

Why do Part Kits Cause PPV Entries?

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Part kits have their own price and cost, which is assigned to the kit itself and is separate from the price and cost associated with the individual parts in the kit.

When you add parts to a kit, you assign a percentage of the kit cost to be allocated to each part that makes up the kit.

For example, Part Kit Q has a cost of \$100.00 and is made up of 2 parts: Part A (total of 1) and Part B (total of 2). You assign 50% of the kit cost to Part A and 50% of the kit cost to Part B. That means Part A has a cost of \$50.00 with relation to this kit, and Part B has a cost of \$25.00 with relation to the kit. One of Part A at \$50.00, plus two of Part B at \$25.00, makes up the \$100.00 kit cost.

This means building and breaking out of kits usually creates a PPV entry in the GL because parts are usually cheaper when you buy them in kits. So Part A might have an individual cost of \$55.00, but in the kit it is priced at \$50.00, and so you get a \$5.00 PPV when you build and break out the part kit.
