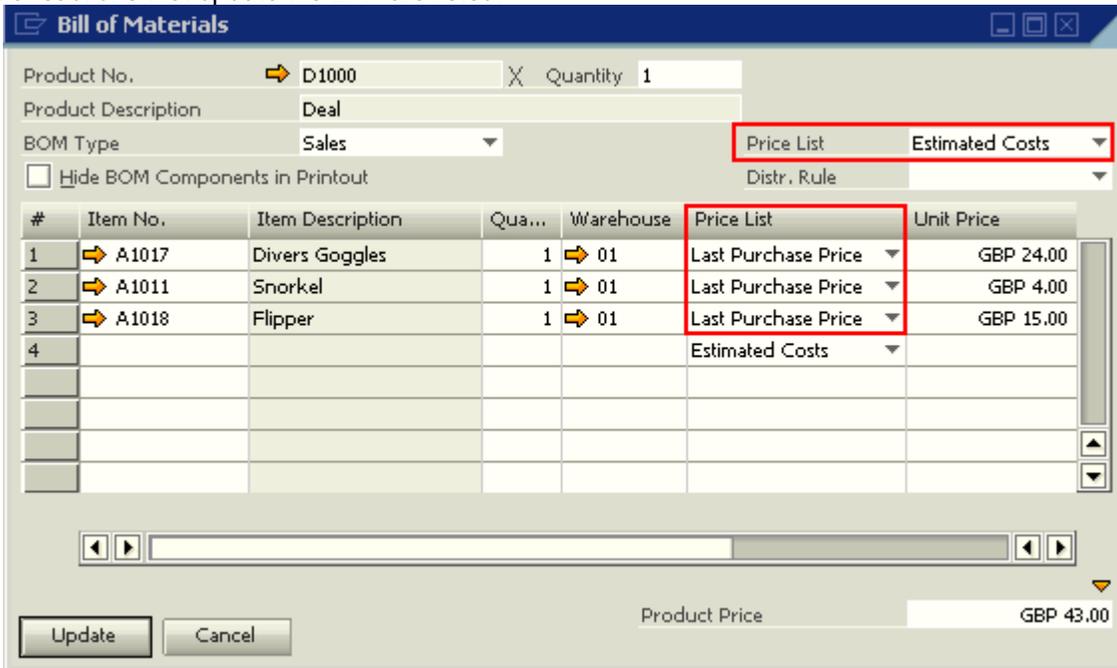
Valid
 On Hold

OK | Cancel

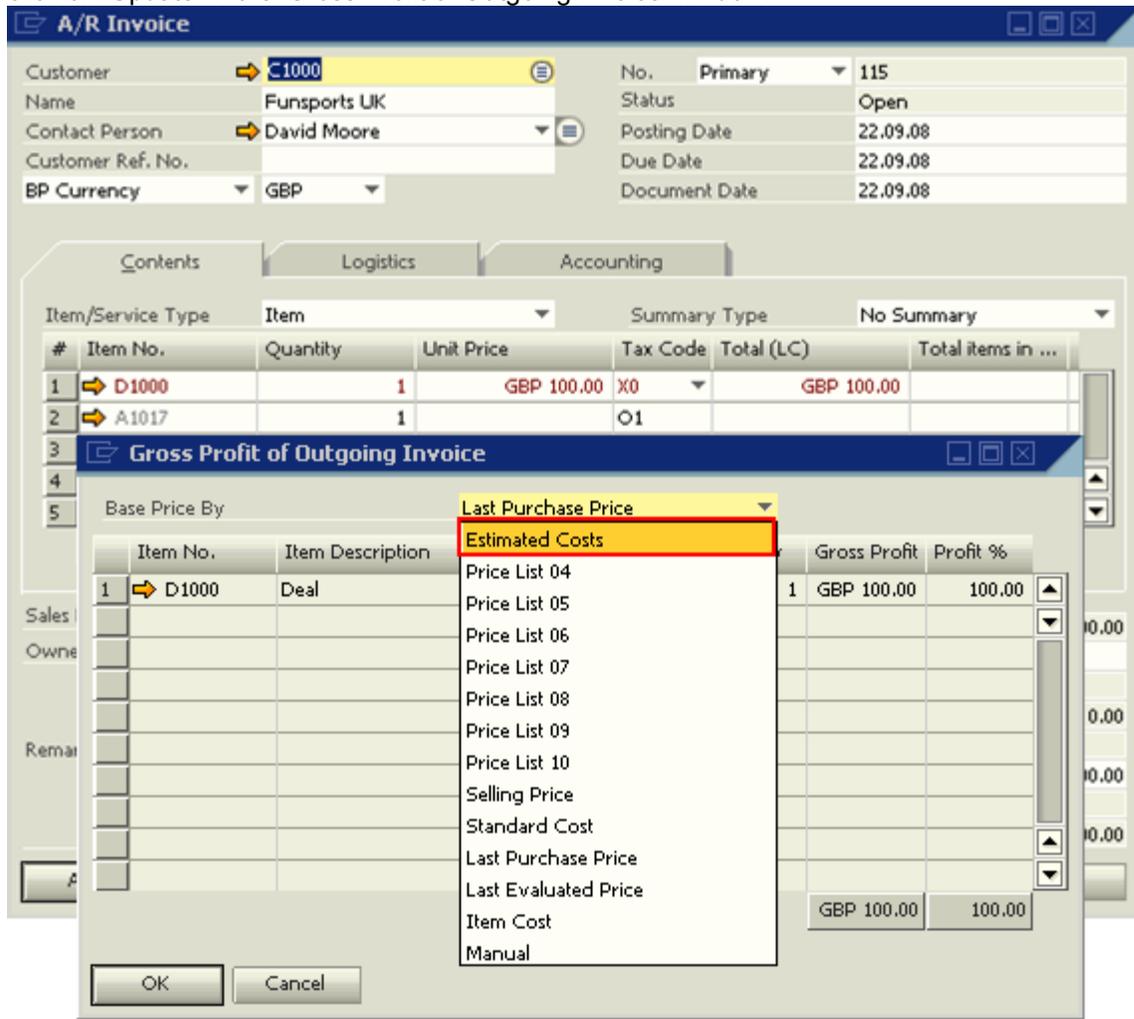
To get an estimated gross profit for each 'Sales Type' BOM, the following workaround can be considered:

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.



- 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.



- 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.

The screenshot shows the 'Gross Profit of Outgoing Invoice' window. The 'Base Price By' dropdown is set to 'Estimated Costs'. The table below shows the following data:

Item No.	Item Description	Base Price	Sales Price	Qty	Gross Profit	Profit %
1	D1000 Deal	GBP 43.00	GBP 100.00	1	GBP 57.00	57.00

Summary values at the bottom right: GBP 57.00, 57.00. Buttons: OK, Cancel.

- 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.

The screenshot shows the 'Gross Profit of Outgoing Invoice' window. The 'Base Price By' dropdown is set to 'Manual'. The table below shows the following data:

Item No.	Item Description	Base Price	Sales Price	Qty	Gross Profit	Profit %
1	D1000 Deal		GBP 100.0000	1	GBP 100.0000	100.0000

Summary values at the bottom right: GBP 100.0000, 100.0000. Buttons: Update, Cancel.

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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