



WHITE PAPER



# The True Cost of Business: A Framework for Total Manufacturing Cost, Overhead, and Margin Accuracy

How QuickBooks-Based Manufacturers  
Establish Cost Truth at Scale

# TABLE OF CONTENTS

Introduction.....	3
Where Cost Accuracy Breaks Down in QuickBooks-Based Manufacturing .....	4
Establishing Cost Accuracy at the Point of Production.....	5
Overhead Allocation in the Real World and Why Margins Slip .....	5
Turning Cost Accuracy Into Better Pricing and Forecasting .....	6
Building a Repeatable Cost Framework with SOS Inventory.....	6
Gain Cost Clarity and Margin Confidence with SOS Inventory.....	7



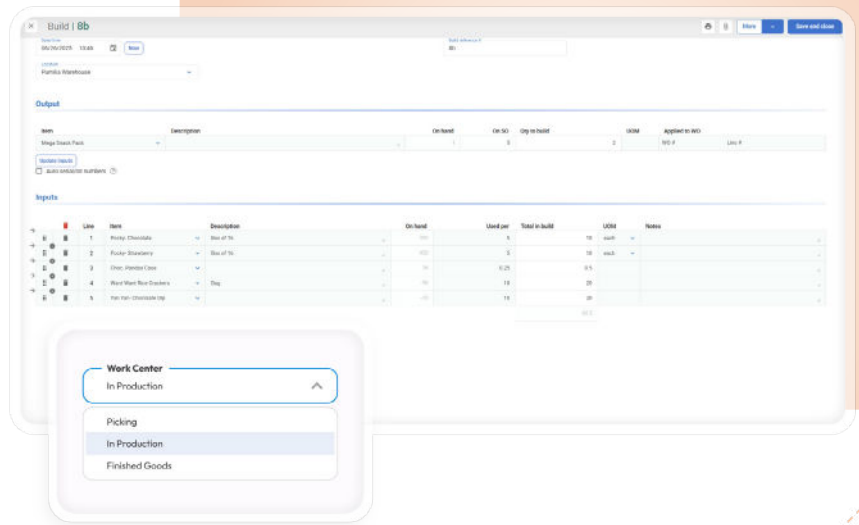
## Introduction

As an experienced manufacturing professional, you don't need another lesson about what goes into calculating production costs. However, knowing what to calculate isn't the same as calculating correctly. If you're using QuickBooks to track costs and multiple spreadsheets to put them together, you're only getting half of the picture. You can't make confident decisions based on the hope that your numbers are accurate.

This paper presents a framework grounded in practical, system-driven actions using SOS Inventory alongside QuickBooks. Use it to build a single, reliable view of total manufacturing cost that you can rely on no matter how complex your operations get.



# Where Cost Accuracy Breaks Down in QuickBooks-Based Manufacturing



Cost issues in manufacturing typically emerge gradually as operations expand. In most cases, the error is systemic, not individual. The tools you use simply aren't designed to capture the nuances of your operation.

QuickBooks tracks financial transactions with precision, but it doesn't consider the details of your production floor. It records inventory purchases while actual material usage lags behind or relies on estimates. Labor costs exist in payroll, yet they aren't automatically tied to specific jobs or builds. Overhead is recorded in expense accounts without a clear connection to the products that consume it. Work in progress might be tracked loosely or in a different system, while scrap, rework, substitutions, and partial builds distort costs.

You can use spreadsheets to fill the gaps, but you often wind up doing more work for less accurate numbers. You must double-check every number for errors, ensure all the information is up to date, and bounce between spreadsheets just for a single calculation.

**Without a system that ties production activity to costs in real time, your financial reports may look complete, but they're missing critical details that define true product cost.**

## Self-Check

Answering these questions shows where system-driven processes could replace guesswork.

- **Estimations vs. reality:** Where are we estimating costs instead of capturing them directly from production activity?
- **Post-month adjustments:** Which costs are routinely adjusted after the books close?
- **Team alignment:** Where do different teams reference different cost numbers?



# Establishing Cost Accuracy at the Point of Production

The sooner you record the true consumption of materials, labor, and overhead, the closer your reported costs reflect reality. Averaging labor or relying on assumptions may simplify accounting, but it hides real production variability. Similarly, bills of materials (BOMs) that don't reflect actual build processes distort true costs.

With SOS Inventory, you can anchor production activity directly to work orders, record material usage as builds of assemblies are completed and keep your BOMs updated whenever processes or materials change. By capturing changes in real time, you won't need to manually adjust costs for QuickBooks to reflect the true cost of production.

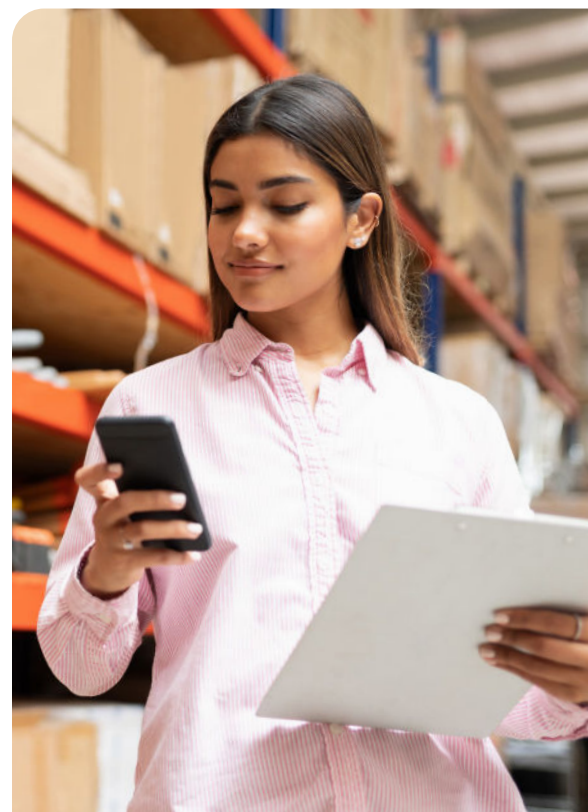
Integrating your production activity with your accounting system creates a single, reliable source of cost truth—one that supports pricing, margin management, and confident growth decisions.

## Overhead Allocation in the Real World and Why Margins Slip

Spreading indirect costs, like utilities, equipment depreciation, or labor, across products is simple. But that simplicity hides the amount of resources you're actually using. As production complexity grows, flat allocation methods fail to reflect the realities of how you're incurring overhead.

Small inaccuracies in overhead allocation may seem insignificant at first, but what you thought was a profitable product line can turn out to be underpriced once you properly account for indirect costs. Then you're left reacting to shrinking margins instead of proactively managing them.

Instead, you can use SOS Inventory to take control of your overhead. Start by identifying indirect costs that currently fall outside product costing. Choose allocation methods that reflect actual production activity, and apply overhead consistently across products and jobs. Monitor margin trends to catch overhead-driven changes early, and use structured production data to refine your assumptions over time. By aligning overhead with reality, you protect margins, improve pricing accuracy, and gain confidence in your cost structure as your business scales.



# Turning Cost Accuracy Into Better Pricing and Forecasting

Cost accuracy matters because it directly affects the decisions you make every day. When you understate product costs, pricing appears while margins quietly erode. These problems often stay hidden at low volumes and become obvious only as production scales. You can't make a strong plan if you're forecasting with costs based on assumptions that no longer match how your business operates.

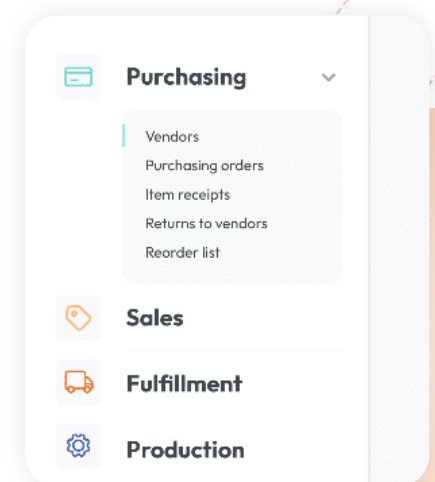
With SOS Inventory, you can connect accurate production costs to pricing, check prices against true production-level costs, and compare expected margins to actual margins by product or job. Overall, you'll be able to make more confident decisions because you'll be using clear, reliable finance, operations, and leadership data that remains as such as your business grows..

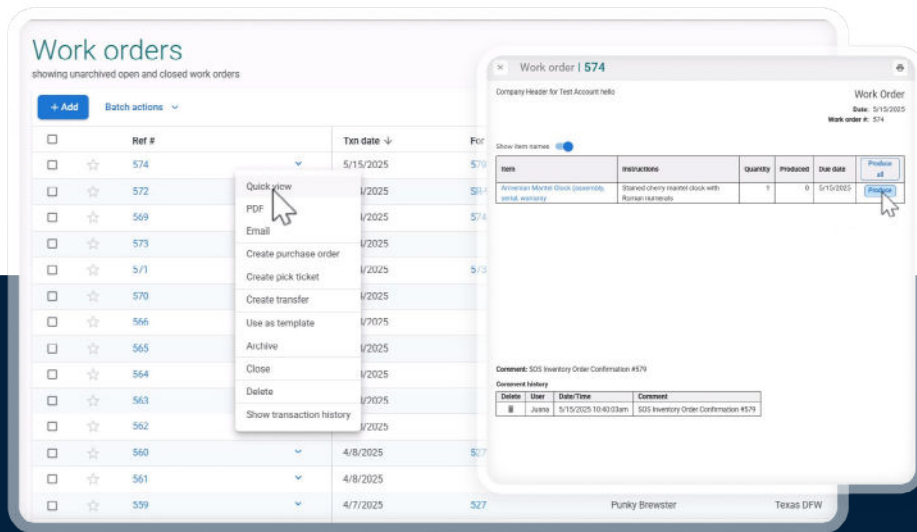
## Building a Repeatable Cost Framework With SOS Inventory

Cost accuracy improves when it is treated as an ongoing process. Short-term fixes may correct past errors, but they don't prevent new ones from appearing as volume and complexity increase. Reliable cost data depends on consistent systems that capture production activity the same way every time.

QuickBooks works well as a financial system of record. It handles purchasing, payroll, and accounting with reliability. What it lacks is manufacturing-level detail. Production activity, material consumption, and work-in-progress are difficult to track without adding structure outside the system, which is what SOS Inventory is built to do.

Using SOS Inventory reporting, you can monitor cost changes and margin trends over time. This allows you to spot issues early and understand how costs shift as volume grows. By keeping QuickBooks as the system of record and layering in structured production data, you build confidence in your cost numbers before making pricing or growth decisions.





# Gain Cost Clarity and Margin Confidence with SOS Inventory

Reliable cost data is essential for making confident decisions. When costs are incomplete or delayed, margins erode quietly and financial surprises surface only after volume increases.

Extending QuickBooks with SOS Inventory creates a consistent, production-driven cost framework that captures true total manufacturing cost as work happens. By connecting accounting and production into a single cost view, you gain the clarity and margin confidence needed to scale deliberately.

**Schedule a demo** to see how you can improve costing with SOS Inventory.

