

Overview of Line Item Code Rates

Last Modified on 12/20/2018 6:03 pm EST

When you set up a line item code, you can specify the rate at which the product or service will be sold. These rates are calculated from two components on the line item code record:

- Rate Type – Drop-down list to specify the rate structure. (For more details, see below.)
- Rate value – Number field to specify the amount used for the calculation.

You can specify these components on the Line Item Codes Detail screen, in the General Info section:

The screenshot shows the 'Line Item Codes' detail screen for 'The Two Gentleman of Verona' (Line Item Code: TB-Lit101). The 'General Info' section is circled in red, showing the following details:

Type	Est Unit Cost	Rate Type	Rate Value	VCS
Textbook	45.00	Mark Up %	6.00%	X
Price	MSRP	Comm. Type	Comm. Value	VCS
47.70		Fixed Amount	0.00	V

Other sections visible include 'Accounting Setup' (Revenue Account: 4002 Product Sales, Cost Account: 5001 Cost of Sales), 'Item Info' (Barcode Input: CODE50025), and 'Preferences' (Show in entry list: checked, Exclude customer discount: unchecked, Auto-update cost rate based on purchasing activity within this last number of days: 0, Send notice when ordered: unchecked).

Rate Types and Rate Values

The Rate Type is a drop-down list from which you select the type of pricing structure you need. The Rate Value field holds the value used with the Rate Type to calculate the final default selling price. There are four choices for Rate Type:

- **Fixed Price** - Sets the Rate Value as-is. For example, selecting a Rate Type of Fixed

Price and entering 100.00 for a Rate Value will set a default price of \$100.00. The default price will not be altered unless you change it manually.

- **Fixed Mark Up** - Sets the default price by marking up the Estimated Unit Cost by the Rate Value entered. For example, if the Estimated Unit Cost is \$25.00 and the Rate Value is 100.00, then the default price will be \$125.00. If costs change, the default price will always be the Estimated Unit Cost plus the markup amount set in Rate Value.

Formula: $\text{Unit Cost} + \text{Rate Value} = \text{Default Price Rate}$.

- **Mark Up %** - Sets the default price by marking up the Estimated Unit Cost by the stated Rate Value percentage. For example, if the Estimated Unit Cost is \$25.00 and the Rate Value is 10%, then the default price will be \$27.50. If costs change, the default price will automatically adjust to maintain the stated markup percentage.

Formula: $(\text{Unit Cost} * \text{Rate Value}) + \text{Unit Cost} = \text{Default Price Rate}$.

- **Margin %** - Sets the default price to a level which maintains the profit margin stated by the Rate Value percentage. For example, if the Estimated Unit Cost is \$25.00 and Rate Value is 40%, the default price will be \$41.67. If costs change, the default price will automatically adjust to maintain the stated gross profit margin.

Formula: $\text{Unit Cost} / (1 - \text{Rate Value \%}) = \text{Default Price Rate}$.
