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User's Guide

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Preface

Intended Audience

Welcome to Release 12 of the *Oracle Cost Management User's Guide.*

This guide assumes you have a working knowledge of the following:

- The principles and customary practices of your business area.
- Oracle Cost Management.

  If you have never used Oracle Cost Management, then Oracle suggests you attend one or more of the Oracle Cost Management training classes available through Oracle University.
- Oracle Applications graphical user interface.

  To learn more about the Oracle Applications graphical user interface, read the *Oracle Applications User's Guide*.

Other Information Sources

You can choose from many sources of information including training, online documentation, and support services to increase your knowledge and understanding of Oracle Cost Management. If this guide refers you to other Oracle Applications documentation, then use only the Release 12 versions of those guides.

For a full list of documentation resources for Oracle Applications Release 12, see *Oracle Applications Documentation Resources, Release 12* , Oracle *MetaLink* Document 394692.1.

Training

Oracle offers a complete set of training courses to help you and your staff master Oracle Cost Management and reach full productivity quickly. These courses are organized into functional learning paths, so you take only those courses appropriate to your job or area of responsibility.

You have a choice of educational environments. You can attend courses offered by Oracle University at any of our many Education Centers, you can arrange for our trainers to teach at your facility, or you can use Oracle Learning Network (OLN), Oracle University's online education utility. In addition, Oracle training professionals can tailor standard courses or develop custom courses to meet your needs. For example, you may want to use your organization structure, terminology, and data as examples in a customized training session delivered at your own facility.

See Related Information Sources on page xv for more Oracle Applications product information.

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Related Information Sources

Oracle Applications User's Guide

This guide explains how to enter data, query, run reports, and navigate using the graphical user interface (GUI) available with this release of Cost Management (and any other Oracle Applications product). This guide also includes information on setting user profiles, as well as running and reviewing reports and concurrent processes. You can access this user's guide online by choosing "Getting Started with Oracle Applications" from any Oracle Applications help file.

Oracle Applications Flexfields Guide

This guide provides flexfields planning, setup and reference information. This manual also provides information on creating custom reports on flexfields data.

Oracle Bills of Material User's Guide

This guide describes how to create various bills of materials to maximize efficiency, improve quality and lower cost for the most sophisticated manufacturing environments. By detailing integrated product structures and processes, flexible product and process definition, and configuration management, this guide enables you to manage product details within and across multiple manufacturing sites.

Oracle Financials Global Accounting Engine User's Guide

Use the Global Accounting Engine to replace the transfer to General Ledger and create subledger accounting entries that meet additional statutory standards within some countries. The Accounting Engine provides subledger balances, legal reports, and bi-directional drilldown from General Ledger to the subledger transaction.

Oracle Flow Manufacturing User's Guide

This guide describes how to use Oracle's Flow Manufacturing functionality to support

the processes of flow manufacturing. It describes design features of demand management, line design and balancing, and kanban planning. It also describes production features of line scheduling, production, and kanban execution.

Oracle General Ledger User's Guide

This guide explains how to plan and define your chart of accounts, accounting period types and accounting calendar, functional currency, and ledger. It also describes how to define journal entry sources and categories so you can create journal entries for your general ledger. If you use multiple currencies, use this manual when you define additional rate types, and enter daily rates. This manual also includes complete information on implementing Budgetary Control.

Oracle Inventory User's Guide

This guide describes how to define items and item information, perform receiving and inventory transactions, maintain cost control, plan items, perform cycle counting and physical inventories, and set up Oracle Inventory.

Oracle Order Management User's Guide

This guide describes how to enter sales orders and returns, copy existing sales orders, schedule orders, release orders, create price lists and discounts for orders, run processes, and create reports.

Oracle Payables User's Guide

This guide describes how accounts payable transactions are created and entered in Oracle Payables. This guide also contains detailed setup information for Oracle Payables.

Oracle Project Manufacturing User's Guide

This guide describes the unique set of features Oracle Project Manufacturing provides for a project-based manufacturing environment. Oracle Project Manufacturing can be tightly integrated with Oracle Projects.

Oracle Purchasing User's Guide

This guide describes how to create and approve purchasing documents, including requisitions, different types of purchase orders, quotations, RFQs, and receipts. This guide also describes how to manage your supply base through agreements, sourcing rules and approved supplier lists. In addition, this guide explains how you can automatically create purchasing documents based on business rules through integration with Oracle Workflow technology, which automates many of the key procurement processes.

Oracle Receivables User's Guide

Use this manual to learn how to implement flexible address formats for different countries. You can use flexible address formats in the suppliers, banks, invoices, and payments windows.

Oracle Workflow User's Guide

This guide describes how Oracle Applications users can view and respond to workflow notifications and monitor the progress of their workflow processes.

Oracle Work in Process User's Guide

This guide describes how Oracle Work in Process provides a complete production management system. Specifically this guide describes how discrete, repetitive, assemble-to-order, project, flow, and mixed manufacturing environments are supported.

Integration Repository

The Oracle Integration Repository is a compilation of information about the service endpoints exposed by the Oracle E-Business Suite of applications. It provides a complete catalog of Oracle E-Business Suite's business service interfaces. The tool lets users easily discover and deploy the appropriate business service interface for integration with any system, application, or business partner.

The Oracle Integration Repository is shipped as part of the E-Business Suite. As your instance is patched, the repository is automatically updated with content appropriate for the precise revisions of interfaces in your environment.

Installation and System Administration

Installing Oracle Applications

This guide provides instructions for managing the installation of Oracle Applications products. In Release 12, much of the installation process is handled using Oracle Rapid Install, which minimizes the time to install Oracle Applications and the technology stack by automating many of the required steps. This guide contains instructions for using Oracle Rapid Install and lists the tasks you need to perform to finish your installation. You should use this guide in conjunction with individual product user's guides and implementation guides.

Maintaining Oracle Applications

Use this guide to help you run the various AD utilities, such as AutoUpgrade, AutoPatch, AD Administration, AD Controller, AD Relink, License Manager, and others. It contains how-to steps, screenshots, and other information that you need to run the AD utilities. This guide also provides information on maintaining the Oracle Applications file system and database.

Oracle Alert User's Guide

This guide explains how to define periodic and event alerts to monitor the status of your Oracle Applications data.

Oracle Applications Developer's Guide

This guide contains the coding standards followed by the Oracle Applications development staff. It describes the Oracle Application Object Library components needed to implement the Oracle Applications user interface described in the Oracle

Applications User Interface Standards for Forms-Based Products. It also provides information to help you build your custom Oracle Forms Developer forms so that they integrate with Oracle Applications.

Oracle Applications System Administrator's Guide

This guide provides planning and reference information for the Oracle Applications System Administrator. It contains information on how to define security, customize menus and online help, and manage concurrent processing.

Oracle eTechnical Reference Manuals

Each eTechnical Reference Manual (eTRM) contains database diagrams and a detailed description of database tables, forms, reports, and programs for a specific Oracle Applications product. This information helps you convert data from your existing applications and integrate Oracle Applications data with non-Oracle applications, and write custom reports for Oracle Applications products. Oracle eTRM is available on Oracle MetaLink.

Oracle Workflow Administrator's Guide

This guide explains how to complete the setup steps necessary for any Oracle Applications product that includes workflow-enabled processes, as well as how to monitor the progress of runtime workflow processes.

Oracle Workflow Developer's Guide

This guide explains how to define new workflow business processes and customize existing Oracle Applications-embedded workflow processes. It also describes how to define and customize business events and event subscriptions.

Upgrading Oracle Applications

Refer to this guide if you are upgrading your Oracle Applications Release 11*i* products to Release 12. This guide describes the upgrade process and lists database and product-specific upgrade tasks.

Do Not Use Database Tools to Modify Oracle Applications Data

Oracle STRONGLY RECOMMENDS that you never use SQL*Plus, Oracle Data Browser, database triggers, or any other tool to modify Oracle Applications data unless otherwise instructed.

Oracle provides powerful tools you can use to create, store, change, retrieve, and maintain information in an Oracle database. But if you use Oracle tools such as SQL*Plus to modify Oracle Applications data, you risk destroying the integrity of your data and you lose the ability to audit changes to your data.

Because Oracle Applications tables are interrelated, any change you make using an Oracle Applications form can update many tables at once. But when you modify Oracle Applications data using anything other than Oracle Applications, you may change a row in one table without making corresponding changes in related tables. If your tables

get out of synchronization with each other, you risk retrieving erroneous information and you risk unpredictable results throughout Oracle Applications.

When you use Oracle Applications to modify your data, Oracle Applications automatically checks that your changes are valid. Oracle Applications also keeps track of who changes information. If you enter information into database tables using database tools, you may store invalid information. You also lose the ability to track who has changed your information because SQL*Plus and other database tools do not keep a record of changes.

1

Cost Management Overview

This chapter covers the following topics:

- Overview of Cost Management
- Cost Structure
- Standard and Average Costing Compared
- Retroactive Pricing

Overview of Cost Management

Oracle Cost Management is a full absorption, perpetual, and periodic cost system for purchasing, inventory, work in process, and order management transactions. Cost Management supports multiple cost elements, costed transactions, comprehensive valuation and variance reporting, and thorough integration with Oracle Financials.

Cost Management automatically costs and values all inventory, work in process, and purchasing transactions. This means that inventory and work in process costs are up-to-date, and inventory value matches the cumulative total of accounting transactions.

Cost Management provides flexible cost setup features, including multiple cost elements and unlimited subelements, unlimited resources and overheads, and unlimited activities. You can use one or more of the following cost elements: material, material overhead, resource, outside processing, and overhead. Subelements enable you to analyze costs in greater detail. For example, you can have multiple material overhead subelements, such as purchasing, material handling, freight, duty, and so on. This flexibility enables you to accurately define and maintain costs and associate them with items.

Cost Management provides flexible account setup, including accounts by organization, subinventory, and work in process accounting class so that you can distribute costs to the proper expense accounts and capture valuation in the proper asset accounts.

Cost Management provides comprehensive valuation and variance reporting. Perpetual

inventory and work in process balances are maintained on-line. Multiple variances are supported: purchase price, standard cost, cycle count, physical inventory, work in process usage, and work in process efficiency.

Cost Management also provides extensive cost simulation, copying, and editing capabilities that enable you to project costs and keep them accurate.

Cost Management supports flexible period-based accounting that lets you transact in more than one open period at the same time. You can reconcile and analyze one open period while conducting business in a subsequent period. Additionally, you can transfer summary or detail account activity to Oracle General Ledger at any time and close a period at any time.

Costing Methods

Cost Management supports four perpetual costing methods: Standard Costing, Average Costing, FIFO Costing, and LIFO Costing. You can use the Average Costing method for one organization and the Standard Costing method for another organization.

See: Standard and Average Costing Compared, page 1-8.

You can use FIFO Costing, which is based on the assumption that the first inventory units acquired are the first units used. You can use LIFO Costing, which is based on the assumption that the last inventory units acquired are the first units used. Cost Management also supports Periodic Costing. See Overview of Periodic Costing, *Oracle Cost Management User's Guide*

Oracle Cost Management does not support costing for process inventory organizations. See: Oracle Process Manufacturing Costing for costing and accounting functions for process organizations.

Related Topics

Overview of Standard Costing, page 4-1

Overview of Average Costing, page 5-1

Overview of FIFO/LIFO Costing, *Oracle Cost Management User's Guide*

Describing the Major Features of FIFO/LIFO Costing, *Oracle Cost Management User's Guide*

Cost Structure

A cost structure is the collection of definitions and methods used to cost inventory, bills of material, and work in process. The cost structure is composed of:

- Organizations
- Cost organizations and shared costs

- Cost elements
- Subelements
- Activities
- Basis types
- General Ledger accounts

Inventory Organizations

In Oracle Manufacturing, each inventory organization must have a cost structure that you define. Organizations can have their own cost structure or can share attributes of a similar cost structure. See:Defining Organization Access, *Oracle Inventory User's Guide* .

Before you set up Inventory, Bills of Material, or Work in Process, examine the current cost structure of your organization(s) to determine which costing features and functions to use.

Cost Organizations and Shared Costs

You can share costs across standard cost organizations as long as the child cost organizations have not enabled WIP. You cannot share costs across average costing organizations.

The two item attribute controls, Costing Enabled and Inventory Asset Value, determine whether you share costs. If you plan to share costs across standard costing organizations, then set the control level for these attributes to the item level. The organization that holds the costs is called the *cost master organization*.

Costs are maintained by the cost master organization and shared by the child cost organizations. All reports, inquiries, and processes use the shared costs. You cannot enter costs into the child cost organizations.

> **Note:** The cost master organization can be a manufacturing organization using Work in Process.

You can also set up average cost organizations even if you share standard costs with another group of organizations. The average and standard costing organizations can share the same item master organization. However, the average cost organization does not share costs.

For each organization to create and maintain its own costs, set the control level for Costing Enabled and Inventory Asset Value item attributes to the item/org level. Even if each organization holds its own costs, multiple organizations can share the same common item master. See: Defining Items, *Oracle Inventory User's Guide*.

Cost Elements

Product costs are the sum of their elemental costs. Cost elements are defined as follows:

- **Material** - The raw material/component cost at the lowest level of the bill of material determined from the unit cost of the component item.

- **Material Overhead** - The overhead cost of material, calculated as a percentage of the total cost, or as a fixed charge per item, lot, or activity. You can use material overhead for any costs attributed to direct material costs. If you use Work in Process, then you can also apply material overhead at the assembly level using a variety of allocation charge methods.

- **Resource** - Direct costs, such as people (labor), machines, space, or miscellaneous charges, required to manufacture products. Resources can be calculated as the standard resource rate times the standard units on the routing, per operation, or as a fixed charge per item or lot passing through an operation.

- **Overhead** - The overhead cost of resource and outside processing, calculated as a percentage of the resource or outside processing cost, as a fixed amount per resource unit, or as a fixed charge per item or lot passing through an operation. Overhead is used as a means to allocate department costs or activities. For example, you can define multiple overhead subelements to cover both fixed and variable overhead, each with its own rate. You can assign multiple overhead subelements to a single department, and vice versa.

- **Outside Processing** - This is the cost of outside processing purchased from a supplier. Outside processing may be a fixed charge per item or lot processed, a fixed amount per outside processing resource unit, or the standard resource rate times the standard units on the routing operation. To implement outside processing costs, you must define a routing operation, and use an outside processing resource.

Subelements

You can use subelements as smaller classifications of the cost elements. Each cost element must be associated with one or more subelements. Define subelements for each cost element and assign a rate or amount to each one. You can define as many subelements as needed.

- **Material Subelements** - Classify your material costs, such as plastic, steel, or aluminum. Define material subelements and assign them to item costs. Determine the basis type (allocation charge method) for the cost and assign an appropriate amount. See: Defining Material Subelements, page 2-20.

- **Material Overhead Subelements** -

  Define material overhead subelements and assign them to item costs. Determine the

basis type for the cost and define an appropriate rate or amount, such as purchasing, freight, duty, or material handling. See: Defining Overhead, page 2-22.

- **Resource Subelements** - Define resource subelements. Determine the basis type for the cost and define an appropriate rate or amount. Each resource you define is a subelement, can be set up to charge actual or standard costs, and may generate a rate variance when charged. See: Defining a Resource, *Oracle Bills of Material User's Guide*.

- **Overhead Subelements** - Define overhead subelements and assign them to your item costs. Determine the basis type for the cost and define an appropriate rate or amount. Overhead subelements are applied in the routing and usually represent production overhead. You can define overheads based on the number of units or lot moved through the operation, or based on the number of resource units or value charged in the operation. See: Defining Overhead, page 2-22.

- **Outside Processing Subelements** - Define outside processing subelements. Determine the basis type for the cost and define an appropriate rate or amount. This subelement is associated with the outside processing cost element and represents service provided by suppliers. Each outside processing resource you define is a subelement, may be set up to charge actual or standard costs, and may generate a purchase price variance when charged. See: Defining a Resource, *Oracle Bills of Material User's Guide*.

  Note: Negative item costs are not supported in Oracle Cost Management.

Activities

An action or task you perform in a business that uses a resource or incurs cost. You can associate all product costs to activities. You can define activities and assign them to any subelement. You can also assign costs to your activities and build your item costs based on activities.

Basis Types

Basis types determine how costs are assigned to the item. Basis types are assigned to subelements, which are then assigned to the item. Each subelement must have a basis type. Examples: one hour of outside processing per basis item, two quarts of material per basis lot.

Basis types are assigned to subelements in three windows and, for the overhead subelement, a setting established in one window may not always be applicable in another. (This refers specifically to the overhead subelement, not the material overhead subelement.)

Basis types in Subelement and Routing Windows

Basis types assigned to subelements in subelement and routing windows are the defaults for the purpose of routing. Basis types Resource Units and Resource Value, when assigned to an overhead subelement*(Routing only* in the table below), are available to flow through to routing, but are not available in the Item Cost window.

Basis types in the Item Cost window

When you are defining item costs, for any overhead subelement with a previously assigned basis of Resource Units or Resource Value, that basis is ignored, and only item or lot appears in the basis pop-up window. This does not change the assigned basis for the purpose of routing.

The following table details the basis types available for use with each subelement.

Basis Types Available to Subelements

Basis Type	Material	Material Overhead	Resource	Outside Processing	Overhead
Activity	n/a	yes	n/a	n/a	n/a
Item	yes	yes	yes	yes	yes
Lot	yes	yes	yes	yes	yes
Resource Units	n/a	yes	n/a	n/a	Routing only
Resource Value	n/a	yes	n/a	n/a	Routing Only
Total Value	n/a	yes	n/a	n/a	n/a

Item

Used with material and material overhead subelements to assign a fixed amount per item, generally for purchased components. Used with resource, outside processing and overhead subelements to charge a fixed amount per item moved through an operation.

Lot

Used to assign a fixed lot charge to items or operations. The cost per item is calculated by dividing the fixed cost by the item's standard lot size for material and material overhead subelements. For routing steps, the cost per item is calculated by dividing the fixed cost by the standard lot quantity moved through the operation associated with a resource, outside processing, or overhead subelement.

Resource Value

Used to apply overhead to an item, based on the resource value earned in the routing operation. Used with the overhead subelement only and usually expressed as a rate. The overhead calculation is based on resource value:

```
resource value earned in the operation x overhead rate
```

Resource Units

Used to allocate overhead to an item, based on the number of resource units earned in the routing operation. Used with the overhead subelement only. The overhead calculation is based on resource units:

```
resource units earned in an operation X overhead rate or amount
```

> **Note:** You may optionally use resource units and resource value to earn material overhead when you complete units from a job or repetitive schedule.

Total Value

Used to assign material overhead to an item, based on the total value of the item. Used with the material overhead subelement only. Material overhead calculation is based on total value:

Activity

Used to directly assign the activity cost to an item. Used with the material overhead subelement only. The material overhead calculation is based on activity:

```
activity occurances / # of items X activity rate
```

Cost Transfer and Distribution to the General Ledger

All costs are maintained by cost element. If you assign a *different* account to each cost element as you define your subinventories and WIP accounting classes (if you use Work in Process), then elemental account visibility is maintained when transactions are processed.

Standard and Average Costing Compared

Cost Management offers many perpetual costing methods, including standard costing and average costing.

Average costing is used primarily for distribution and other industries where the product cost fluctuates rapidly, or when dictated by regulation and other industry conventions. Average costing eliminates the need to set standards. Average costing allows you to:

- Value inventory at a moving weighted average cost
- Track inventory and manufacturing costs without the requirement of having predefined standards
- Determine profit margin based on an *actual* cost method
- Measure the organization's performance against historical costs
- Include all direct costs of manufacturing an item in that item's inventory cost

Standard costing is used for performance measurement and cost control. Standard costing allows you to:

- Value inventory at a predetermined cost
- Determine profit margin based on projected costs
- Record variances against expected costs
- Update standard costs from any cost type
- Evaluate production costs relative to standard costs
- Measure the organization's performance based on predefined product costs
- Evaluate product costs to assist management decisions

The following table shows the functional differences between average and standard costing.

Average Costing	Standard Costing
Material with Inventory; all cost elements with Bills of Material	Material and material overhead with Inventory; all cost elements with Bills of Material

Average Costing	Standard Costing
Item costs held by cost element	Item costs held by cost subelement
Unlimited subelements	Unlimited subelements
No shared costs; average cost is maintained separately in each organization	Can share costs across child organizations when not using Work in Process
Maintains the average unit cost with each transaction	Moving average cost is not maintained
Separate valuation accounts for each cost group and cost element	Separate valuation accounts for each subinventory and cost element
Little or No variances for Work in Process Transactions	Variances for Work in Process transactions

Under average costing, you cannot share costs. Average costs are maintained separately in each organization.

Under standard costing, if you use Inventory without Work in Process, then you can define your item costs in the organization that controls your costs and share those costs across organizations. If you share standard costs across multiple organizations, then all reports, inquiries, and processes use those costs. You are not required to enter duplicate costs. *See:* Defining Costing Information, *Oracle Inventory User's Guide*.

> **Note:** The organization that controls your costs can be a manufacturing organization that uses Work in Process or Bills of Material.

Organizations that share costs with the organization that controls your costs cannot use Bills of Material.

Valuation Accounts and Cost Elements with Average Costing

The system maintains the average unit cost at the organization level; it does not use any subinventory valuation accounts. If you had separate valuation accounts by subinventory, then total inventories would balance, but account balances by subinventory would not match the inventory valuation reports.

> **Note:** In Average Costing, depending on the FOB point, the elemental valuation accounts defined are used for either the cost group or the transfer cost group as the intransit accounts. Otherwise, the balances of

inventory valuation reports do not equal the sum of accounting transactions.

Work in Process: Elemental Visibility

You can assign different accounts to each cost element when you define a WIP accounting class. This provides maximum elemental account visibility. In *average costing* and *standard costing*, elemental account visibility is automatically maintained.

Related Topics

Work in Process Transaction Cost Flow, page 4-2

Changing from Standard to Average Costing

You cannot change the costing method of an organization once transactions have been performed.

Defining Organization Parameters, *Oracle Inventory User's Guide* and Defining Costing Information, *Oracle Inventory User's Guide*.

Related Topics

Overview of Standard Costing, page 4-1

Standard Cost Transactions, *Oracle Cost Management User's Guide*

Manufacturing Standard Cost Transactions, page 4-35

Overview of Average Costing, page 5-1

Average Cost Transactions, page 5-32

Manufacturing Average Cost Transactions, page 5-46

Standard Cost Valuation, *Oracle Cost Management User's Guide*

Average Cost Valuation, page 5-30

Standard Cost Variances, *Oracle Cost Management User's Guide*

Manufacturing Standard Cost Variances, page 4-26

Average Cost Variances, page 5-31

Retroactive Pricing

Cost Management supports retroactive price changes in Oracle Purchasing. Over the life of purchasing documents, prices can change. The Retroactive Price Update on Purchasing Documents concurrent program automatically updates purchase orders and

blanket releases retroactively with price changes. When this occurs, the accounting is adjusted:

- For purchase orders with a destination type of Inventory/Shopfloor, the adjustment account is posted to the Retroactive Price Adjustment account. This account is defined at the organization level in the Receiving Options window in Oracle Purchasing. The following accounts and costs are not adjusted:
  - Inventory and Work in Process valuation accounts
  - Average and LIFO/FIF0 cost organizations (costs are not recalculated)
  - Purchase price variance

    When a price change is approved, adjustments for prior receipts are created:

Account	Debit	Credit
Retroactive Price Adjustment	XX	-
Inventory AP Accrual	-	XX

- For purchase orders with a destination type of Expense, the adjustment amount is posted to the Charge account specified on the purchase order.

  When a price change is approved, adjustments are created in the following accounts:

Account	Debit	Credit
Charge	XX	-
Inventory AP Accrual	-	XX

- For periodic costing, the adjustment is posted to the Periodic Retroactive Adjustment account. This account is defined at the Legal Entity and Organization Cost Group level, in the Periodic Account Assignments window.
- Transfer of ownership transactions, created for consigned goods, are also adjusted when the price on the associated blanket agreement is changed and approved.

Related Topics

Retroactive Price Update on Purchasing Documents, *Oracle Purchasing User's Guide*.

2

Setting Up Oracle Cost Management

This chapter covers the following topics:

- Overview of Setting Up
- Setup Checklist
- Setup Steps
- Default Interorganization Options
- Default Inter-Organization Transfer Accounts
- Setting Up Periods
- Defining Cost Types
- Defining Activities and Activity Costs
- Defining Subelements
- Defining Material Subelements
- Defining Overhead
- Defining Material Overhead Defaults
- Mass Editing Item Accounts
- Mass Editing Cost Information
- Copying Costs
- Default Basis Types
- Associating Expenditure Types with Cost Elements
- Defining Category Accounts
- Account Update Restrictions
- Associating WIP Accounting Classes with Categories
- Project Cost Groups
- Profile Options and Security Functions

- Cost Management Security Functions

Overview of Setting Up

This section contains an overview of each task you need to complete to set up Oracle Cost Management.

Related Product Setup Steps

The following steps may need to be performed to implement Oracle Cost Management. These steps are discussed in detail in the Setting Up sections of other Oracle product user's guides.

Set Up Underlying Oracle Applications Technology

You need to complete several other setup steps, including:

- Performing system–wide setup tasks such as configuring concurrent managers and printers
- Managing data security, which includes setting up responsibilities to allow access to a specific set of business data and complete a specific set of transactions, and assigning individual users to one or more of these responsibilities.
- Setting up Oracle Workflow
- Setting up an Oracle Applications System Administrator responsibility. See: Setting Up Oracle Applications System Administrator, *Oracle Applications System Administrator's Guide*

See also:

Oracle Applications System Administrator's Guide

Oracle Workflow Guide

Oracle General Ledger Setup Steps

Use the Setting Up General Ledger section in the General Ledger User's Guide for help in completing the following setup steps.

Step	Reference
Define Your ledger for Perpetual Costing See: Defining Ledgers, *Oracle General Ledger User's Guide*. **Note**: If you are not implementing Oracle General Ledger, you can use the Ledger window in Oracle Inventory or Oracle Cost Management to define your ledger.	Common Applications
See: Entering Daily Rates, *Oracle General Ledger User's Guide*	Common Applications

Oracle Inventory Setup Steps

Use the Setting Up Oracle Inventory section in the Oracle Inventory User's Guide for help in completing the following setup steps.

Step	Reference
Define Organizations See: Inventory Structure, *Inventory User's Guide*.	Common Applications
Define Organization Parameters for Perpetual Costing. See: Defining Organization Parameters, *Oracle Inventory User's Guide* . **Note**: Organization parameters define the costing method for your organization, the general ledger transfer option (Required), the organization level default and system accounts, and the inter–organization transfer information.	Common Applications
Define Units of Measure. See: Defining Units of Measure, *Oracle Inventory User's Guide*. **Note**: If you are not implementing Oracle Inventory, you can use the Units of Measure window in Oracle Inventory to define your units of measure.	Common Applications
Define Subinventories. See: Defining Subinventories, *Oracle Inventory User's Guide*.	Common Applications

Step	Reference
Define Categories See: Defining Categories, *Oracle Inventory User's Guide*.	Common Applications
Define Category Sets. See: Defining Category Sets, *Oracle Inventory User's Guide*.	Common Applications
Open Accounting Periods. See: Maintaining Accounting Periods, *Oracle Inventory User's Guide*.	Common Applications
Define Default Category Sets. See: Defining Default Category Sets, *Oracle Inventory User's Guide*.	Common Applications
Define Items, Item Attributes, and Controls. See: Defining Item Attribute Controls, *Oracle Inventory User's Guide*.	Common Applications
Define Account Aliases. See: Defining Account Aliases, *Oracle Inventory User's Guide*.	Common Applications
Launch Transaction Managers. See: Launching Transaction Managers, *Oracle Inventory User's Guide* (Oracle Inventory User's Guide).	Common Applications

Oracle Purchasing Setup Steps

Use the Setting Up Oracle Purchasing section in the Oracle Purchasing User's Guide for help in completing the following steps.

> **Note:** These steps are required only if you plan to use Purchasing as part of costing.

Step	Reference
Define Receiving Options and Controls. See: Setup Overview, *Oracle Applications User's Guide*.	Common Applications

Step	Reference
Define Purchasing Options. See: Defining Purchase Options, *Oracle Purchasing User's Guide*.	Common Applications

Oracle Bills of Material Setup Steps

Use the Setting Up Oracle Bills of Material section in the Oracle Bills of Materials User's Guide for help in completing the following steps.

> **Note:** These steps are required only if you plan to use Bills of Material as part of costing.

Step	Reference
Define Bills of Material Parameters. See: Defining Bills of Material Parameters, *Oracle Bills of Material User's Guide*.	Common Applications
Define Resources. See: Defining a Resource, *Oracle Bills of Material User's Guide*.	Common Applications
Define Departments. See: Defining a Department, *Oracle Bills of Material User's Guide*.	Common Applications
Assign Resources to a Department	Common Applications
Define Overheads and Assign them to Departments. See: Defining a Resource, *Oracle Bills of Material User's Guide*.	Common Applications

Oracle Work in Process Setup Steps

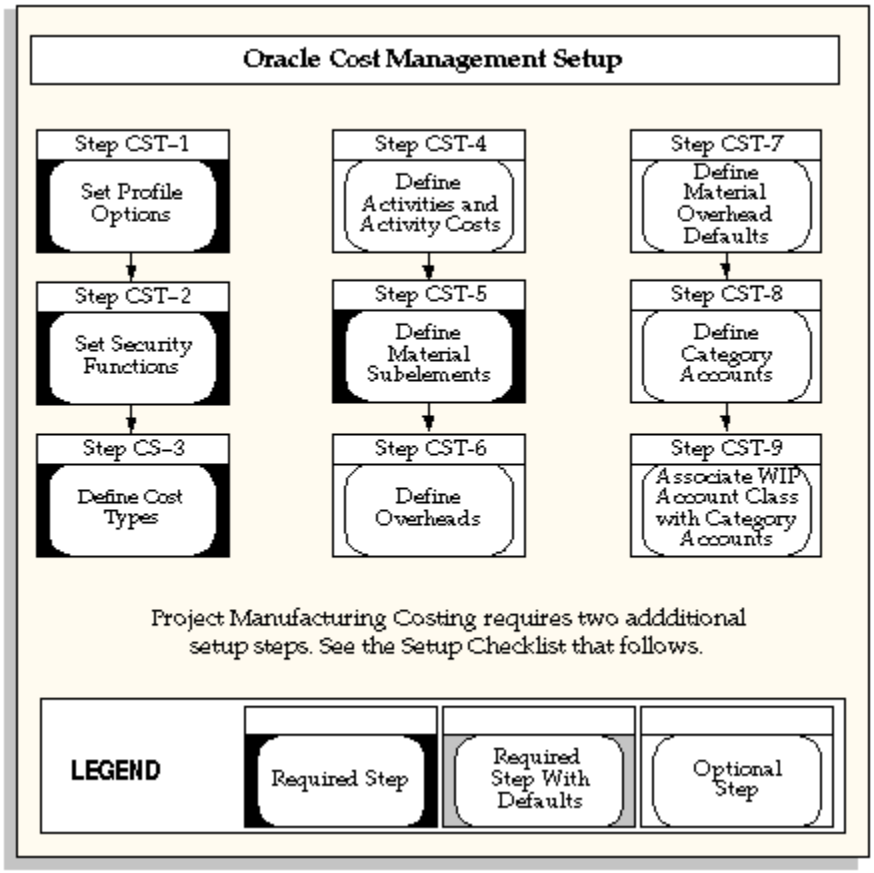
Use the Setting Up Oracle Work in Process section for help in completing the following steps.

> **Note:** These steps are required only if you plan to use Work in Process as part of costing.

Step	Reference
Define WIP Accounting Classes and Valuation Accounts	Common Applications
Define WIP Parameters	Common Applications

Setup Flowchart

Some of the steps outlined in this flowchart and setup checklist are required and some are optional. Required step with defaults refers to setup functionality that comes with pre-seeded, default values in the database; however, you should review those defaults and decide whether to change them to suit your business needs. If you want or need to change them, you should perform that setup step. You need to perform optional steps only if you plan to use the related feature or complete certain business functions.



Note: Oracle Cost Management does not support costing for process

inventory organizations. If you open costing setup windows in a process inventory organization context, then an error message displays a message indicating that the function is not available for a process organization, and the window process will not open.

Setup Checklist

The following table lists setup step. After you log on to Oracle Applications, complete these steps to implement Oracle Cost Management:

Step No.	Required	Step
Step 1	Required	Set Cost Management Profile Options
Step 2	Required	Set Cost Management Security Functions
Step 3	Required	Define Cost Types
Step 4	Optional	Defining Activities and Activity Costs
Step 5	Only Available and Required for Project Manufacturing Costing	Define Cost Groups
Step 6	Optional	Define Material Subelements
Step 7	Optional	Define Overheads
Step 8	Optional	Define Material Overhead Defaults
Step 9	Only Available and Required for Project Manufacturing Costing	Associate Expenditure Types with Cost Element
Step 10	Optional	Define Category Accounts

Step No.	Required	Step
Step 11	Optional	Associate WIP Account Classes with Category Accounts

Setup Steps

Step 1: Set Personal Profile Options

Cost Management personal profile options control defaults within windows as well as data processing options.

Step 2: Set Security Functions

Cost Management security functions determine what information can be viewed, created, updated, and deleted in certain windows in Cost Management.

See: Cost Management Security Functions, page 2-83.

Step 3: Define Cost Types

You must define cost types. Each cost type contains a unique set of costs and has its own set of cost controls.

- **Default**: Frozen for Standard Costing, Average and Average Rates for Average Costing
- **Context**: N/A

See: Defining Cost Types, page 2-13.

Step 4: Defining Activities and Activity Costs

You can define activities, activity rate information, and activity and activity cost type associations. You can assign an activity to any cost. If you use the activity basis type, you can directly assign the activity cost to the item. When you use the other basis types, the cost is based on the subelement, basis type, and entered rate or amount. The activity defaults from the subelement; and, if needed, you can override the default.

Default: N/A

Context: N/A

See: Defining Item Costs, page 3-3 and Defining Activities and Activity Costs, page 2-17.

Step 5: Define Cost Groups

You can define cost groups and use them to group project related costs.

> **Note:** This step is conditionally required if you plan to transfer project costs to Oracle Projects.

Default: The organization's default cost group.

Context: Additional cost groups are required to group project related costs.

See: Defining Project Cost Groups, page 2-75 and *Project Manufacturing Implementation Manual*.

Step 6: Define Material Subelements

Material subelements classify material costs, such as plastic or metal. A material subelement has a default activity and a default basis type assigned to it.

Default: N/A

Context: N/A

See: Defining Material Subelements, page 2-20.

Step 7: Define Overheads

You can use material overhead and overhead cost subelements to add indirect costs to item costs on either a percentage basis or as a fixed amount.

Default: N/A

Context: N/A

See: Defining Overhead, page 2-22.

Step 8: Define Material Overhead Defaults

You can define and update default material overhead subelements and rates at the organization or category level. When you define items in Oracle Inventory, these defaults are automatically used. This speed data entry when defining items.

Default: N/A

Context: N/A

See: Defining Material Overhead Defaults, page 2-40.

Step 9: Associate Expenditure Types with Cost Elements

You must associate expenditure types with cost elements so that project transfers and the project related costs associated with miscellaneous transactions can be properly processed once they are transferred to Oracle Projects.

> **Note:** This step is conditionally required if you to plan to transfer project costs to Oracle Projects.

Default: N/A

Context: N/A

See: Associating Expenditure Types with Cost Elements, page 2-68.

Step 10: Define Category Accounts (Optional)

You can define category accounts. Category accounts are part of the product line accounting setup.

Default: N/A

Context: N/A

See: Product Line Accounting Setup, page E-2 and Defining Category Accounts, page 2-70.

Step 11: Associate WIP Accounting Classes with Categories (Optional)

You can associate WIP accounting classes with category accounts. Default WIP accounting classes are part of product line accounting setup.

Default: N/A

Context: N/A

See: Product Line Accounting Setup, page E-2 and Associating WIP Accounting Classes with Categories, page 2-72.

> **Important:** Oracle recommends that you set the Interface Manager to run in five minute intervals.

Default Interorganization Options

This option determines how you charge your internal cost to transfer material between organizations. For example, transfer costs might include the cost of preparing the paperwork, the cost of boxing the item for shipment, or a formal transfer profit charged between the sending and receiving organizations. This is different from the transportation cost that you pay to a freight carrier to physically move the material. This is different from the transportation cost paid to a freight carrier.

These options affect your entries in Inter-Organization Transfer:

No transfer charges	Do not add transfer charges to a material transfer.
Predefined percent of transaction value	Add a predefined percent of the transaction value to the material transfer. Define a default percentage in Define Organization Parameters.

Requested added value	Request a discrete value to add to the material transfer. Enter the value in the Transfer Between Organizations at the time of the transfer.
Requested percent of transaction value	Request a percentage of the transfer value to add to the material transfer. Enter the value in Transfer Between Organizations at the time of the transfer.

Default Inter-Organization Transfer Accounts

Oracle Inventory uses the following inter-organization accounts as defaults when you define a relationship between the current organization and another organization:

Inter-Inventory Transfer Credit	Collects the cost of the transfer charge. These charges reduce expenses for the sending organization.
Inter-Organization Payable	Used by the receiving organization as a clearing account, and represents inter-company payables. Reconcile inter-organization payable and receivable accounts during period close.
Intransit Inventory	Represents the value of transferred inventory that has not arrived at the receiving organization. Depending on the Free On Board (FOB) point defined for this transfer, the Intransit inventory is owned by either the shipping organization, FOB receipt, or the receiving organization, FOB shipment. Inventory uses this account when the transfer organizations use intransit inventory. If you use average costing, this account defaults from the organization level material account and you cannot change it..
Inter-Organization Receivable	Used by the shipping organization as a clearing account, and represents inter-company receivables. You should reconcile inter-organization payable and receivable accounts during period close.

Inter-Organization PPV	Under standard costing, the receiving organization uses this account to recognize the difference between the shipping organization standard cost and the receiving organization standard cost.

Note: These defaults are defined for each organization and the appropriate accounts from each organization are used when an inter-organization relationship is defined.

Setting Up Periods

Cost Management uses the accounting periods you define for your general ledger. You define accounting periods through period types and a calendar.

To set up periods:

1. Define an accounting period type.

   Period types can be months, quarters, or years. Specify the number per year of the period type and whether the type corresponds to a system calendar (January to December) or a fiscal calendar. See: Period Types, *Oracle General Ledger User's Guide*.

2. Define the accounting periods in your calendar and associate one calendar with each General Ledger you set up.

   Inventory allows you to have multiple calendars, such as a fiscal calendar for one ledger and a different calendar for another ledger.

   For each calendar, name the periods within the calendar (such as month names: Jan., Feb., and so on), the accounting period type, the year and quarter of the period, the period number, and the start and end date of the period..

3. Open the accounting periods you defined in your calendar for transaction collection purposes.

   All Inventory and Work in Process transactions require an open period. The transaction date you specify (typically the current date) must fall within an open period. See: Maintaining Accounting Periods, *Oracle Inventory User's Guide*.

   Important: You can only open the period type accounted by your ledger. For most organizations, this is the monthly period type. You also cannot open an adjustments-type period-such as a thirteenth period for year-end adjustments.

Inventory also allows you to have multiple open periods for late transactions or correction of data before period close.

Defining Cost Types

A cost type is a set of costs uniquely identified by name. Two cost types are predefined for you, *Frozen* (for standard costs) and *Average.* You can define and update an unlimited number of additional simulation or unimplemented cost types. Each cost type has its own set of cost controls.

Cost Types for Average Costing

In a manufacturing average costing organization, two costs types are required for inventory valuation and transaction costing: the Average cost type and a user-defined *Average Rates* cost type. These two cost types are defined as follows:

Average	This cost type holds the current average unit cost of items on hand, and is used to value transactions such as issues and transfers out (see transaction table below for details). You can update costs in this cost type only by using the average cost update routine. A history is kept of all such update transactions. This cost type is seeded and does not have to be defined.
Average Rates cost type	This user-defined cost type holds resource to overhead associations and current overhead rates, and any other user-defined subelement rates to be used in cost rollups and to cost applicable transactions.

Important: You must define an *Average Rates* cost type to hold subelement rates/amounts. There should be no information associated with this cost type; any information found is ignored. After defining this cost type, you must select it when defining the Average Rates Cost Type parameter in the Organization Parameters window in Oracle Inventory. Rates/amount in this cost type are used, as applicable, until you redefine them. See: Setting Up Average Costing, page 5-5 and Defining Costing Information, *Oracle Inventory User's Guide*.

Predefined Cost Type Name	Costing Method	Purpose	Description
Frozen	Standard	Frozen standard costs	Used to value transactions and inventory balances for organizations that use standard costing. This cost type is not available for organizations using average costing.
Average	Average	Average costs	Used to value transactions and inventory balances for organizations that use average costing. This cost type is not available for organizations using standard costing.
None; user-defined	Average	Average rates	Used to hold resource to overhead associations, current overhead rates, and any other user-defined subelement rates used in cost rollups and to cost applicable transactions. This cost type is not available for organizations using standard costing. You *must* define a cost type for average rates.
None; user-defined	Either standard or average	All other cost types	Use all other cost types for any purpose: cost history, product cost simulation, or to develop future frozen costs. These costs are not implemented (not frozen) costs. You can transfer costs from all other cost types to update the Frozen cost type.

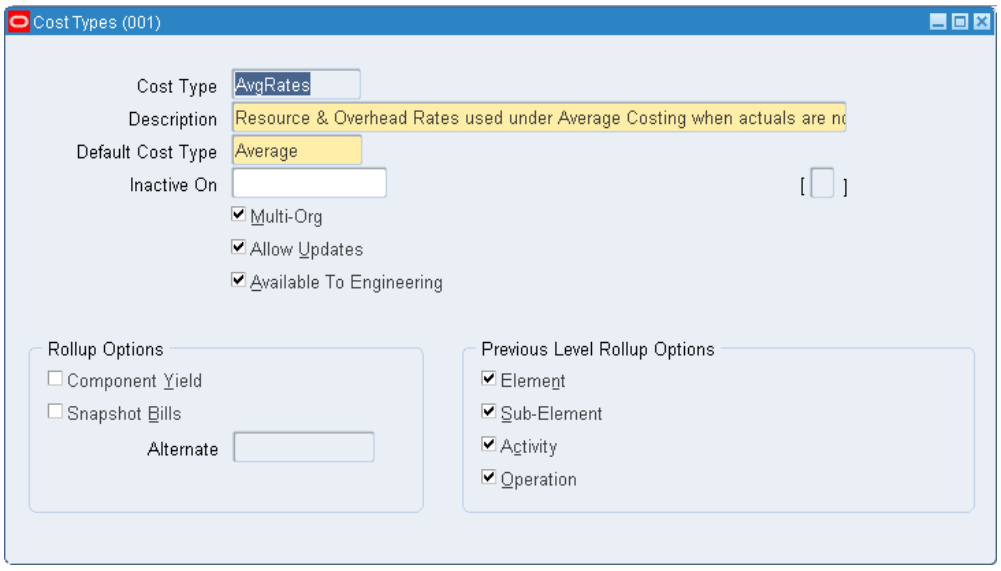
Prerequisites

- ❒ To define, update, or delete cost information, the Cost Types: Maintain security function must be included as part of the responsibility. See: Cost Management

Security Functions, page 2-83.

To define a cost type:

1. Navigate to the Cost Types window.



2. Enter a cost type name.

3. Select the default cost type.

   For items where costs have not been defined for the cost type, the default cost type is used as the *next* source of costs that the cost rollup and the inventory value reports use for items not associated with the cost type being rolled up or reported upon. You can have a cost type default to itself. The default reflects the current organization's costing method: Frozen for standard costing and Average for average costing.

4. Select a date on which to inactivate the cost type. You cannot inactivate the Frozen or Average cost types. You can still inquire (but not change) inactive cost types. Inquiring has no effect on bill assemblies or work in process.

5. Indicate whether the cost type is a multi-organization cost type to share with other organizations.

   Note: If disabled, this cost type name is available only to the inventory organization that creates it. If enabled, only the cost type name is shared, not the costs.

6. Indicate whether to allow updates in this cost type.

If Multi-Org is selected, then the Allow Updates functionality is disabled.

If Allow Updates is set to enabled (the default), then you can change this cost type by using processes such as mass edits, copy cost information, cost rollup, and cost update. To freeze the cost information in this cost type, disable the Allow Updates functionality. Even if updates are not allowed, you can still use this cost type to report, inquire, and update Frozen costs.

7. Indicate whether this cost type is available to Oracle Engineering.

8. Select rollup options:

   - Indicate whether to include the effect of component yield when rolling up costs for this cost type.

     Important: Changing the Include Component Yield flag when there are open WIP jobs in the inventory organization may result in inaccurate cost variances. For example, if the standard cost rollup includes component yield and the Include Component Yield flag is clear, then backflush transactions will no longer factor in component yield and artificial variances will result.

   - Indicate whether to save a snapshot of the bill of material structure for items that you roll up. This creates an alternate bill. (This is available only if you have Oracle Bills of Material installed.) Oracle recommends that you use an alternate designator intended for the specific purpose of maintaining a snapshot of the bill being rolled up.

     If Snapshot of Bills is enabled, you must select an alternate name. You can then run the Indented Bill of Material Cost report for the alternate, even if the primary bill has changed.

9. Select previous level rollup options. These options determine how much information is generated by the rollup. (These options do not effect the total unit cost.) If all options are not selected (if the options are clear), then the rollup generates one record for all prior level costs and stores the total in the material cost element. The options are as follows:

   Element: Indicates that detail cost information by cost element is retained at previous levels. If not selected (cleared), then all prior level costs are stored in the material cost element.

   Subelement: Indicates whether to track subelement costs at previous levels. If not selected, then all prior level information does not reference a subelement.

   Note: For cost types to be frozen, retain detail for at least the cost

element and subelement.

Activity: Indicates whether to track activity costs at previous levels. If not selected, then all prior level information does not reference an activity.

Operation: Indicates whether to track operation costs at previous levels. If not selected, then all prior level information does not reference an operation.

Related Topics

Overview of Standard Costing, page 4-1

Overview of Average Costing, page 5-1

Updating Pending Costs to Frozen Standard Costs, page 4-13

Defining Activities and Activity Costs

Define activities, activity rate information, and activity and cost type associations. Use activities to assign indirect costs to items based upon the effort expended to obtain or produce the item, rather than as a percentage of a direct cost or an amount per item.

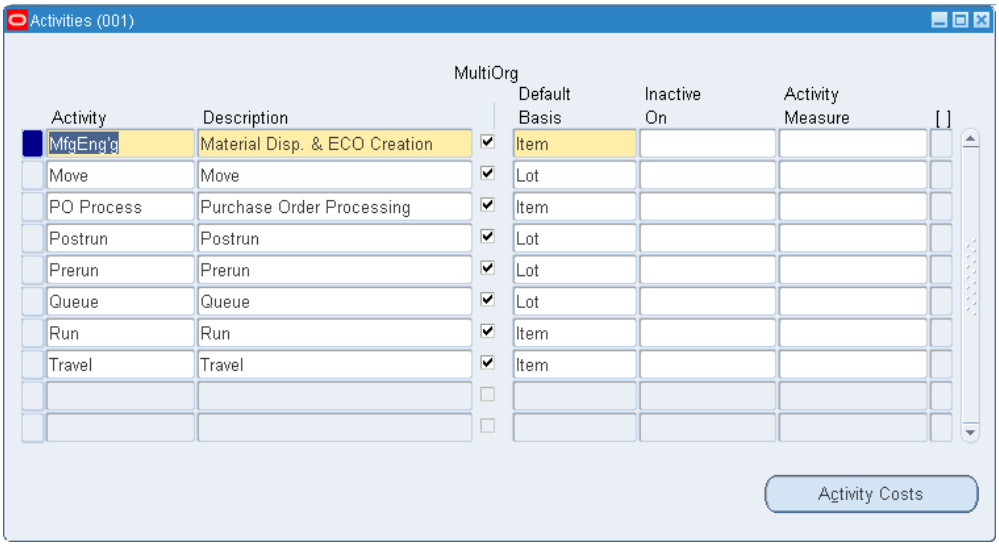
Activities are processes or procedures that consume costs and time. In addition to cost elements and subelements, costs may be associated with an activity. Activities may be directly related to building items, such as runtime or setup time; or they may be indirect, such as purchase order generation, payroll, and engineering activities. The goal of activity based cost accounting is to accurately identify your product costs, especially overhead costs.

Prerequisites

❒ To define, update, or delete cost information, the Activities: Maintain security function must be included as part of the responsibility. See: Cost Management Security Functions, page 2-83.

To define activities and activity costs:

1. Navigate to the Activities window.



2. Enter an activity.

3. Check Multi-Org to indicate whether the activity name is a multi-organization activity to share with other organizations.

   Note: If disabled, the name is only available to the organization that creates it. If enabled, only the activity *name* is shared, not the activity.

4. Select the activity default basis.

   Basis is the method used to determine how to charge a transaction or apply product costs. The value you select here is defaulted when you define item costs. The activity default basis will override the subelement default basis as long as the basis is valid for the cost element. See: Defining Item Costs, page 3-3.

   Activity: Used to apply activity costs to items. The activity basis type can only be used with the material overhead subelement. The item cost is calculated by multiplying the activity cost by the ratio of the number of times the activity occurs, divided into the cumulative quantity of the item associated with those occurrences.

   Item: Used to earn and apply costs for all subelements. For material and material overhead subelements, you charge a fixed amount per item. For resource, outside processing, and overhead subelements, you charge a fixed amount per item moved in an operation.

   Lot: Used to earn and apply costs for all subelements. The item cost is calculated the same as an Item basis cost, except the unit cost is divided by the cost type lot size to derive the cost per item.

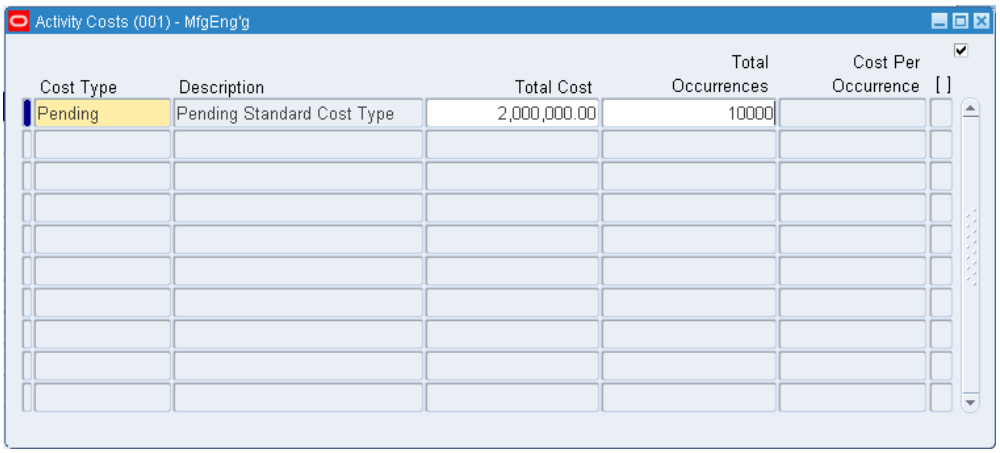
5. Optionally, select a date to inactivate the activity.

An inactive activity cannot be assigned as a default activity when defining material subelements, resources, or overhead. An inactive activity also cannot be associated with any resource when defining a routing, with a material overhead subelement when defining material overhead defaults, or with any subelement when defining item costs, even if the activity is the default activity for the subelement.

An inactive activity, however, can still be used when defining item costs. (This applies for a new item if the inactive activity was previously specified for a material subelement as material overhead defaults were defined.) Also, previously defined subelements referencing an inactive activity can still be used.

6. Enter the Activity Measure (allocation basis or cost driver) for your activity. For example, if the activity is allocating purchasing costs, the activity measure might be the number of purchase orders generated during a given period.

7. Choose the Activity Costs button and select a cost type to associate with your activity. Each activity can be associated with any number of cost types and each cost type and activity combination can have a different cost.



8. Enter the total cost budgeted for the activity cost pool. This is the total activity cost you expect to incur during a specified time.

9. Enter the total number of times you expect to perform this activity during the budget period.

   The system calculates the cost per occurrence by dividing the total cost by the total occurrences. This cost is used when you use a basis type activity for the material overhead subelement.

Defining Subelements

You can define the following subelements in Cost Management:

- Defining Material Subelements, page 2-20
- Defining Overhead, page 2-22
- Defining Material Overhead Defaults, page 2-40

You can define resource subelements in Oracle Bills of Material. See: Defining a Resource, *Oracle Bills of Material User's Guide*.

Defining Material Subelements

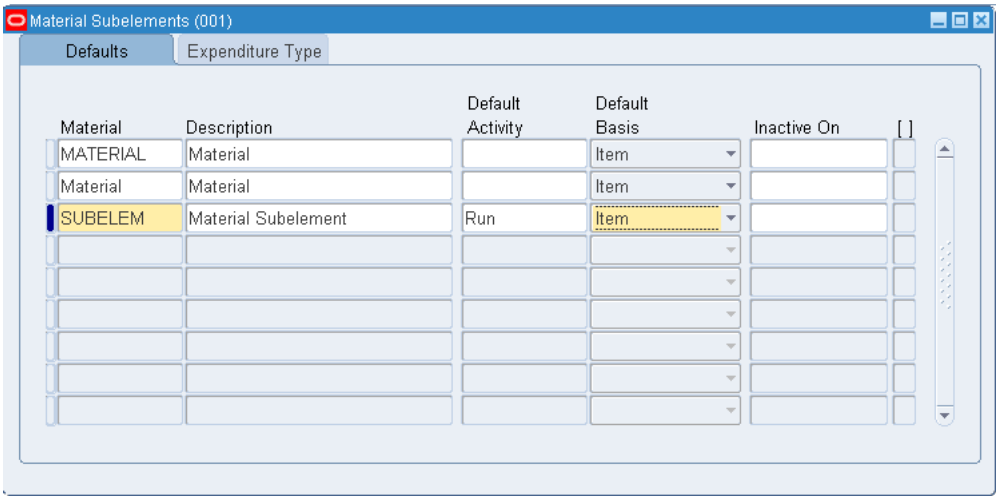
Material subelements classify material costs, such as plastic or metal. A material subelement has a default activity and a default basis type assigned to it.

Prerequisites

❒ To define, update, or delete cost information, the Material Subelements: Maintain security function must be included as part of the responsibility. See: Cost Management Security Functions, page 2-83.

To define material subelements:

1. Navigate to the Material Subelements window.



2. In the Defaults tabbed region, enter a material subelement name.
3. Select the default activity. This activity is defaulted each time the subelement is used to define an item cost.

   Activities are processes or procedures that consume costs and time. In addition to the cost element and subelement, all costs are associated with an activity. Activities

may be directly related to building items, such as runtime or setup time; or they may be indirect, such as purchase order generation, payroll, and engineering change order activities. See: Defining Activities and Activity Costs, page 2-17.

4. Select the default basis for the material subelement. This basis type is defaulted when you define item costs. Basis is the method used to determine how to charge a transaction or apply product costs. The options are as follows:

   Item: Used for all subelements. For material and material overhead subelements, you charge a fixed amount per item. This is the default.

   Lot: Used for all cost elements. The item cost is calculated by dividing the order cost by the lot size.

5. Optionally, select a date on which to inactivate the material subelement.

   Note: You cannot disable the default material subelement for the organization.

   A disabled material subelement cannot be used to define a material cost when defining item costs, or to define a default material subelement when defining organization parameters.

   You can continue to use item costs previously defined for the inactive material subelement.

To associate an expenditure type with a subelement:

1. Select an expenditure type.

   If the *Project Cost Collection Enabled* parameter in the Organization Parameters window is set, you must associate an expenditure type with each subelement. See: Organization Parameters Window, *Oracle Inventory User's Guide*

   You can only select expenditure types that belong to the Inventory expenditure class. Expenditure types are defined in Oracle Projects.

2. Save your work.

   You can use material overhead and overhead cost subelements to add indirect costs to item costs on either a percentage basis or as a fixed amount in both standard and average costing organizations.

   Each overhead subelement has a default basis, a default activity, and an absorption account. The overhead absorption account offsets the corresponding overhead cost pool in the general ledger.

   You can base the overhead charge on the number of resource units or percentage of resource value earned in the routing operation. Or, you can set up move-based overheads where the rate or amount is charged for each item moved in an

operation. To do this, use the Item or Lot basis types.

You can base the material overhead charge on a percentage of the total value, which is earned when you receive purchase orders or perform WIP completion transactions. Or, you can use the Item or Lot basis types.

You can apply each of these subelements using different basis types for increased flexibility. Material overhead is earned when an item is received into inventory or completed from work in process. Overhead, based upon resources, is earned as the assembly moves through operations in work in process.

Defining Overhead

You can use material overhead and overhead cost subelements to add indirect costs to item costs on either a percentage basis or as a fixed amount in both standard and average costing organizations.

Each overhead subelement has a default basis, a default activity, and an absorption account. The overhead absorption account offsets the corresponding overhead cost pool in the general ledger.

You can base the overhead charge on the number of resource units or percentage of resource value earned in the routing operation. You can also set up move-based overheads where the rate or amount is charged for each item moved in an operation. To do this, use the Item or Lot basis types.

You can base the material overhead charge on a percentage of the total value, which is earned when you receive purchase orders or perform WIP completion transactions. You can also use the Item or Lot basis types.

You can apply each of these subelements, using different basis types, for increased flexibility. Material overhead is earned when an item is received into inventory or completed from work in process. Overhead, based upon resources, is earned as the assembly moves through operations in work in process.

Material Overhead is earned by an item during purchase order receipt, inter-organization receipt, and WIP completion transactions. You can choose to decide if material overhead is to be earned during purchase order receipt, inter-organization transactions, and assembly returns and completions for non-standard costing organizations. You have the flexibility to decide if the transaction is going to earn material overhead, depending on the item type.

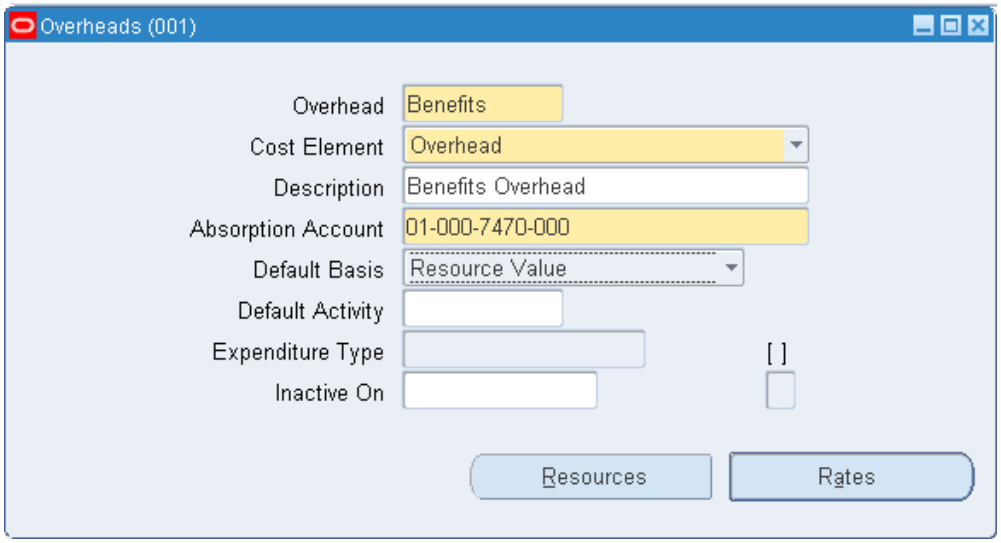
> **Note:** If you use Oracle Bills of Materials, you must first define the bill of material parameters to use the overhead cost element in the Overhead window. If the bills of material parameters are not set up, you only have access to material overhead cost element. See: Defining Bills of Material Parameters, *Oracle Bills of Material User's Guide*.

Prerequisites

❒ To define, update, or delete cost information, the Overheads: Maintain security function must be included as part of the responsibility. See: Cost Management Security Functions, page 2-83.

Defining overhead:

1. Navigate to the Overheads window.



2. Enter an overhead name.

3. Select a cost element:

   Material Overhead: Define material overhead.

   Overhead: Define resource and move-based overhead. This is only available if Bills of Material is installed.

4. Select an overhead absorption account.

   This is the offset account for any cost earned to the inventory or work in process value.

5. Select a default basis type to be used as a default for the overhead being defined.

   This basis type is used to determine how the overhead cost is earned and how it is applied to product costs. See: Default Basis Types, page 2-67.

6. Select a default activity to use for this overhead.

   Activities are processes or procedures that consume costs and time. Your activities

may be directly related to building your items, such as runtime or setup time; or they may be indirect, such as purchase order generation, payroll, and engineering activities. The goal of activity based cost accounting is to accurately identify your product costs, especially overhead costs. See: Defining Activities and Activity Costs, page 2-17

> **Note:** Negative item costs are not supported in Oracle Cost Management.

7. Select an expenditure type.

   If the *Project Cost Collection Enabled* parameter in the Organization Parameters window is set, you must associate an expenditure type with each subelement. See: Organization Parameters Window, *Oracle Inventory User's Guide*.

   You can only select expenditure types that belong to the Burden Transactions expenditure class.

8. Optionally, select a date on which to inactivate a material overhead or overhead.

   An inactive overhead subelement cannot be used to define an overhead cost (when defining item costs) or associated with a resource (when defining a resource).

   You can continue to use item costs previously defined for and resources previously associated with the inactive overhead subelement. The cost rollup will continue to roll up previously defined inactive overhead subelements.

9. Do one of the following:

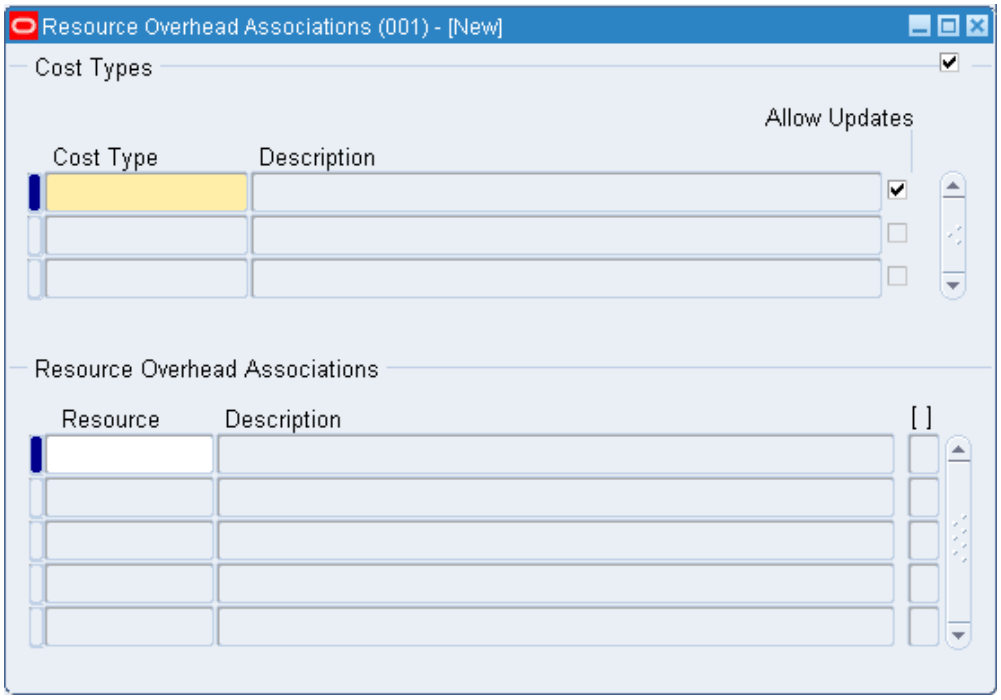
   - To earn overheads and material overheads based on resource units or value, you must associate resources to overhead and material overhead for a specific cost type. Choose the Resources button to open the Resource Overhead Associations window.

   - To associate department and overhead combinations with a cost type, choose the Rates button to open the Overhead Rates window. This option is available for overheads only.

10. Save your work.

To associate resources to overhead for a cost type:

1. Navigate to the Resource Overhead Associations window.



2. Select a cost type to associate resources to overhead with.

   This is only necessary for material overhead and overhead subelements with a basis type of Resource Value or Resource Units.

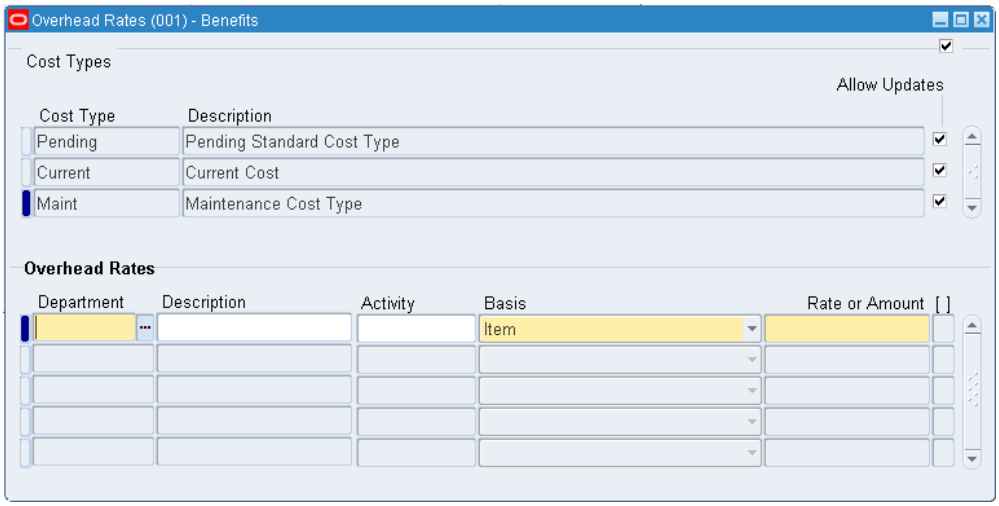
   > **Important:** You only apply these overheads when they are associated with a resource.

3. Select the resource.

4. Save your work.

To associate department and overhead combinations with a cost type:

1. Navigate to the Overhead Rates window.



2. Select a cost type.

3. Select a department and enter an overhead rate or amount.

   The department will be associated with the overhead being defined in the selected cost type. The specified overhead rate or amount will be used for that department. Rates and amounts are required for both resource and move (item or lot basis type) overheads.

4. Optionally, select an activity. The default is the activity selected as the default in the Overheads window. See: Defining Overhead, page 2-22.

5. Select the basis. The default is the basis selected as the default in the Overheads window. See: Default Basis Types, page 2-67.

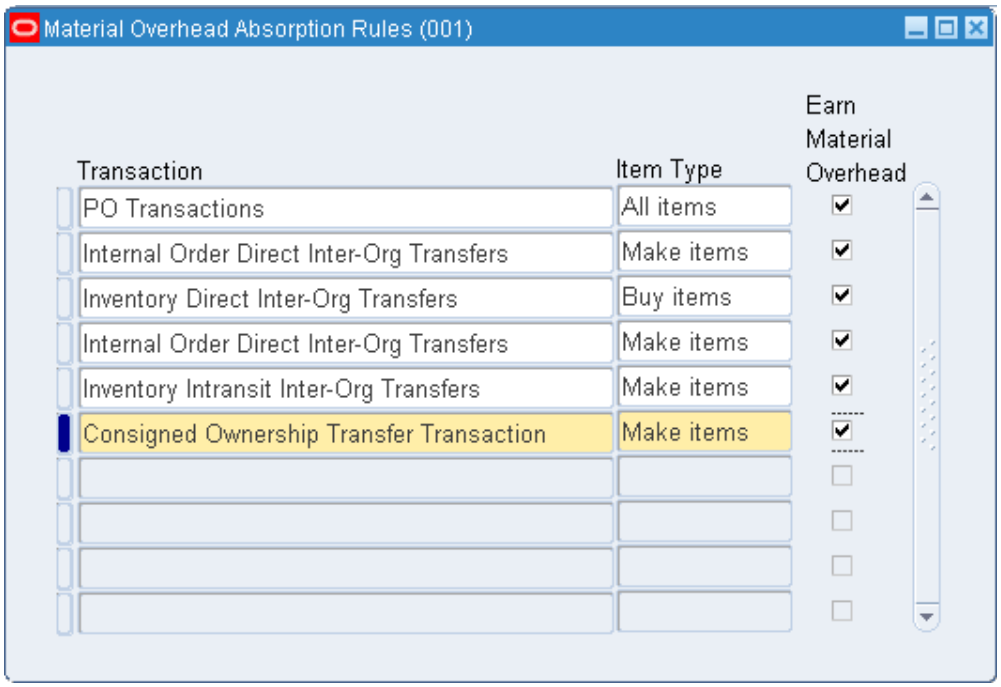
6. Enter the percentage rate or the fixed amount, as appropriate for the basis. If the basis is resource value, enter a rate in this field. If the basis is resource units, item, or lot, enter an amount in this field.

7. Save your work.

To define material overhead absorption rules:

You can decide if material overhead is to be earned during purchase order receipt and inter-organization transactions. You have the flexibility to decide if the transaction is going to earn material overhead, depending on the item type. The rules you define override the default material overhead absorption for purchase order receipt, assembly completion and return, and inter-organization transfers for Standard, Average, FIFO, and LIFO, costing organizations. The rules you define will not override material overhead absorption for work in process completion transactions in standard costing organizations.

1. Navigate to the Material Overhead Absorption Rules.



2. Select a valid Transaction from the list of values to specify a transaction that you wish to define a rule against.

3. Select an Item Type from the list of values. Valid values are Make items, Buy items, and All items.

4. Indicate whether the transaction earns material overhead.

Inter- organization Transfer Accounting Distribution Examples for Standard Costing Organizations

Item M1 is being transferred from Organization O1 to Organization O2. The costs for the item are set up for both organizations as follows:

Organization	Item	Cost Element	Cost
O1 (Sending)	M1	Material	12
O1 (Sending)	M1	Material Overhead	2
O2 (Receiving)	M1	Material	10

Organization	Item	Cost Element	Cost
O2 (Receiving)	M1	Material Overhead (Transfer)	2
O2 (Receiving)	M1	Material Overhead (Transportation)	3

The following tables display distributions if the material overhead absorption rules have been set to earn material overhead for the receiving organization.

FOB Receipt

The accounting entries for the sending organization O1 are as follows:

Account	Debit	Credit
Inter-organization Receivables	19	-
Intransit Inventory	-	14
Transfer Cost	-	2
Transportation Cost	-	3

The accounting entries for the receiving organization O2 are as follows:

Account	Debit	Credit
Inventory Valuation (Material)	10	-
Inventory Valuation (Material Overhead)	5 (2 + 3)	-
Purchase Price Variance	6	-
Material Overhead Absorption	-	2

Account	Debit	Credit
Inter-organization Payables	-	19 (12 + 2 + 2 + 3)

FOB Shipment

The accounting entries for the sending organization O1 are as follows:

Account	Debit	Credit
Inter-organization Receivables	16	-
Intransit Inventory	-	14
Transfer Cost	-	2

The accounting entries for the receiving organization O2 are as follows:

Account	Debit	Credit
Inventory Valuation (Material)	10	-
Inventory Valuation (Material Overhead)	5 (2 + 3)	-
Purchase Price Variance	6 (3 + 3)	-
Material Overhead Absorption	-	2
Inter-organization Payables	-	16 (12 + 2 + 2)
Freight	-	3

The following tables display distributions if the material overhead absorption rules have been set to NOT earn material overhead for the receiving organization.

FOB Receipt

The accounting entries for the receiving organization O2 are as follows:

Account	Debit	Credit
Inventory Valuation (Material)	10	-
Inventory Valuation (Material Overhead)	5 (2 + 3)	-
Purchase Price Variance	4	-
Inter-organization Payables	-	19 (12 + 2 + 2 + 3)

FOB Shipment

The accounting entries for the receiving organization O2 are as follows:

Account	Debit	Credit
Inventory Valuation (Material)	10	-
Inventory Valuation (Material Overhead)	5 (2 + 3)	-
Purchase Price Variance	4 (1 + 3)	-
Inter-organization Payables	-	16 (12 + 2 + 2)
Freight	-	3

Purchase Order Receipt Accounting Distribution Examples for a Standard Cost Organization.

A purchase order is received at a purchase order price of 10. The costs associated with item M1 are as follows:

Cost Element	Cost
Material	12
Material Overhead	2

The following table displays distributions if the material overhead absorption rules have been set to earn material overhead.

Purchase Order Receipt Transaction

Account	Debit	Credit
Inventory Valuation (Material)	12	-
Inventory Valuation (Material Overhead)	2	-
Purchase Price Variance	-	2
Receiving Inspection	-	10
Material Overhead Absorption	-	2

The following table displays distributions if the material overhead absorption rules have been set to NOT earn material overhead.

Account	Debit	Credit
Inventory Valuation (Material)	12	-
Inventory Valuation (Material Overhead)	2	-
Purchase Price Variance	-	4

Account	Debit	Credit
Receiving Inspection	-	10

Inter–organization Transfer Accounting Distribution Examples for Average Costing Organizations

Item M1 is being transferred from Organization O1 to Organization O2. The material overhead rate for item M1 in the receiving organization, O2, is 3 per item. The Transfer Cost is 2, while the Transportation Cost is 3. The costs for the item are set up for both organizations as follows:

Organization	Item	Cost Element	Cost
O1 (Sending)	M1	Material	12
O1 (Sending)	M1	Material Overhead	2
O2 (Receiving)	M1	Material	10
O2 (Receiving)	M1	Material Overhead	2

The following tables display distributions if the material overhead absorption rules have been set to earn material overhead for the receiving organization.

FOB Receipt

The accounting entries for the sending organization O1 are as follows:

Account	Debit	Credit
Inter-organization Receivables	19	-
Intransit Inventory	-	14
Transfer Cost	-	2
Transportation Cost	-	3

The accounting entries for the receiving organization O2 are as follows:

Account	Debit	Credit
Inventory Valuation (Material)	12	-
Inventory Valuation (Material Overhead)	10 (7 + 3)	-
Material Overhead Absorption	-	3
Inter-organization Payables	-	19 (12 + 2 + 2 + 3)

The re-averaged cost of M1 in receiving organization O2 is as follows:

Cost Element	Cost
Material	11 [(12 + 10)/2]
Material Overhead	6 [(2 + 10)/2]

FOB Shipment

The accounting entries for the sending organization O1 are as follows:

Account	Debit	Credit
Inter-organization Receivables	16	-
Intransit Inventory	-	14
Transfer Cost	-	2

The accounting entries for the receiving organization O2 are as follows:

Account	Debit	Credit
Inventory Valuation (Material)	12	-
Inventory Valuation (Material Overhead)	10 (2 + 3 + 3 + 2)	-
Material Overhead Absorption	-	3
Inter-organization Payables	-	16 (12 + 2 + 2)
Freight	-	3

The re-averaged cost of M1 in receiving organization O2 is as follows:

Cost Element	Cost
Material	11 [(12 + 10)/2]
Material Overhead	6 [(2 + 10)/2]

The following tables display distributions if the material overhead absorption rules have been set to NOT earn material overhead for the receiving organization.

FOB Receipt

The accounting entries for the receiving organization O2 are as follows:

Account	Debit	Credit
Inventory Valuation (Material)	12	-
Inventory Valuation (Material Overhead)	7 (2 + 2 + 3)	-
Inter-organization Payables	-	19 (12 + 2 + 2 + 3)

The re-averaged cost of M1 in receiving organization O2 is as follows:

Cost Element	Cost
Material	11 [(12 + 10)/2]
Material Overhead	4.5 [(2 + 7/2]

FOB Shipment

The accounting entries for the receiving organization O2 are as follows:

Account	Debit	Credit
Inventory Valuation (Material)	12	-
Inventory Valuation (Material Overhead)	7 (2 + 2 + 3)	-
Inter-organization Payables	-	16 (12 + 2 + 2)
Freight	-	3

The re-averaged cost of M1 in receiving organization O2 is as follows:

Cost Element	Cost
Material	11 [(12 + 10)/2]
Material Overhead	4.5 [(2 + 7/2]

Purchase Order Receipt Accounting Distribution Examples for an Average Costing Organization

A purchase order is received at a purchase order price of 10. The material overhead rate for item M1 in organization, O2, is 2 per item. The costs associated with item M1 are as follows:

Cost Element	Cost
Material	12
Material Overhead	2

The following table displays distributions if the material overhead absorption rules have been set to earn material overhead.

Purchase Order Receipt Transaction

Account	Debit	Credit
Inventory Valuation (Material)	10	-
Inventory Valuation (Material Overhead)	2	-
Receiving Inspection	-	10
Material Overhead Absorption	-	2

The re-averaged cost of M1 in receiving organization O2 is as follows:

Cost Element	Cost
Material	11 [(12 + 10)/2]
Material Overhead	2 [(2 + 2/2]

The following table displays distributions if the material overhead absorption rules have been set to NOT earn material overhead.

Account	Debit	Credit
Inventory Valuation (Material)	10	-
Receiving Inspection	-	10

The re-averaged cost of M1 in receiving organization O2 is as follows:

Cost Element	Cost
Material	11 [(12 + 10)/2]
Material Overhead	1 [(2 + 0/2]

Assembly Completion and Return Accounting Distribution Example for an Average Costing Organization

A bill of material for item A consists of items B and C. The costs associated are as follows:

Item	Cost Element	Present Average Cost
A	Material	8
B	Material	5
B	Material Overhead	2
C	Material	5
C	Material Overhead	5

The material overhead rates for Item A are:

Item	Cost Element	Present Average Cost
A	Material Overhead - 1	2

Item	Cost Element	Present Average Cost
A	Material Overhead - 2	3

The following table displays distributions, at assembly completion, if the material overhead absorption rules have been set to earn material overhead.

WIP Assembly Completion Transactions

Account	Debit	Credit
Inventory Valuation (Material)	10	-
Inventory Valuation (Material Overhead)	7	-
Inventory Valuation (Material Overhead)	5	-
WIP Valuation (Material)	-	10
WIP Valuation (Material Overhead)	-	7
Material Overhead Absorption	-	5

The re-averaged cost of item A is as follows:

Cost Element	Cost
Material	9 [(8 + 10)/2]
Material Overhead	6 [(5 + 7)/2]

The following tables depict the material overhead absorbed at a different rate than the standard rate in the current organization:

Item	Cost Element	Present Average Cost
A	Material Overhead - 1	1
A	Material Overhead - 2	2

Account	Debit	Credit
Inventory Valuation (Material)	10	-
Inventory Valuation (Material Overhead)	7	-
Inventory Valuation (Material Overhead)	3	-
WIP Valuation (Material)	-	10
WIP Valuation (Material Overhead)	-	7
Material Overhead Absorption	-	3

The re-averaged cost of item A is as follows:

Cost Element	Cost
Material	9 [(8 + 10)/2]
Material Overhead	5 [(7 + 3)/2]

The following table displays distributions, at assembly completion, if the material overhead absorption rules have been set to NOT earn material overhead.

Account	Debit	Credit
Inventory Valuation (Material)	10	-
Inventory Valuation (Material Overhead)	7	-
WIP Valuation (Material)	-	10
WIP Valuation (Material Overhead)	-	7

The re-averaged cost of item A is as follows:

Cost Element	Cost
Material	9 [(8 + 10)/2]
Material Overhead	3.5 [(7 + 0)/2]

Related Topics

Overhead Report, page 13-36

Defining Material Overhead Defaults

You can define and update default material overhead subelements and rates. These defaults speed data entry when defining items.

When you define items, these material overheads are defaulted into the Frozen cost type under standard costing, and into the cost type you defined to hold average rates under average costing. See: Defining Cost Types, page 2-13.

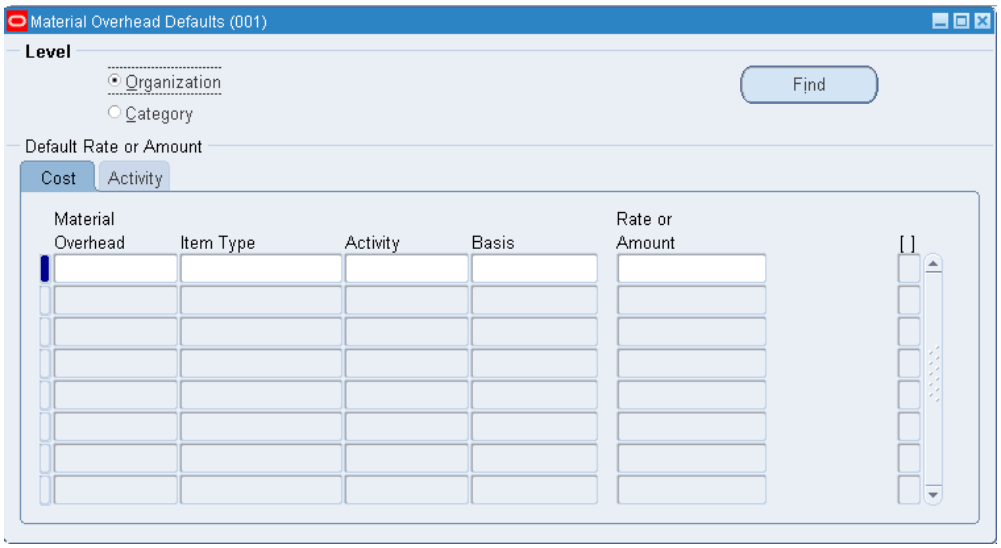
For buy items, enter material costs. For make items, roll up costs. You can specify an organization and category default for the same material overhead subelement. When you have multiple defaults for the same subelement, the category default takes precedent over the organization default. If you have two category level defaults, the default that matches the item's planning code takes precedence.

Prerequisites

❒ You must be in the master cost organization to define material overhead defaults.

To define material overhead defaults:

1. Navigate to the Material Overhead Defaults window.



2. Select a default level for the material overhead subelement and rate. The options are by organization or by inventory item category.

3. If you select category as the default level, select an item category. See: Overview of Item Categories, *Oracle Inventory User's Guide*.

4. In the Cost tabbed region, select a material overhead subelement to assign to the current organization or category.

   You can enter a material overhead subelement more than once. For the same material overhead subelement, material overhead rates you assign to a specific category override any material overhead rates you assign to an organization.

5. Select the item type: make items, buy items, or all items.

   The system applies the default material overhead based upon an item's planning code. This determines the material overhead subelements and rates for items for items you purchase, manufacture, or for all items.

   Within a category or organization, if the value you enter for Item Type matches the item's Make or Buy item attribute, the system uses the material overhead information associated with it instead of the information you enter for the All items value.

6. Select an activity. You can associate the subelement with any activity.

   The default is derived from the default activity you assigned when you defined material overhead. See: Defining Overhead, page 2-22.

7. Select a basis. The default is the value you entered for the default basis when you defined overhead.

   Activity: Directly associate the activity cost with the item.

   Item: Assign a fixed cost per item.

   Lot: Assign a lot charge to items and operations.

   Resource units: Charge overhead by multiplying the overhead amount by the number of resource units earned in the routing operation.

   Resource value: Charge overhead by multiplying the overhead rate by the resource value earned in the routing operation.

   Total value: Charge overhead by multiplying the total cost of the item, less material overhead earned at this level, by the material overhead rate.

8. Enter the rate or amount for the material overhead as appropriate for the basis.

   Material overhead subelements with basis types of Total value and Resource value are usually defined as rates; those with basis types of Item, Lot, Activity and Resource units are usually defined as amounts.

   > **Note:** Negative item costs are not supported in Oracle Cost Management.

9. If you select Activity for the basis, open the Activity tabbed region and:

   - Enter the number of activity occurrences for the current costing period, i.e., the total number of times this activity is performed during the current costing period.

   - Enter the total number of items you expect to be associated with the activity during the current costing period, i.e., the total number of units that flow through the activity during the same period.

Related Topics

Defining Items, *Oracle Inventory User's Guide* and

Defining Item Attribute Controls, *Oracle Inventory User's Guide*.

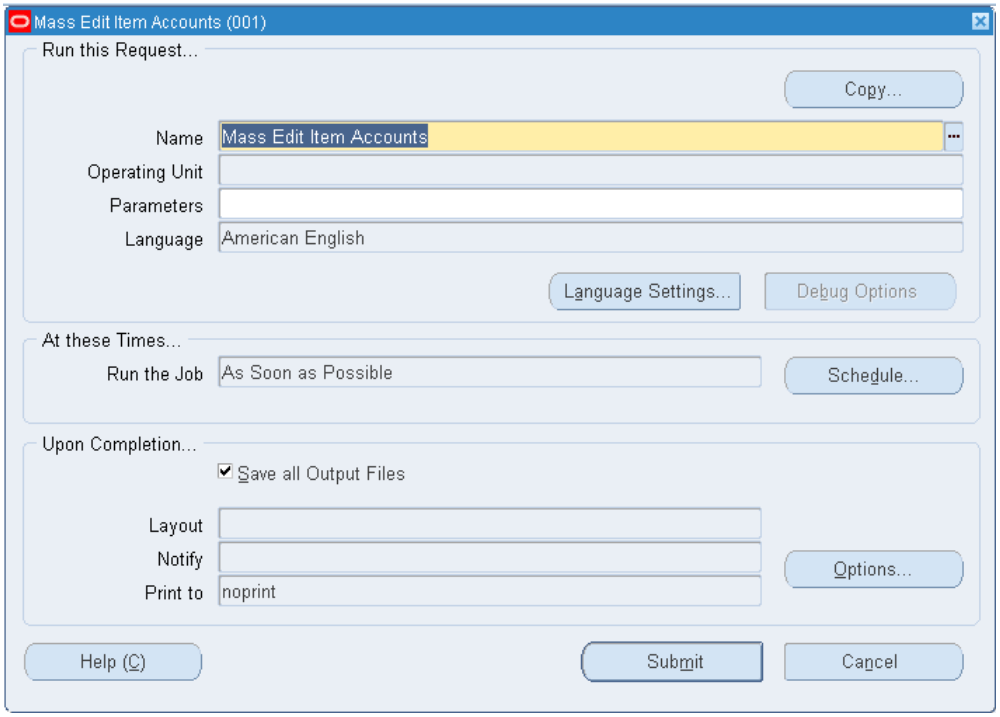
Mass Editing Item Accounts

Mass edit account assignments for selected items. These accounts include: Cost of Goods Sold, Encumbrance, Expense, and Sales. You can edit your account assignments for all items, a category of items, or a specific item.

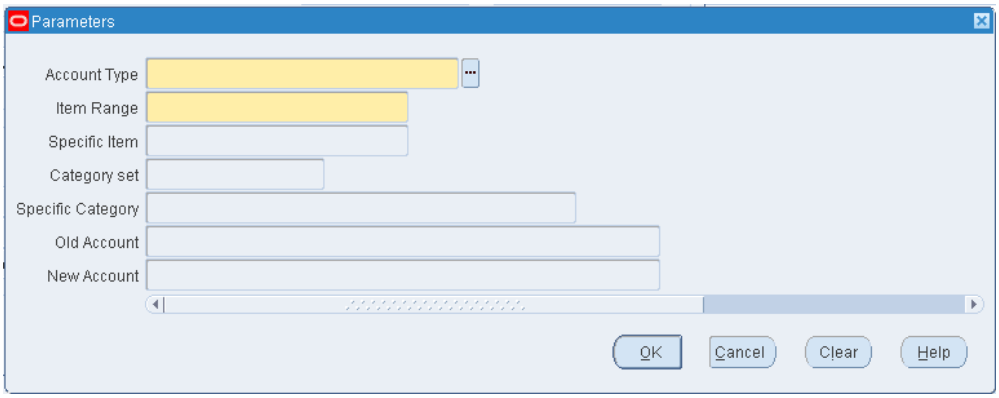
> **Important:** If you share standard costs, you do not share the item accounts. If you need to change your accounts, you must change them in all organizations.

To mass edit item accounts:

1. Navigate to the Mass Edit Item Accounts window.



2. In the Parameters window, select which account type to change. The options are Cost of Goods Sold, Encumbrance, Expense, or Sales accounts.



3. Select an item range option. You can edit item accounts for All items, all items in a specific Category, or a Specific item.

4. If you selected Category in the Item Range field, select either a category set or a category. See: Overview of Item Categories, *Oracle Inventory User's Guide*.

   If you selected Specific item in the Item Range field, select an item.

5. Optionally, select the old account for the item. Only these accounts are edited.

   For example, if you choose Cost of Goods Sold as your account type, All Items as your item range, and enter 123-456-000000 as the old account, *only* accounts with this criteria are changed. If you do not specify an old account, *all* old Cost of Goods Sold accounts for *all* items are replaced with the account you specify in the New field.

6. Select the new account for the item.

7. Choose OK to save your work.

   All items that meet the account type and old account number criteria entered are updated to the new account number.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Mass Editing Cost Information

You can apply mass edits to cost information, including:

- Apply new activity rates to item costs
- Edit item shrinkage rates to a specified rate or a rate equal to your planning shrinkage rates

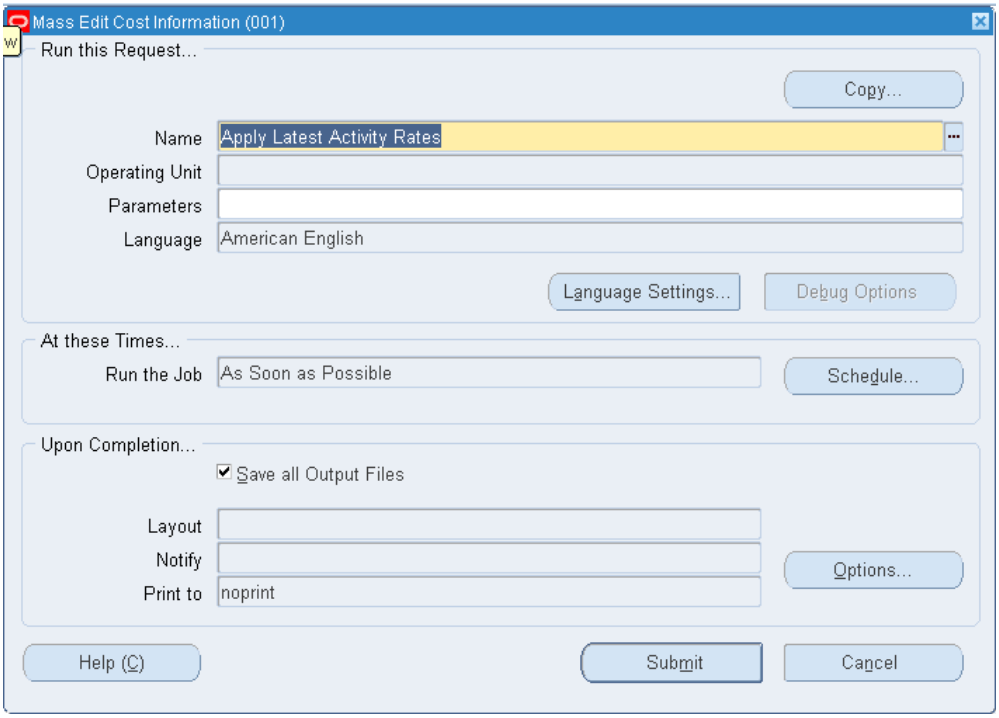
- Create new costs and change costs to a specified amount by a percentage or an absolute amount

- Create new costs by averaging the purchase order price for open purchase orders or historical purchase order receipts, or actual accounts payable invoice prices for items

> **Important:** You may want to limit mass edits to subelements with similar basis types. All subelements to be edited should be either rate-based or amount-based. The values entered for Fixed Rate and Change Amount fields have drastically different effects on subelement cost, depending on the basis. For example, if you enter 10 for Fixed Rate, the mass edit updates the subelement cost for amount-based subelements to 10 units of your ledger currency. If the subelement has a rate-based type, the mass edit updates the subelement rate to 1000 percent, *not* 10 percent.

To mass edit cost information:

1. Navigate to the Mass Edit Cost Information window: See: Standard Request Submission, *Oracle Applications User's Guide*.



2. Select a Request Name.

   Apply Latest Activity Rates: Change item costs after modifying activity rates.

   Change Cost Shrinkage Rates: Modify the costing shrinkage rates for items. This can be a specific rate or the item's planning shrinkage rate.

   Mass Edit Actual Material Costs: Generate costs for items based upon purchasing activity. You can update item costs to be an average of or equal to actual accounts payable invoices, open purchase orders, or historical purchase order receipts for the specified date range.

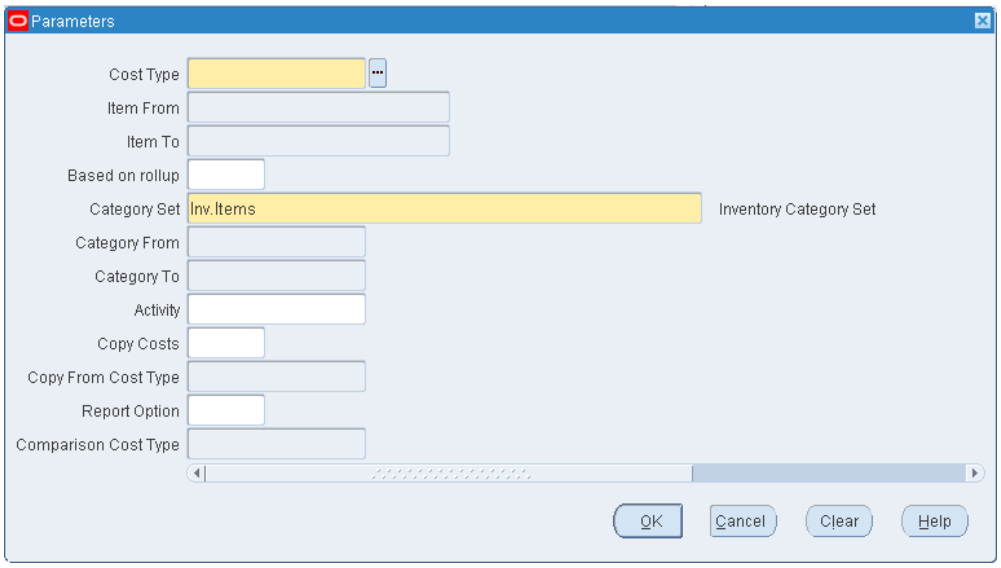
   Mass Edit Material Costs: Update material subelements by a fixed amount or a percentage as appropriate for the basis type.

   Mass Edit Material Overhead Costs: Update material overhead subelements by a fixed amount or a percentage, as appropriate for the basis type.

   See the instructions below for further information.

To apply latest activity rates to item costs:

1. Select a cost type.



2. Select a range of Items From and To.

3. Indicate whether to edit only items that have a Based on Rollup attribute set to Yes, only those items that have a Based on Rollup set to No, or leave Based on Rollup blank to indicate all items.

4. Select a Category Set. The default is the category for your costing functional responsibility.

5. Optionally, select a range of Categories From and To.

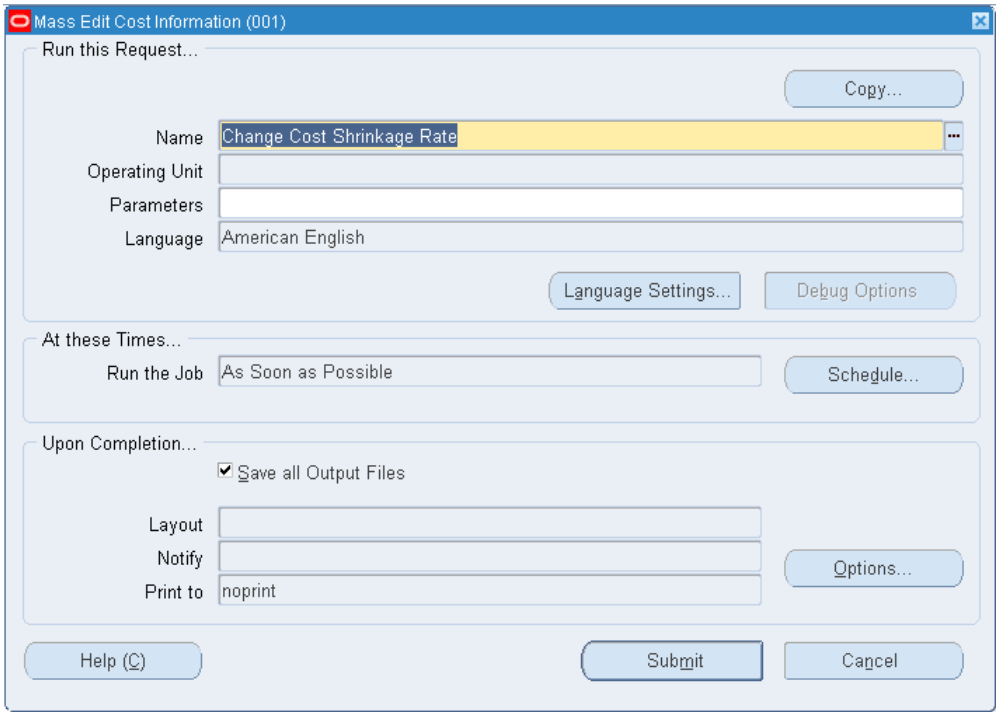
6. Optionally, select an activity. The new rates are applied to only this activity.

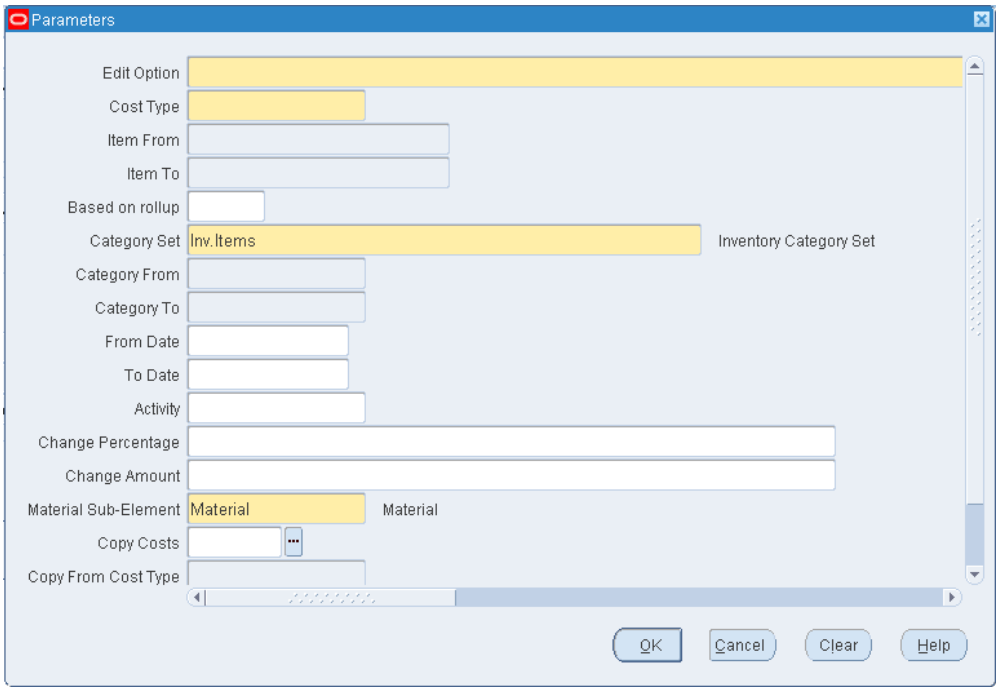
7. Optionally, indicate whether to copy costs from a specific cost type *before* performing the mass edit. If you set Copy Costs to Yes, specify the cost type to copy costs from.

8. Indicate whether to print a cost type comparison report. If enabled, specify another cost type to compare with the current cost type.

To change the cost shrinkage rate:

1. Select an edit option: whether to update the item shrinkage rate to equal the item's planning shrinkage rate or a specified rate.


Mass Edit Cost Information (001)
Run this Request...
Copy...
Name
Change Cost Shrinkage Rate
Operating Unit
Parameters
Language
American English
Language Settings...
Debug Options
At these Times...
Run the Job
As Soon as Possible
Schedule...
Upon Completion...
Save all Output Files
Layout
Notify
Print to
noprint
Options...
Help (C)
Submit
Cancel



2. Select a cost type.

3. Select a range of Items From and To.

4. Select a Category Set.

5. Optionally, select a range of Categories From and To.

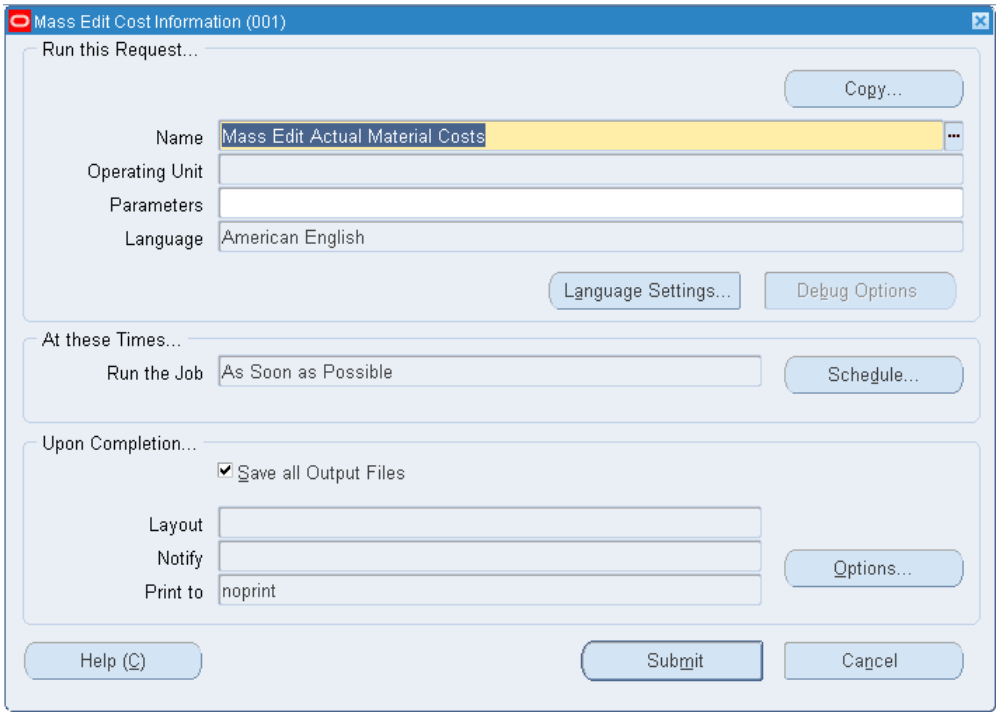
6. If you selected to update the shrinkage to specified shrinkage, enter the Fixed Rate (as a decimal). This must be less than 1.

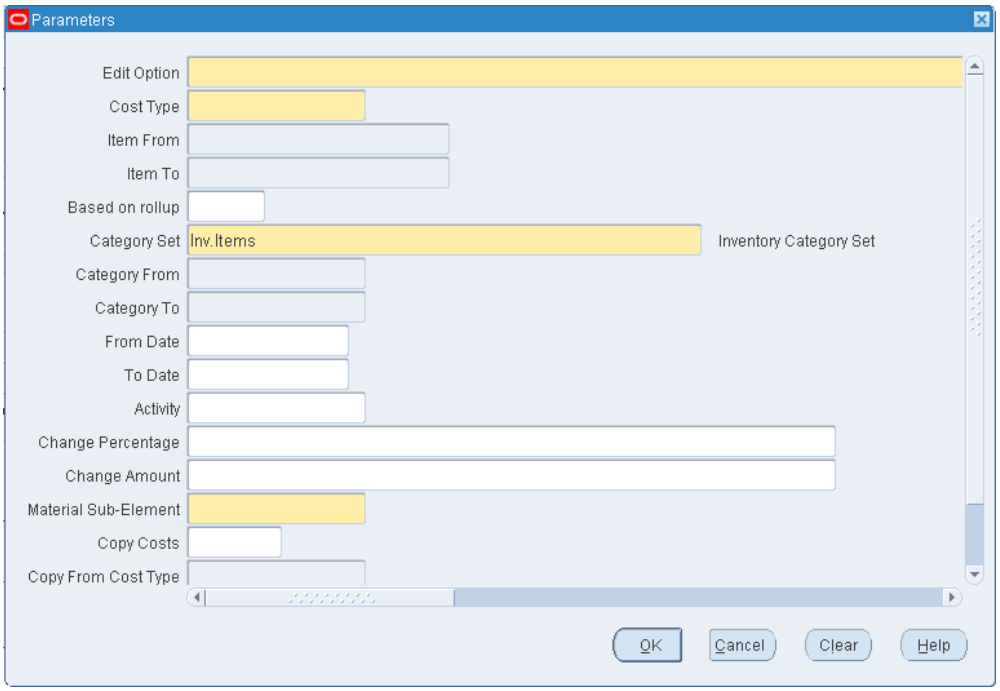
7. Optionally, indicate whether to copy costs from a specific cost type *before* performing the mass edit. If you set Copy Costs to Yes, specify the cost type to copy costs from.

8. Indicate whether to print a cost type comparison report. If enabled, specify the cost type to compare with the current cost type.

To mass edit actual material costs:

1. Select an edit option:


Mass Edit Cost Information (001)
Run this Request...
Copy...
Name
Mass Edit Actual Material Costs
Operating Unit
Parameters
Language
American English
Language Settings...
Debug Options
At these Times...
Run the Job
As Soon as Possible
Schedule...
Upon Completion...
Save all Output Files
Layout
Notify
Print to
noprint
Options...
Help (C)
Submit
Cancel



Update material costs to open PO average: This edit uses a hierarchy of dates when determining if the record falls within the specified date range. The hierarchy is as follows: the promised date from the purchase order shipment is used; if *this* date is not entered, the need-by date from the purchase order shipment is used; and, if *this* date is not entered, the approval date of the purchase order is used. The approval date always exists, as it is generated by the system upon approval of the purchase order. The mass edit uses only approved purchase orders.

Update material costs to PO receipt average: This edit uses the transaction date of the purchase order receipt into inventory when determining if the record falls within the specified date range.

Update material costs to invoice cost: This edit uses the accounting date accounts payable used for the invoice posting when determining if the record falls within the specified date range.

2. Select a cost type.
3. Select a range of Items From and To.
4. Indicate whether to edit only items that have a Based on Rollup attribute set to Yes, only those items that have a Based on Rollup set to No, or *all* items.
5. Select a Category Set.
6. Optionally, select a range of Categories From and To.

7. Optionally, select a date range.

8. Optionally, select an activity.

   Only subelements associate with this activity are edited.

9. Optionally, enter an Change Percentage value (expressed as a decimal) by which to increase or decrease the average cost calculated by the mass edit.

   For example, if the mass edit calculates an average cost of 100 and you enter a value of 0.10, the resulting cost of the subelement is 110. You can use the Change Percentage field with the Change Amount field.

10. Optionally, enter an Change Amount to increase or decrease the average cost calculated by the mass edit, or change the average cost *after* it is modified by the amount entered in the Change Percentage field, if appropriate. For example, if the mass edit calculates an average cost of 100 and you enter a value of 0.10 in the Change Percentage field and a value of 10 in this field, the resulting cost of the subelement is 120:

    (calculated average cost x (1 + change percentage) + change amount)

11. Select a material subelement to limit the mass edit to items associated with a specific material subelement.

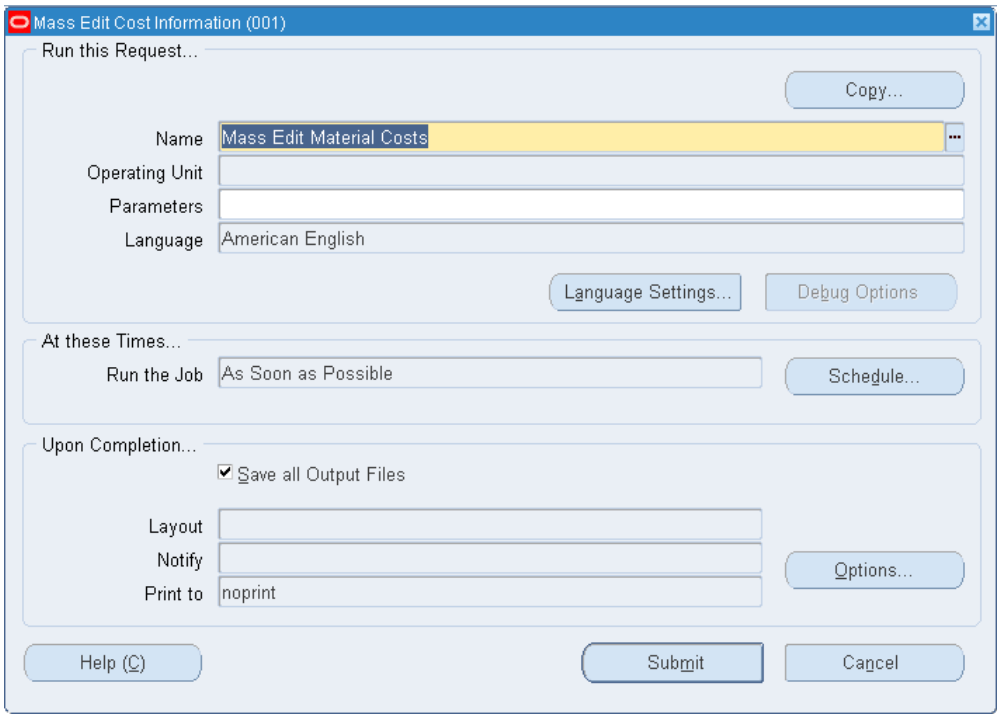
    This subelement is also used by the mass edit when it creates new item costs. The default is the organization's default material subelement, if one exists.

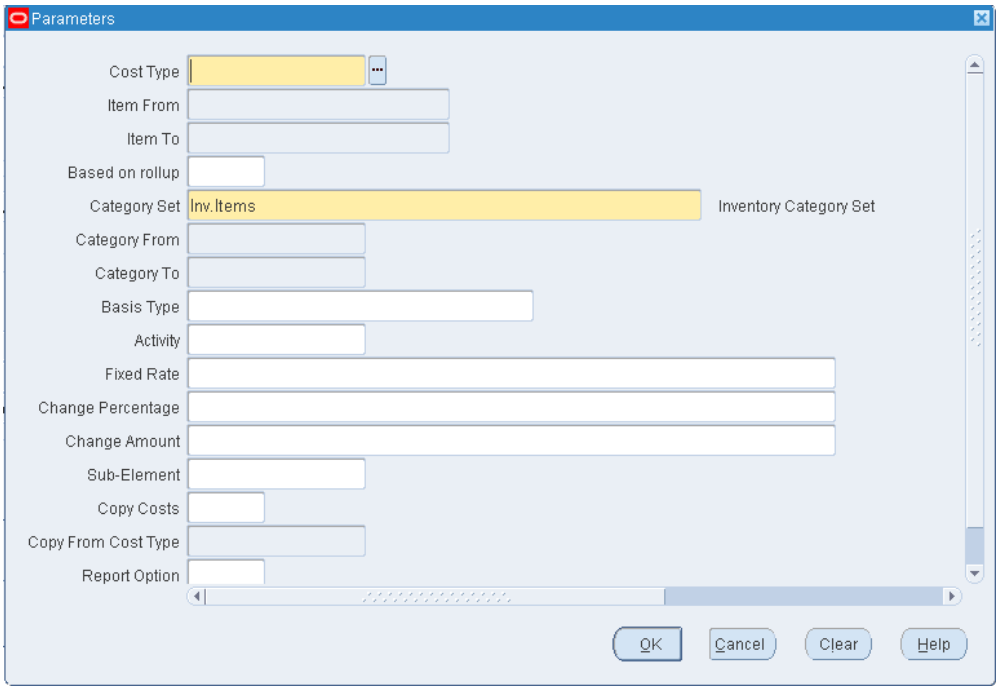
12. Optionally, indicate whether to copy costs from a specific cost type *before* performing the mass edit. If you set Copy Costs to Yes, specify the cost type to copy costs from.

13. Indicate whether to print a cost type comparison report. If enabled, specify the cost type to compare with the current cost type.

To mass edit material costs:

1. Select a cost type.


Mass Edit Cost Information (001)
Run this Request...
Copy...
Name
Mass Edit Material Costs
Operating Unit
Parameters
Language
American English
Language Settings...
Debug Options
At these Times...
Run the Job
As Soon as Possible
Schedule...
Upon Completion...
Save all Output Files
Layout
Notify
Print to
noprint
Options...
Help (C)
Submit
Cancel



2. Select a range of Items From and To.

3. Indicate whether to edit only items that have a Based on Rollup attribute set to Yes, only those items that have a Based on Rollup set to No, or leave blank to indicate all items.

4. Select a Category Set. The default is the category for your costing functional responsibility.

5. Optionally, select a range of Categories From and To.

6. Optionally, select a basis type by which to limit the mass edit.

7. Optionally, select a specific activity to mass edit only subelements associated with a specific activity.

8. Optionally, select a value to change the current subelement amount to a new fixed amount.

   You can use this value with the Change Percentage and/or the Change Amount fields.

   Leave this field blank to have the current subelement amount modified by the values entered in the Change Percentage and/or the Change Amount fields.

9. Optionally, enter an Change Percentage (positive or negative) by which to increase or decrease the subelement amount.

The Fixed value, if not blank, is multiplied by the Change Percentage value. If the Fixed field is blank, the current subelement amount is multiplied by the Change Percentage.

For example, if the value for Fixed is 200 and the value for Change Percentage is -5, the resulting cost of the subelement is 190:

---

fixed or current amount x (1 + (change percentage / 100))

---

10. Optionally, enter an Change Amount by which to increase or decrease the subelement amount by a fixed amount.

    For example, the subelement amount before this update is 25, and you enter 10 in the Change Amount field, the new amount for the subelement is 35.

    A Change Amount can also be used with an Change Percentage to increase or decrease the subelement cost *after* it is modified by the amount entered in the Change Percentage field. If, the Change Amount is 10 and the Change Percentage is 5, the resulting cost of the subelement is 195:

---

fixed or current amount x (1 + (change percentage / 100)) + change amount

---

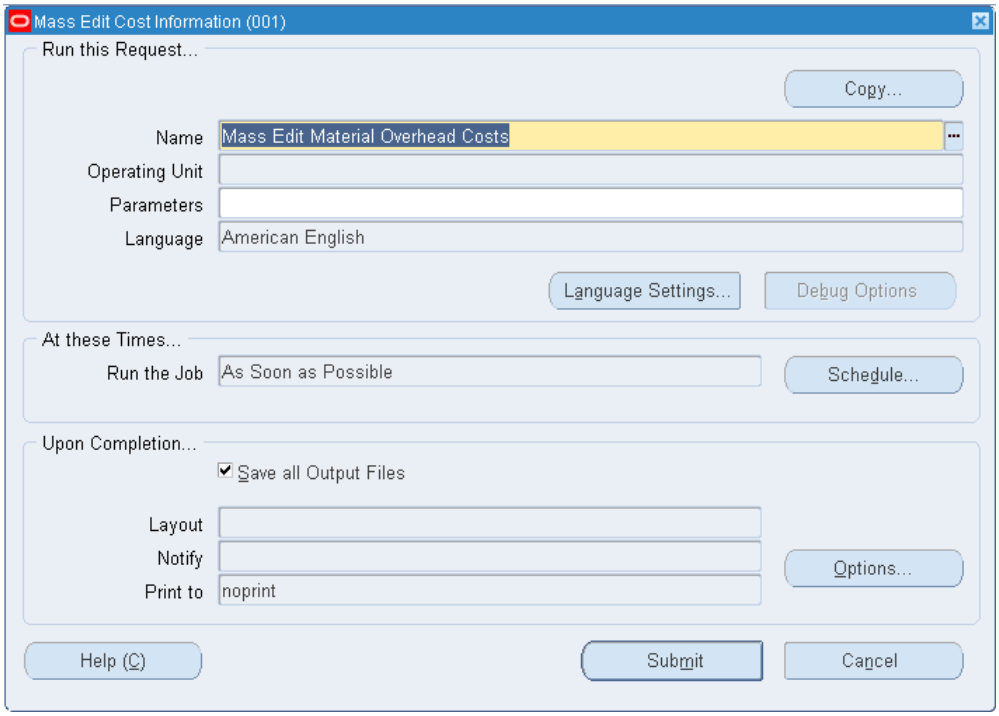
11. Select a material subelement by which to limit the mass edit of items associated with a specific material subelement.

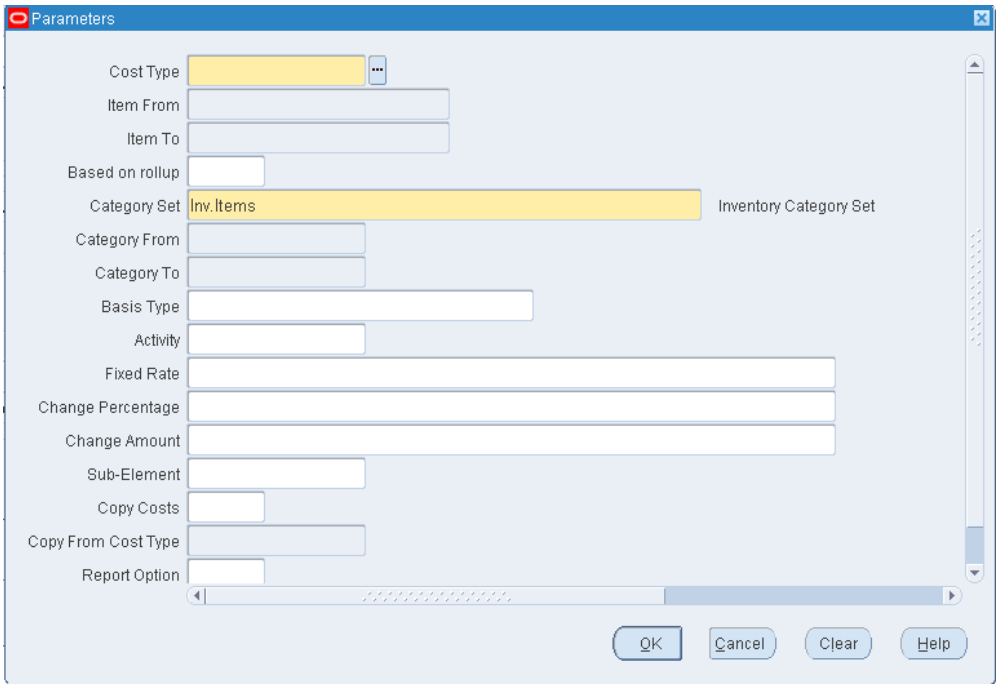
12. Optionally, indicate whether to copy costs from a specific cost type *before* performing the mass edit. If you set Copy Costs to Yes, specify the cost type to copy costs from.

13. Indicate whether to print a cost type comparison report. If enabled, specify the cost type to compare with the current cost type.

To mass edit material overhead costs:

1. Select a cost type.


Mass Edit Cost Information (001)
Run this Request...
Copy...
Name
Mass Edit Material Overhead Costs
Operating Unit
Parameters
Language
American English
Language Settings...
Debug Options
At these Times...
Run the Job
As Soon as Possible
Schedule...
Upon Completion...
Save all Output Files
Layout
Notify
Print to
noprint
Options...
Help (C)
Submit
Cancel



2. Select a range of Items From and To.

3. Indicate whether to edit only items that have a Based on Rollup attribute set to Yes, only those items that have a Based on Rollup set to No, or leave blank to indicate all items.

4. Select a Category Set. The default is the category for your costing functional responsibility.

5. Optionally, select a range of Categories From and To.

6. Optionally, select a basis type by which to limit the mass edit.

7. Optionally, select a specific activity to mass edit only items associated with a specific activity.

8. Optionally, select a value to change the current subelement rate or amount to a new fixed rate or amount.

   The system considers this a currency amount if the subelement being updated has a basis type of Item, Lot, or Resource Units. For example, if the ledger currency is U.S. Dollars, 10 = $10. If the subelement basis type is Resource Value or Total Value, the value entered is used as a percentage (for example, 10 = 1000%). You can use this value with the Change Percentage and/or the Change Amount fields.

   Leave this field blank to have the current subelement rate or amount modified by the values entered in the Change Percentage and/or the Change Amount fields.

9. Optionally, enter an Change Percentage (positive or negative) by which to increase or decrease the subelement rate or amount.

   The Fixed Rate value, if not blank, is multiplied by the Change Percentage value. If the Fixed Rate field is blank, the current subelement rate or amount is multiplied by the Change Percentage. For example, if Fixed Rate is 0.20 and Change Percentage is -10, the resulting rate of the subelement is 0.18:

   fixed or current rate or amount x (1 + (increase percentage / 100))

10. Optionally, enter an Change Amount by which to increase or decrease the subelement rate or amount by a fixed amount.

    The system uses this value as a currency amount if the subelement being updated has a basis type of Item, Lot, or Resource Units. For example, if the ledger currency is U.S. Dollars, the subelement amount before this update is 25, and you enter 10 in this field, the new amount for the subelement is 35. If the subelement basis type is Resource Value or Total Value, the value you enter is used as a percentage. For example, if the subelement rate before this update is 250% and you enter 0.25, the new rate for the subelement is 275%.

    An Change Amount can also be used with an Change Percentage to increase or decrease the subelement cost *after* it is modified by the amount entered in the Change Percentage field. If, the Change Amount is 10 and the Change Percentage is 5, the resulting cost of the subelement is 195:

    fixed or current amount x (1 + (change percentage / 100)) + change amount

11. Select a material overhead subelement by which to limit the mass edit of items associated with a specific material overhead subelement.

12. Optionally, indicate whether to copy costs from a specific cost type *before* performing the mass edit. If you set Copy Costs to Yes, specify the cost type to copy costs from.

13. Indicate whether to print a cost type comparison report. If enabled, specify the cost type to compare with the current cost type.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Copying Costs

You can copy from one cost type to another and specify an item or a category range. You can copy *from* the Frozen cost type, but you cannot copy *to* the Frozen cost type. Under average costing, you can copy *from* the Average cost type, but you cannot copy *to* the Average cost type. Under FIFO/LIFO costing, you can copy *from* the FIFO/LIFO cost type, but you cannot copy *to* the FIFO/LIFO cost type.

In a standard cost, inventory organization, you can perform a standard cost update from the newly copied costs. In average, FIFO, or LIFO cost, inventory organizations, copied costs are generally used for simulations or comparisons only.

You can copy item costs within an organization or across organizations.

Within an organization, you can also copy resource and overhead costs, or resource and overhead associations. There are three copying options:

- merge and update existing costs
- copy over new information only
- remove and replace all cost information

Across organizations, you have the flexibility to create new sub-elements, if required, or summarize the item costs over all sub-elements into a pre-defined, summary sub-element in the destination organization.

You can use interorganizational cost copy to copy item cost information across two different organizations, specifying which items you want to include in the item cost copy.

Interorganizational cost copy supports supply chain cost rollup. Supply chain cost rollup enables you to estimate item costs created within BOM.

Copy Cost Examples: Copy from Cost Type 1 to Cost Type 2

Initial values in Cost Type 1 and Cost Type 2

Item	From: Cost Type 1	To: Cost Type 2
A	20	Does not exist (Null)
B	10	50
C	Does not exist (Null)	30

The results for the Merge and Update Existing Costs option are: A = 20, B = 10, and C =

30. Item C did not exist in Cost Type 1, so C's value in Cost Type 2 does not change.

The results for the New Information Only option are: A = 20, B = 50, and C = 30. Item A did not exist in Cost Type 2, so its value is copied from Cost Type 1. Item B has a cost in Cost Type 2, so it's value does not change. Item C did not exist in Cost Type 1, so C's value in Cost Type 2 does not change.

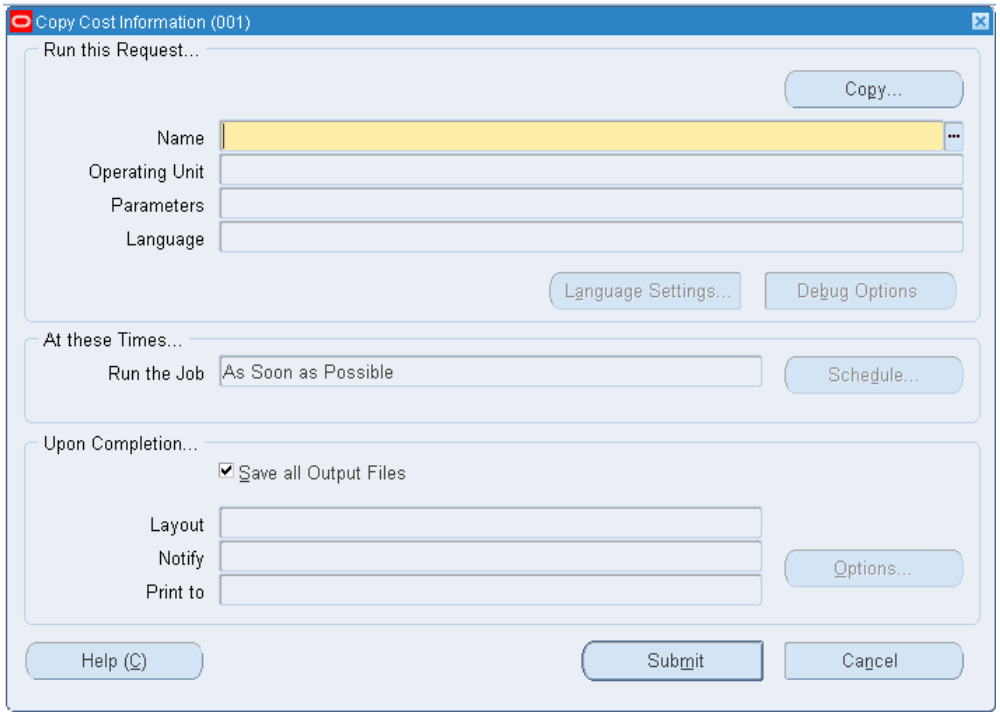
The results for the Remove and Replace All Cost Information option are: A = 20, B = 10, and item C does not exist. These are the same values found in Cost Type 1; all values in Cost Type 1 replace those in Cost Type 2.

> **Note:** You can also use the Supply Chain Cost Rollup to copy costs for based-on rollup items (assemblies). When the assembly does not exist in the Supply Chain Cost type that you roll up, the rollup copies the assembly information from the default cost type.

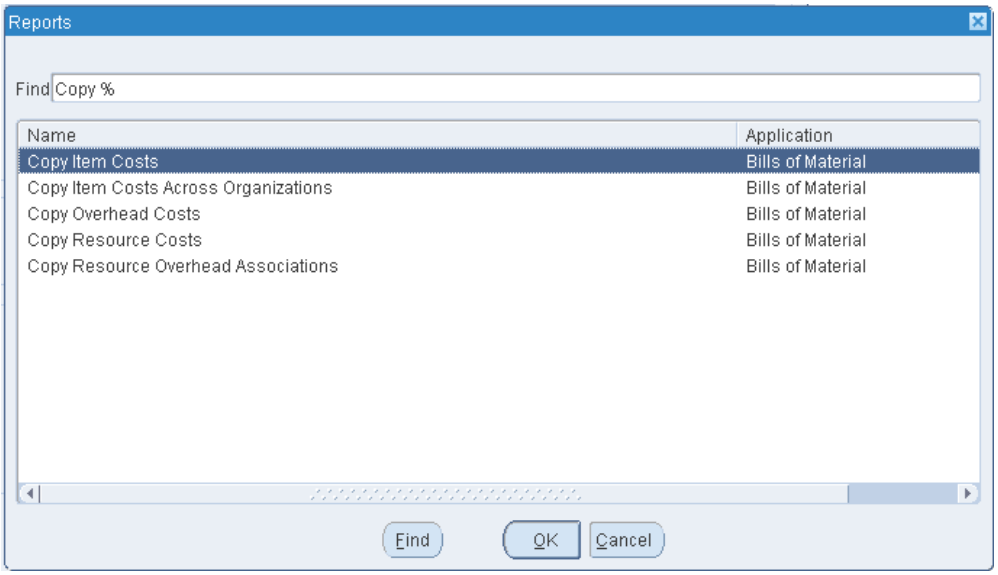
> **Note:** For costs that are copied across organizations, the based on rollup flag for all copied costs is set as User-Defined.

To copy costs between cost types:

1. Navigate to the Copy Cost Information window.



2. Select the Name of the request. This identifies what to copy:



Copy Item Costs: copy item costs between cost types.

Copy Item Costs Across Organizations: copy item costs between organizations to maintain the same standard cost in multiple organizations but not to share costs.

Copy Overhead Costs: copy overhead costs between cost types.

Copy Resource Costs: copy resource costs between cost types.

Copy Resource Overhead Associations: copy resource and overhead associations between cost types.

3. Select a copy option:

   Merge and update existing costs: Costs that do not exist in the To cost type are copied, costs that already exist in the To cost type are updated, costs that exist only in the To cost type are left unchanged. The system compares total costs to determine which costs to update. The system does not compare by sub-element.

   New cost information only: Costs that do not exist in the To cost type are copied; all other costs are left unchanged.

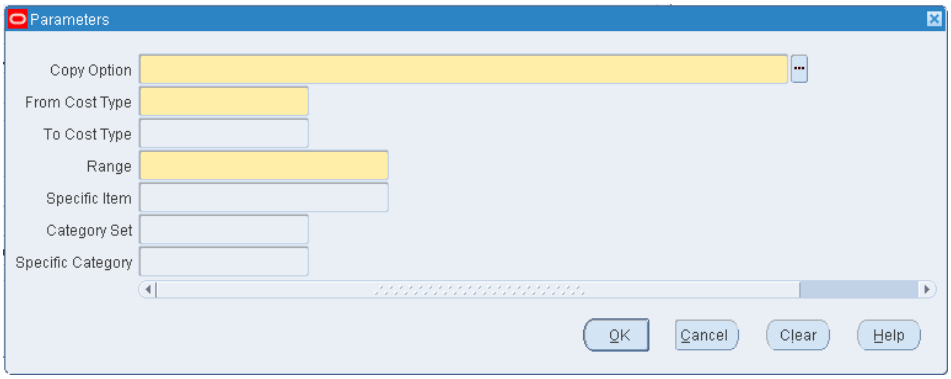
   Remove and replace all cost information: All costs in the To cost type are deleted and replaced with costs in the From cost type.

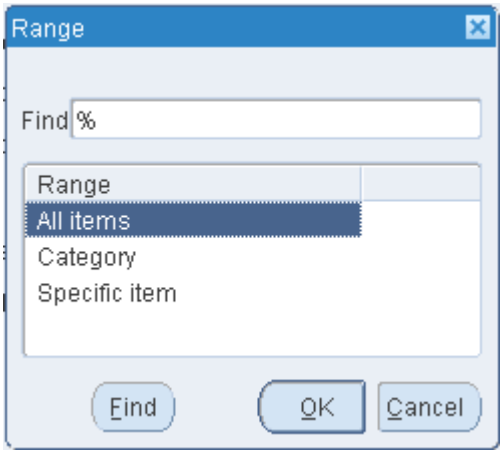
4. Select a cost type to copy From.

5. Select a cost type to copy To.

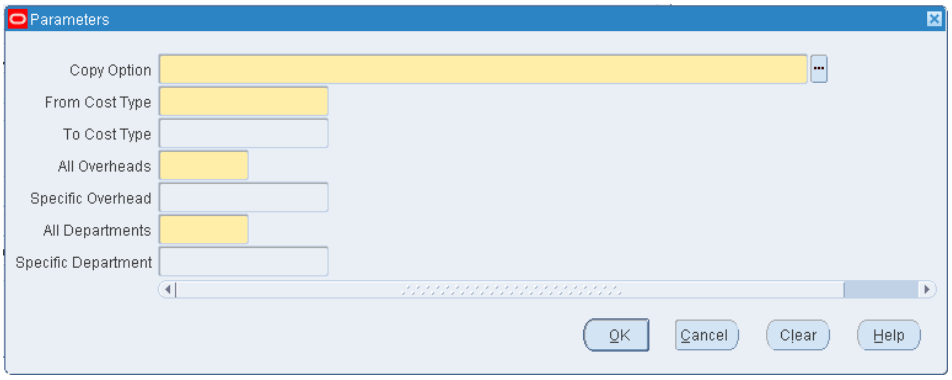
6. Do one of the following:

   - If you are copying item costs between cost types or across organizations, select All Items, those belonging to a Category, or a Specific Item. If you select Category, specify a Category Set or a Specific Category. If you select Specific Item, specify the item.

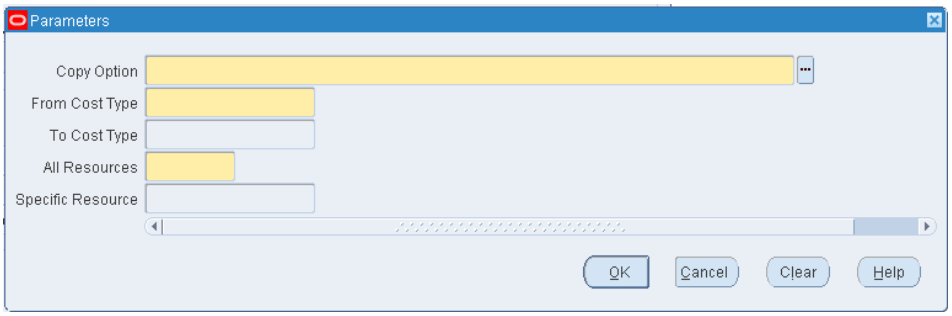




- If you are copying overhead costs, indicate whether to copy All Overheads or a Specific Overhead that you enter. Indicate whether to copy All Departments or a Specific Department that you enter.

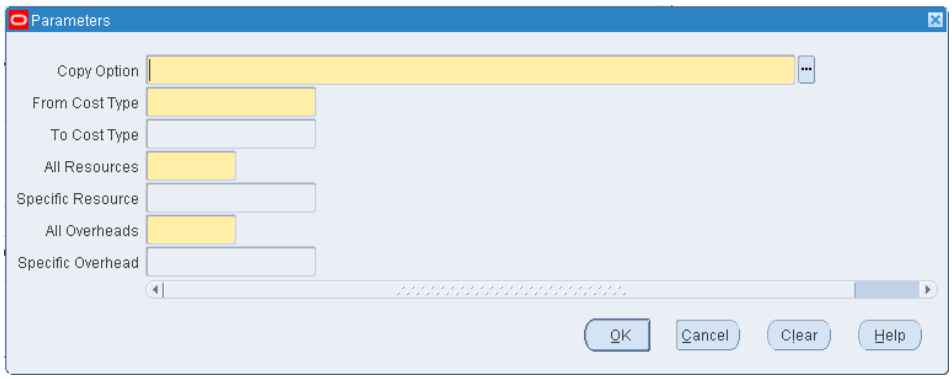


- If you are copying resource costs, indicate whether to copy All Resources or a Specific Resource that you enter.

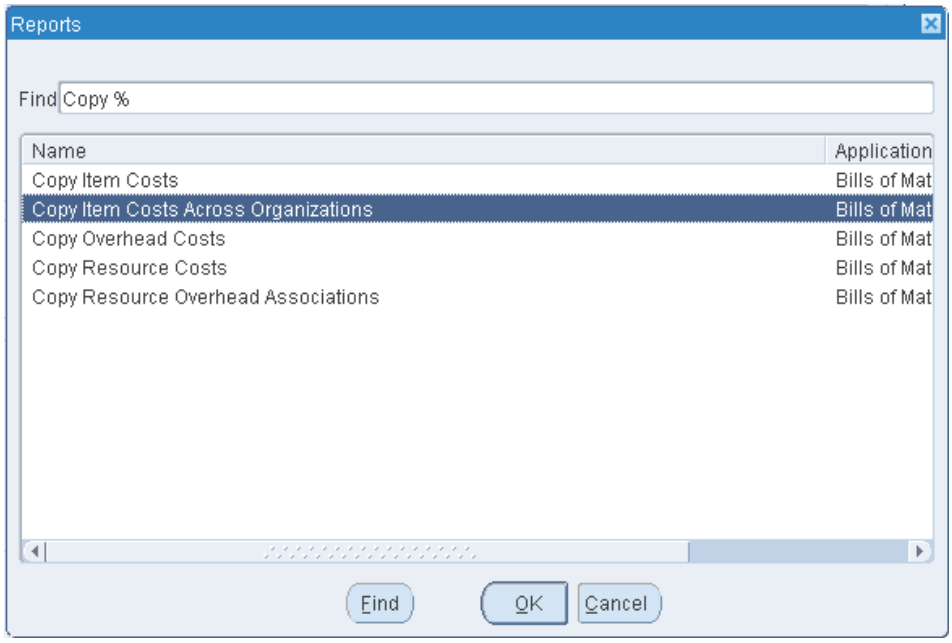


- If you are copying resource overhead associations, indicate whether to copy All Resources or a Specific Resource that you select. Indicate whether to copy All

Overheads or a Specific Overhead that you select.



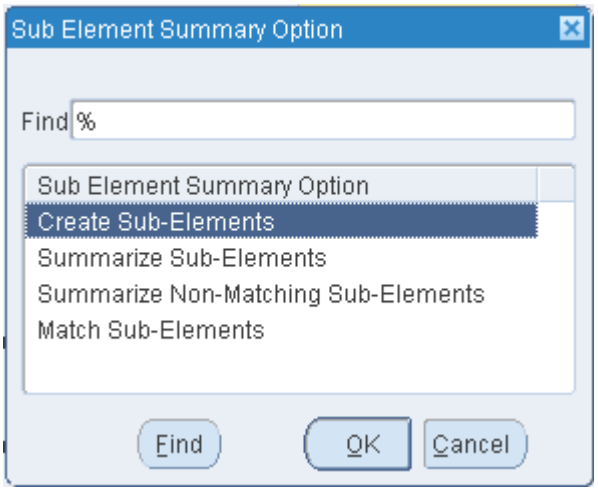
- If you are copying across organizations, select the Name of the request as Copy Item Costs Across Organizations.



If you are copying across organizations, select a sub-element option from the Sub-Element Summary Option parameter based on the following:

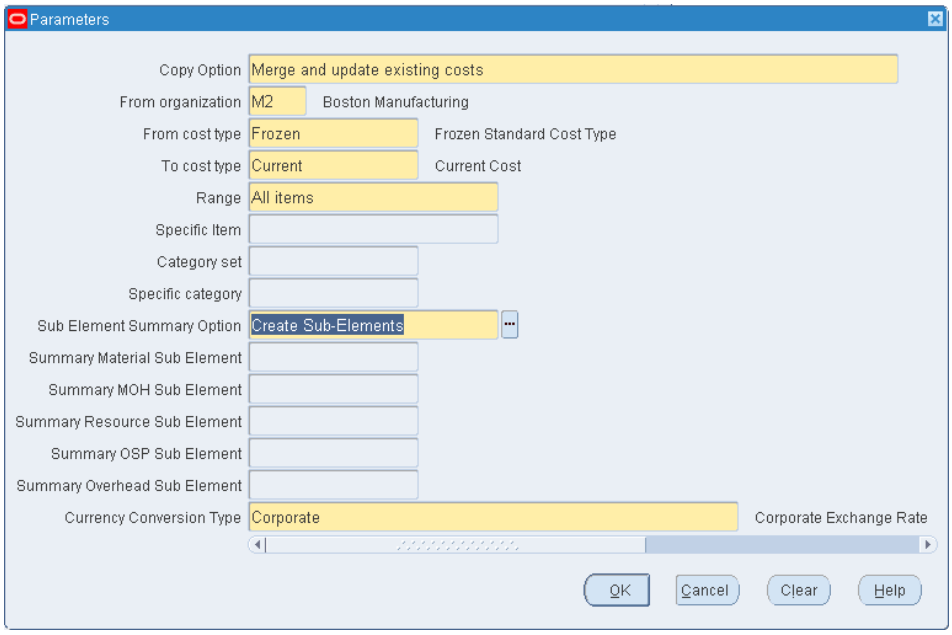
- Creating new sub-elements
- Summarizing sub-elements and using a default sub-element
- Keeping matching sub-elements as is and summarizing unmatched sub-elements
- Performing a regular cost copy only when all sub-elements match

Note: The Sub-Element Summary Option determines the method of cost copy if matching sub-elements do not exist in the from and to organizations. With this option, costs are summarized within the context of a cost element. The cost copy across organizations process does not enable the total cost to be summarized into a single cost element in the destination organization.

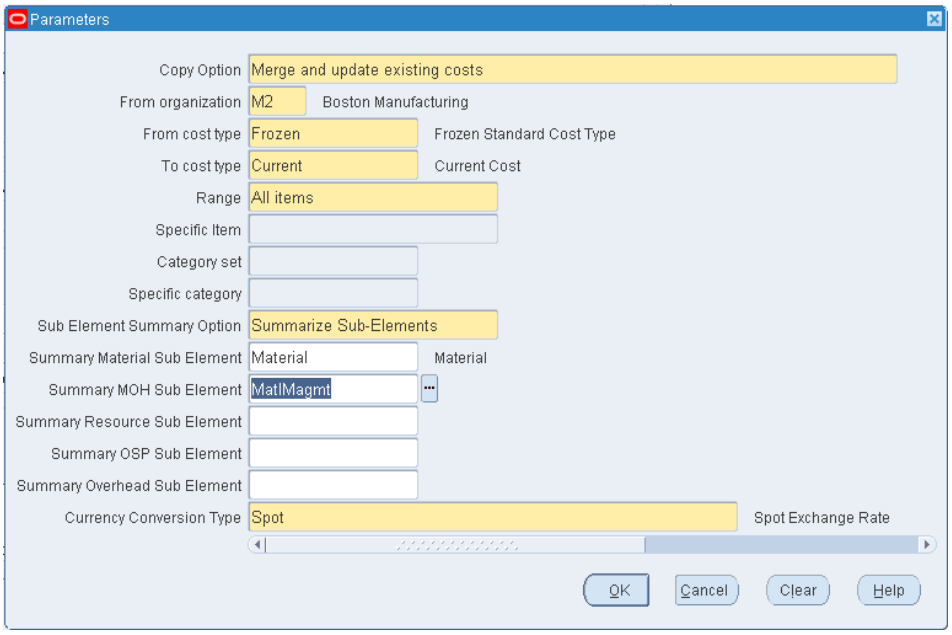


- If you select the Sub-Element Summary Option as Create Sub-Elements or Match Sub-Elements, the Summary Sub- Elements for material, material overhead, resource, outside processing and overhead are not enabled.

- If you select the Sub-Element Summary Option as Create Sub-Elements, the system will automatically create missing sub-elements in the destination organization with default accounts from the organization parameters. After saving your newly created sub-elements with default accounts, you can change the accounts that are associated to your sub-elements.



- If you select the Sub-Element Summary Option as Summarize Sub-Elements or Summarize Non-Matching Sub-Elements, you need to specify the Summary Sub-Elements for material, material overhead, resource, outside processing and overhead. When you Summarize Sub-Elements, the total cost in each cost element will be copied to one sub-element. When you Summarize Non-Matching Sub-Elements, the system summarizes the costs of the non-matching sub-elements into a single sub-element. For each option, the default sub-element is defined with a basis type of Item.



- Specify the Currency Conversion Type in order to handle currency conversions.

Default Basis Types

This basis type is used to determine how the overhead cost is earned and how it is applied to product costs.

Activity	Used to apply activity costs to items. The activity basis type can only be used with the material overhead subelement. The item cost is calculated by multiplying the activity cost by the ratio of the number of times the activity occurs divided into the cumulative quantity of the item associated with those occurrences.
Item (default)	Used to earn and apply costs for all subelements. For material and material overhead subelements, you charge a fixed amount per item. For resource, outside processing, and overhead subelements, you charge a fixed amount per item moved in an operation.

Lot	Used to earn and apply costs for all subelements. The item cost is calculated the same as an Item basis cost except that the unit cost is divided by the cost type standard lot size to derive the cost per item.
Resource units	Used for material overhead and overhead subelements. For the overhead subelement, you earn and apply a fixed amount of overhead for each resource unit you earn on the operation. For the material overhead subelement, this basis type may be used to apply overhead to an item's product cost. However, these costs are not earned in work in process.
Resource value	Used for material overhead and overhead subelements. For the overhead subelement, you earn and apply a percentage of the resource value you earn on the operation as overhead. For the material overhead subelement, this basis type may be used to apply overhead to an item's product cost. However, these costs are not earned in work in process.
Total value	Used to earn and apply costs with the material overhead subelement. This cost is applied to product cost and earned as a percentage of the item's total cost less any this level material overhead. For purchased items, the cost is earned when the item is received. For assemblies, the cost is earned when the assembly is completed from a job or schedule.

Associating Expenditure Types with Cost Elements

Expenditure types are used to classify project-related transaction costs that are collected using the Cost Collector then transferred to Oracle Projects.

You must associate *in* and *out* expenditure types with each of the five cost elements so that costs for the following inventory transfer transactions can be collected and transferred to Oracle Projects.

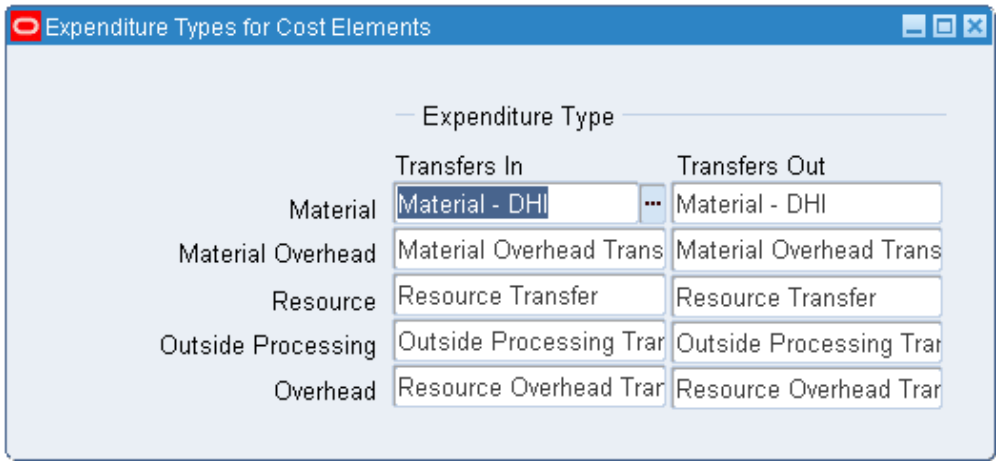
- Subinventory transfers between locators with different projects or tasks. See: Transferring Between Organizations, *Oracle Inventory User's Guide*.

- Miscellaneous issue from a project locator. See: Performing Miscellaneous Transactions, *Oracle Inventory User's Guide*.
- Miscellaneous Receipt into a project locator.
- Project related miscellaneous transactions which issue inventory to, or receive it from, Projects.

In expenditure types are used to cost the value of transfers into a project. *Out* expenditure types are used to cost the value of transfers out of a project.

To define expenditure types for cost elements:

1. Navigate to the Expenditure Types for Cost Elements window.



2. Select a Transfer In / Transfer Out Expenditure type for each of the following cost elements:

   Material: A general ledger account to accumulate material costs. This is usually an asset account.

   Material Overhead: A general ledger account to accumulate material overhead or burden costs. This is usually an asset account.

   Resource: A general ledger account to accumulate resource costs. This is usually an asset account.

   Outside Processing: A general ledger account to accumulate outside processing costs. This is usually an asset account.

   Overhead: A general ledger account to accumulate resource overhead or department overhead costs. This is usually an asset account.

   Important: You can choose only Expenditure Types that are not

defined as Rate Required in Oracle Projects.

Defining Category Accounts

You can use the Category Accounts Summary window to define, query, and update category valuation and expense accounts. If your current organization is a standard costing organization, you can define category accounts at the category and optionally subinventory level. If your current organization is an average costing organization you must define category accounts at the cost group/category level.

You can only define category accounts for categories that belong to the default category set for the product line functional area. See: Defining Category Sets, *Oracle Inventory User's Guide* and Defining Default Category Sets, *Oracle Inventory User's Guide*.

Account Update Restrictions

You cannot update category accounts if any of the restrictions explained in the following table exist:

Condition Preventing Account Update	Standard Costing Organization	Average Costing Organization
On hand Quantity > 0	Quantities exist in the subinventory. **Note:** If subinventory is null, all subinventories in the organization are considered.	Quantities exist in any locator associated with the cost group
Pending Transactions	Pending transactions associated with the subinventory and category exist	Pending transactions associated with the project and cost group exist
Uncosted Transactions	Uncosted transactions associated with the subinventory and category exist	Unclosed transactions associated with the cost group exist

To define or change category accounts in a standard costing organization:

1. Navigate to the Category Accounts window. The Find Category Accounts window appears.

2. Choose New to define a new category account. Choose Find to search for an existing record.

   You can select a category, or subinventory, or both when searching for records. The Category Accounts Summary window appears.

3. Optionally, select a Subinventory.

   If a subinventory is not selected, then you can define accounts that are specific to the category. Once you define a category account with a null subinventory, the accounts that are associated with that category are defaulted each time you define a new category/subinventory combination for that category.

4. Select a Category.

   When you select a category, accounts are defaulted from the organization level.

5. Select account numbers for the following:

   > **Note:** All subinventories that contain items belonging to the selected category set use these accounts for inventory valuation. You therefore cannot change an account if there is on–hand inventory in any of these subinventories.

   Material: A default general ledger account to accumulate material costs for this category/subinventory combination. This is usually an asset account.

   Outside Processing: A default general ledger account to accumulate outside processing costs for this category/subinventory combination. This is usually an asset account.

   Material Overhead: A default general ledger account to accumulate material overhead or burden costs for this category/subinventory combination. This is usually an asset account.

   Overhead: A default general ledger account to accumulate resource or department overhead costs for this for this category/subinventory combination. This is usually an asset account.

   Resource: A default general ledger account to accumulate resource costs for this category/subinventory combination. This is usually an asset account.

   Encumbrance: A default general ledger account to hold the value of encumbrances against subinventory items belonging to this category set.

   Bridging: This account is optional.

   You can also optionally enter an Analytical Invoice Price Variance, Analytical Purchase Mirror, Non–Invoiced Sales Order, Non–Invoiced Revenue, Analytical Revenue Mirror, Analytical Margins of Goods Sold, and Average Cost Variance account.

6. Save your work.

Associating WIP Accounting Classes with Categories

In a standard costing organization, you can associate standard discrete and repetitive assembly WIP accounting classes with categories that belong to the default category set for the Product Line Functional area. In an average costing organization, you can create similar associations by associating accounting classes with categories and cost groups.

The defaults defined in this window can be defaulted when you create discrete jobs, associate repetitive assemblies with production lines, and when you perform work order–less completions. See: WIP Accounting Class Defaults, *Oracle Work in Process User's Guide*.

The category/accounting class associations can be changed as required.

To define default WIP accounting classes for categories in a standard costing organization:

1. Navigate to the Default WIP Accounting Classes for Categories window. The Find Default WIP Accounting Classes for Categories window appears.

2. Choose the New button. The Default WIP Accounting Classes for Categories window appears.

3. Select a Category.

   You must select a category. You can only select categories that belong to the default category set for the Product Line Functional area.

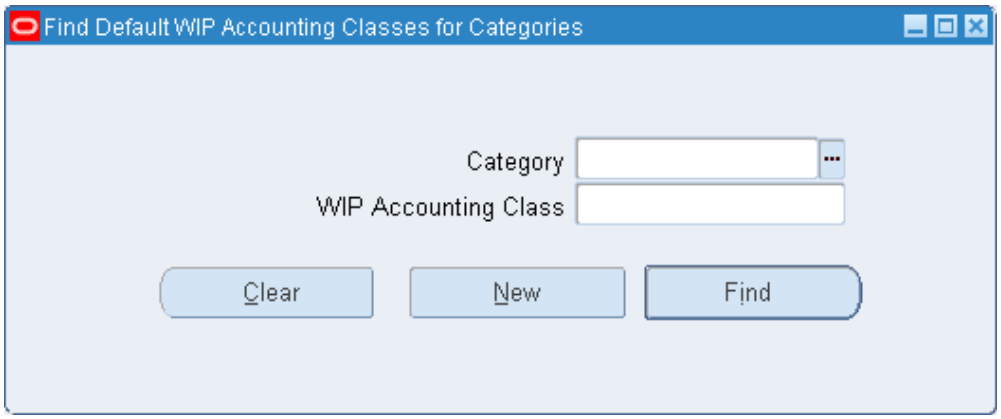
   You cannot enter a duplicate cost group/category combination.

4. Select a Standard Discrete and/or Repetitive Assembly Accounting Class.

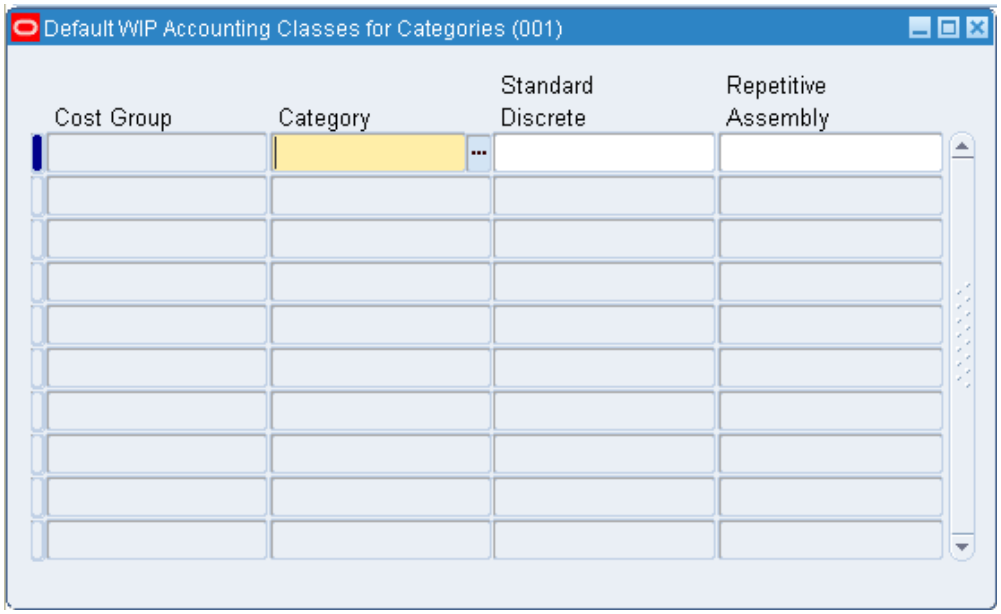
   You can only select active Standard Discrete and Repetitive Assembly accounting classes. You can optionally associate both a Standard Discrete and Repetitive Assembly accounting class with the same category. See: WIP Accounting Classes, *Oracle Work in Process User's Guide*.

To define default WIP accounting classes for categories in a average costing organization:

1. Navigate to the Default WIP Accounting Classes for Categories window. The Find Default WIP Accounting Classes for Categories window appears.



2. Choose the New button. The Default WIP Accounting Classes for Categories window appears.



3. Select a Cost Group.

   If the Project Cost Collection Enabled parameter in the Organization Parameters window is set, then the cost group specified in the Project Manufacturing parameters window is defaulted but can be overridden. See: Organization Parameters Window, *Oracle Inventory User's Guide*, and Assigning Project Parameters, *Oracle Project Manufacturing User's Guide*. If the Project Cost Collection Enabled parameter is not set, then you cannot select a cost group and the organization's default cost group is used.

4. Select a Category.

You must select a category. You can only select categories that belong to the default category set for the Product Line Functional area.

You cannot enter a duplicate cost group/category combination.

5. Select a Standard Discrete Accounting Class.

   You can only select an active Standard Discrete accounting class.

   See: WIP Accounting Classes, *Oracle Work in Process User's Guide*.

6. Save your work.

Project Cost Groups

You can define and subsequently use project cost groups if the Project Cost Collection Enabled parameter in the Organization Parameters window in Oracle Inventory is set. Project cost groups are used to group project related costs.

Organization's Cost Group

The organization's default cost group is seeded when you install Cost Management. This is a multiple organization (multi–org) cost group and is used as the default in organizations that have a Costing Method of Average and the CST: Average Costing Option profile option set to Inventory and Work in Process. These organizations do not, however, have to have their Project Cost Collection Enabled parameter set.

The valuation accounts defined in the Organization Parameters window are used for this cost group and cannot be changed or made inactive. However, in an organization that is Project Cost Collection Enabled the name and description of this cost group can be changed.

If you assign a project the organization's default cost group, then the project is costed at common inventory costs.

User–Defined Cost Groups

A project must be associated with a project cost group. If you do not specifically assign a project to a user–defined cost group, costs for that project are derived using the organization's default cost group. Project cost groups can have more than one project assigned to them. Project cost groups can be specific to an organization or available in multiple organizations. If a cost group is assigned to projects that are defined in multiple inventory organizations, it must be defined as a multi–org cost group.

Average costs are calculated and held at the cost group level within each inventory organization; since subinventory valuation accounts cannot be defined at a level lower than the level at which average costs are held, value in every locator belonging to a project in a particular cost group is held in that group's valuation accounts.

Through the use of cost groups, an item may have a different cost in different projects as well as a unique cost in common inventory, all within the same organization. Item costs can apply to a single project if each project belongs to a distinct cost group, or

apply to a group of projects if all projects in the group are associated to the same project cost group. Items in common inventory belong to the organization's default cost group and are costed separately from items in projects.

Defining Project Cost Groups

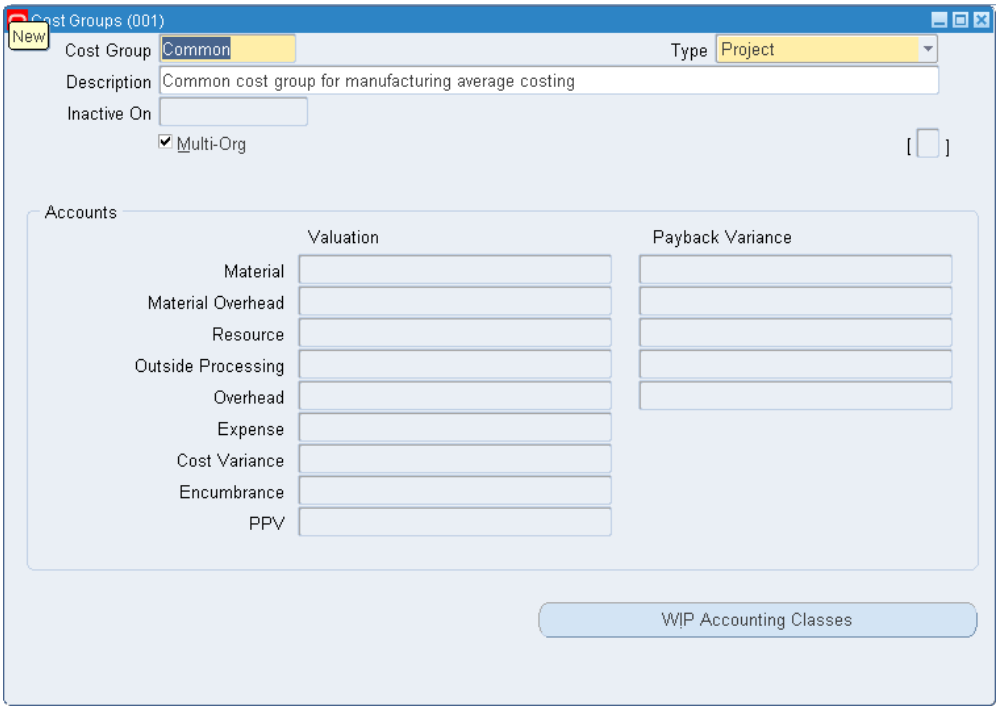
You can define and subsequently use project cost groups if the Project Cost Collection Enabled parameter in the Organization Parameters window in Oracle Inventory is set. See: Organization Parameters Window, *Oracle Inventory User's Guide*.

For each project cost group, you must define five elemental subinventory valuation accounts, an average cost variance account, and an encumbrance account. You can use different accounts or the same account for all five elemental accounts.

You do not have to use separate accounts to maintain elemental visibility for project related costs. Cost visibility is maintained at the subelemental level through the use of expenditure types. You can associate WIP accounting classes with a project cost group. This association defines which WIP accounting classes are valid for use with the project or projects belonging to this cost group. By restricting the use of a WIP class to only one cost group, you can avoid commingling Work in Process costs for multiple projects into one set of valuation accounts.

To define project cost groups:

1. Navigate to the Cost Groups window.



2. Enter an alphanumeric name to identify the Cost Group.

3. Enter a cost group Description.

4. Enter an Inactive On date.

   As of this date, you can no longer assign this project cost group to a project, however, you can query and process records that use it. If you do not enter a Inactive On date, the cost group is valid indefinitely.

5. Check Multi–Org to indicate that the cost group name can be shared with other organizations.

   > **Note:** If not set to Multi–Org, the cost group is only available to the organization that it is created in. If enabled, only the cost group name is shared across organizations.

   If the project cost group is to include projects that are defined in multiple inventory organizations, it must be defined as a multi–org cost group.

6. Enter account numbers:

   When you define a cost group for an organization, the accounts defined in the Organization Parameters window appear by default, but you can change them. See: Organization Parameters, Oracle Inventory User's Guide and Defining Costing Information, Oracle Inventory User's Guide See: Organization Parameters, *Oracle*

Inventory User's Guide and Defining Costing Information*, Oracle Inventory User's Guide*.

You can make changes to the cost group accounts within a given organization if:

1. Material On-hand Quantities contain zero quantity.
2. Cost Quantity Layers (for non-standard costing organizations) contain zero quantity.
3. There are no pending material transactions.
4. There are no uncosted material transactions.

Note: Locators that reference projects that belong to a project cost group use these accounts for inventory valuation. You therefore cannot change an account if there is on–hand inventory in any of the following locators:

Material: A general ledger account to accumulate material costs for this cost group. This is usually an asset account.

Material Overhead: A general ledger account to accumulate material overhead or burden costs for this cost group. This is usually an asset account.

Resource: A general ledger account to accumulate resource costs for this cost group. This is usually an asset account.

Outside Processing: A general ledger account to accumulate outside processing costs for this cost group. This is usually an asset account.

Overhead: A general ledger account to accumulate resource overhead or department overhead costs for this cost group. This is usually an asset account.

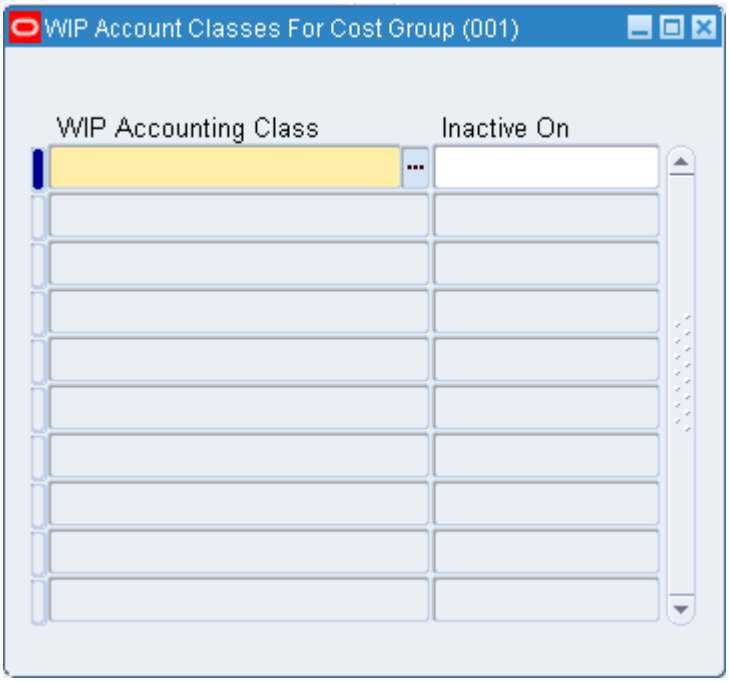
Average Cost Variance: A general ledger account to accumulate the balances that may occur when transactions are processed for an item whose on–hand inventory is negative. This account represents the inventory valuation error caused by issuing inventory before receiving it.

Encumbrance: A general ledger account to hold the value of encumbrances against subinventory items.

Borrow Payback Variance Account: A general ledger account that is used to track the difference between the current average cost and the original borrowing cost. This account is mandatory.

To associate WIP accounting classes with the cost group:

1. Choose the WIP Accounting Classes button. The WIP Accounting Classes for Cost Groups window appears.



2. Select a WIP Accounting Class.

   You can only select any Standard Discrete Accounting Class. See: WIP Accounting Classes, Oracle Work in Process User's Guide and Defining WIP Accounting Classes, Oracle Work in Process User's Guide.

3. Save your work.

Profile Options and Security Functions

During implementation the system administrator sets up security functions and profile options.

Profile Options

During implementation, you set a value for each user profile option to specify how Oracle Cost Management controls access to and processes data.

Generally, the system administrator sets and updates profile values. See: Setting User Profile Options, *Oracle Applications System Administrator's Guide*.

Implementing Profile Options Summary

The table below indicates whether you (the User) can view or update the profile option and at which System Administrator levels the profile options can be updated: at the user, responsibility, application, or site levels.

A *Required* profile option requires you to provide a value. An *Optional* profile option already provides a default value, so you only need to change it if you do not want to accept the default.

Profile Option	User	Sys Admin User	Sys Admin Resp	Sys Admin App	Sys Admin Site	Required	Default Value
CST: Accrual Age In Days	-	-	Yes	-	Yes	No	Last Activity Date
CST: Allow Early Inventory Period	-	-	-	-	Yes	No	No
CST: Category Accounts Definition Level	-	0	0	0	Yes	No	Subinventory
CST: Cost Rollup - Include Phantom's This Level Material/MOH Costs	-	0	Yes	Yes	Yes	No	Yes
CST: Cost Rollup – Wait For Table Locks	-	-	Yes	Yes	Yes	Yes	None
CST: Cost Update Debug Level	0	Yes	Yes	Yes	Yes	Yes	None
CST:Exchange Rate Type	-	-	-	-	Yes	Yes	None
CST: Item Category for Inflation Adjustment **Columbia Only**	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Profile Option	User	Sys Admin User	Sys Admin Resp	Sys Admin App	Sys Admin Site	Required	Default Value
CST: Item Category Set for Inflation Adjustment **Columbia Only**	n/a	n/a	n/a	n/a	n/a	n/a	n/a
CST: Maintain Cost Privilege	-	Yes	Yes	Yes	Yes	No	Yes
CST: Mark Zero Cost Records As Error During Cost Collection	-	Yes	Yes	Yes	Yes	No	No
CST: Period Summary	-	-	-	-	Yes	No	Automatic
CST: Price Index for Inflation Adjustment **Columbia Only**	n/a	n/a	n/a	n/a	n/a	n/a	n/a
CST: Transfer Pricing Option	-	-	-	-	Yes	No	No
CST: Receiving Accounting Option	-	-	Yes	Yes	Yes	No	Concurrent
CST: View Cost Privilege	-	Yes	Yes	Yes	Yes	Yes	None

Yes	You can update the profile option
-	You can view the profile option value but you cannot change it.
0	You cannot view or change the profile option value.

CST: Accrual Age In Days

Indicates whether to use the last receipt date or last activity date for age in days calculation.

Last Activity Date: A PO distribution's age in days is determined by the last invoice date or last receipt date, whichever occurs at last.

Last Receipt Date: A PO distribution's age in days is always determined by the last receipt date.

CST: Allow Early Inventory Period Close

This profile option determines whether an inventory accounting period can be to closed earlier than the period end date specified.

Yes: The period is allowed to be closed earlier than the period end date.

No: The period is not allowed to be closed earlier than the period end date.

CST: Category Accounts Definition Level

Indicates the definition level for category accounts.

Subinventy: The category accounts are defined at subinventory level.

Cost Group: The category accounts are defined at cost group level.

CST: Cost Rollup - Include Phantom's This Level Material/MOH Costs

This profile option determines if a phantom subassembly's this level material and material overhead cost should be rolled up into final assembly's cost.

Yes: The phantom subassembly's this level material and material overhead cost will be rolled up into final assembly's cost.

No: The phantom subassembly's this level material and material overhead cost will not be rolled up into final assembly's cost.

CST: Cost Rollup – Wait For Table Lock

Indicates whether the cost rollup waits until the desired information in Cost Management tables is available:

Yes: The program will continually attempt to lock the tables.

No: The program tries 10 attempts to lock tables before ending rollup request.

CST: Cost Update Debug Level

Indicates none or the level and type of debug messages to print in the cost update log file.

Regular: Every subroutine.

Extended: Every SQL statement.

Full: Same as Extended and keeps any temporary data in the database.

CST: Exchange Rate Type

Indicates how to convert foreign currency. The options are period average rate or period end rate.

This profile is also used to control the exchange rate type used for the Margin Analysis Report, the Material Distribution Report, and the WIP Distribution Report. When entering a foreign exchange rate for one of these reports, you must specify the exchange rate type. For reporting profit and loss results, different countries use different financial standards. For example, U.S. companies convert using the period average rate, and Australian companies use the period end rate.

CST: Item Category for Inflation Adjustment

Ignore this unless you are using the Colombia responsibility.

See: *Oracle Financials for Colombia User's Guide.*

CST: Item Category Sets for Inflation Adjustment

Ignore this unless you are using the Colombia responsibility.

See: *Oracle Financials for Colombia User's Guide.*

CST: Maintain Cost Privilege

This profile option is used in the security function when you define, update, or delete cost information. The profile option must be set to Yes to submit the Purge Standard Cost Update History concurrent program.

Yes: Profile option is enabled.

No: Profile option is disabled.

CST: Mark Zero Cost Records As Error During Cost Collection

Transactions with zero actual cost that are not reported to Oracle Projects are flagged with an error status by the Cost Collection Manager based on the value set for the profile option CST: Mark Zero Cost Records As Error During Cost Collection. Zero cost transactions are flagged with an error when this profile value is set to 'Yes'.

CST:Period Summary

This profile option is used to indicate if period summarization is performed when the closing an accounting period using the Inventory Accounting Periods window. The values are:

Automatic: Period summarization process is performed automatically when the period is closed. The status of the period becomes Closed after the summarization process is completed. This is the default value.

Manual: When a period is closed, the period summarization process is not automatically

launched. The status of the period is Closed not Summarized. You must run the Period Close Reconciliation report if you want to calulate summarization data -and at that point the status becomes Closed.

See: Period Summarization Process, page 10-3 and Period Close Reconciliation Report, page 13-37.

CST: Price Index for Inflation Adjustment

Ignore this unless you are using the Colombia responsibility.

See: *Oracle Financials for Colombia User's Guide*.

CST: Transfer Pricing Option

This profile option is used to enable transfer price functionality for intercompany accounting. See: Transfer Price Costing, page 11-22 Your choices are:

No: Transfer price costing is disabled. This is the default value.

Yes, Price Not As Incoming Cost: The incoming cost to the receiving organization is the shipping organization's inventory cost.

Yes, Price As Incoming Cost: The incoming cost to the receiving organization is based on the transfer price.

> **Note:** For intercompany transfers between process and discrete inventory organizations, the incoming cost of an item is equal to its defined transfer price. This cost rule applies regardless of the value specified in the profile option CST: Transfer Pricing Option. The cost processor always assumes a profile option value of 'Yes, Transfer Price as Incoming Cost'. Profile option values of No or Yes, Price Not as Incoming Cost are ignored in these transfers.

CST: View Cost Privilege

This profile option determines whether certain costing reports indicate display cost information.

Related Topics

Setting User Profile Options, *Oracle Applications User's Guide*

Profile Options in Oracle Application Object Library, *Oracle Applications User's Guide*

Cost Management Security Functions

Security function options specify how Oracle Cost Management controls access to and processes data. The system administrator sets up and maintains security functions.

Privilege to View Cost (CST_VIEW_COST_INFORMATION)

Determines whether the privilege to view costing information can be prohibited from the following windows:

- Resources (in Bills of Material)
- Departments (in Bills of Material)
- Indented Bills of Material (in Bills of Material and Engineering)

> **Note:** By leaving the Privilege to View Cost security function as part of a user's responsibility, but excluding the Privilege to Maintain Cost function, you can allow the user to print reports but not change any stored costs.

Privilege to Maintain Cost (CST_MAINTAIN_COST_INFORMATION)

Determines whether the privilege to create, update, or delete costing information can be prohibited from the following windows:

The following windows are governed by this function:

- Bills of Material (in Bills of Material and Engineering)
- Routing (in Bills of Material and Engineering)

> **Note:** To use either of the Cost Rollup options where costs are committed to the database, the Privilege to Maintain Cost security function must be included as part of the responsibility.

Cost Group: Maintain (CST_CSTFDCGA_MAINTAIN)

Determines whether the privilege to create, update, or delete cost group information can be prohibited from the Define Cost Group window.

Activities: Maintain (CST_CSTFDATY_MAINTAIN)

Determines whether costing information can be created, updated, or deleted from the Activities window.

Cost Types: Maintain (CST_CSTFDCTP_MAINTAIN)

Determines whether costing information can be created, updated, or deleted from the Cost Types window.

Item Costs: Maintain (CST_CSTFITCT_MAINTAIN)

Determines whether costing information can be created, updated, or deleted from the Item Costs window.

Material Subelements: Maintain (CST_CSTFDMSE_MAINTAIN)

Determines whether costing information can be created, updated, or deleted from the Material Subelements window.

Overheads: Maintain (CST_CSTFDOVH_MAINTAIN)

Determines whether costing information can be created, updated, or deleted from the Overheads window.

3

Item Costing

This chapter covers the following topics:

- Overview of Item Costing Activities
- Selecting an Item/Cost Type Association
- Defining Item Costs
- Defining Item Costs Details
- Viewing Item Costs
- Cost Type Inquiries
- Purging Cost Information
- Viewing Material Transaction Distributions
- Viewing WIP Transaction Distributions
- Viewing WIP Value Summaries
- Viewing Material Transactions
- Error Resubmission

Overview of Item Costing Activities

Item costing requires certain associations and settings most of which apply to a perpetual costing method: Standard or Average or FIFO or LIFO.

You perform various activities in the perpetual costing methods. These include viewing, inquiring, purging, and error resubmission activities.

Selecting an Item/Cost Type Association

To define or view item cost information, you must first select an item / cost type association. Item costs are always associated with a cost type.

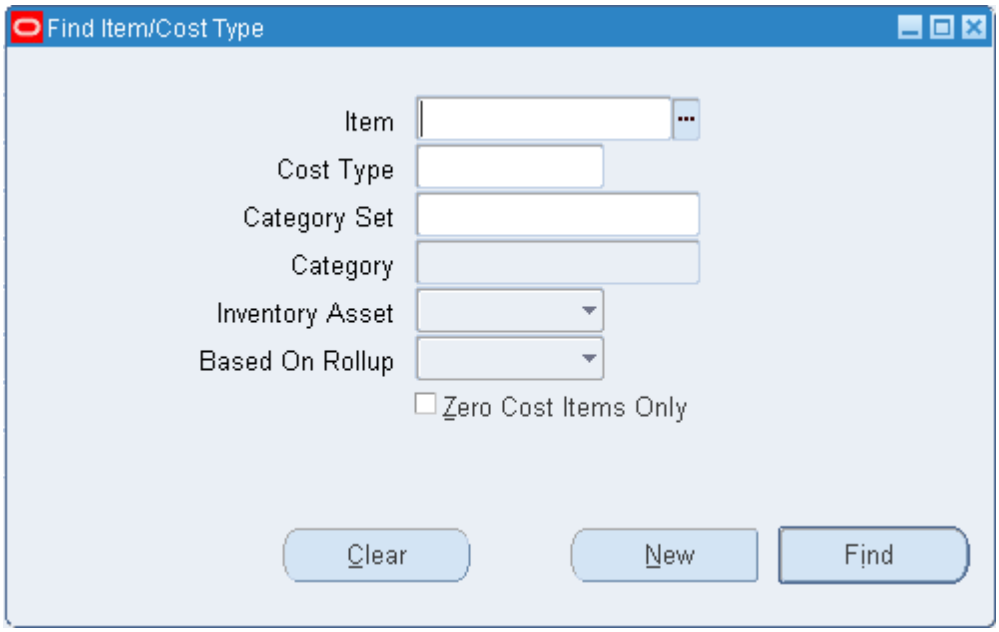
Prerequisites

❒ To define, update, or delete costing information, you must include the Item Costs: Maintain security function as part of the responsibility. See: Cost Management Security Functions, page 2-83.

To select an item / cost type association:

1. Navigate to the Item Costs Summary folder window.

2. Enter search criteria in the Find Item/Cost Type window.



The Item Costs Summary folder window displays costing information for the item for all cost types.

3. Do one of the following:

   - Choose the New button to define new cost information, or the Open button to review existing cost information. The Item Costs Details window appears.

   - To view item cost details, choose the Views button. After you select an inquiry, the Item Costs Summary window appears.

   - To define or maintain item cost information, choose the Costs button. The Item Cost window appears.

Related Topics

Defining Item Costs, page 3-6 and

Viewing Item Costs, page 3-7.

Defining Item Costs

Define costs for buy items or enter additional costs for assemblies with costs generated from the cost rollup.

If you share costs, you can define costs only in the cost master organization. When you define an item, the system creates a cost record according to the costing method, the Frozen or Average cost type. You can modify the Frozen cost type if no inventory transactions have occurred, enabling you to directly set the frozen standard cost for the item. If inventory transactions have occurred, you must define a cost in a cost type other than Frozen and perform a cost update to load a frozen cost for the item.

You cannot use the Item Costs window to edit average costs. See: Updating Average Costs, page 5-16.

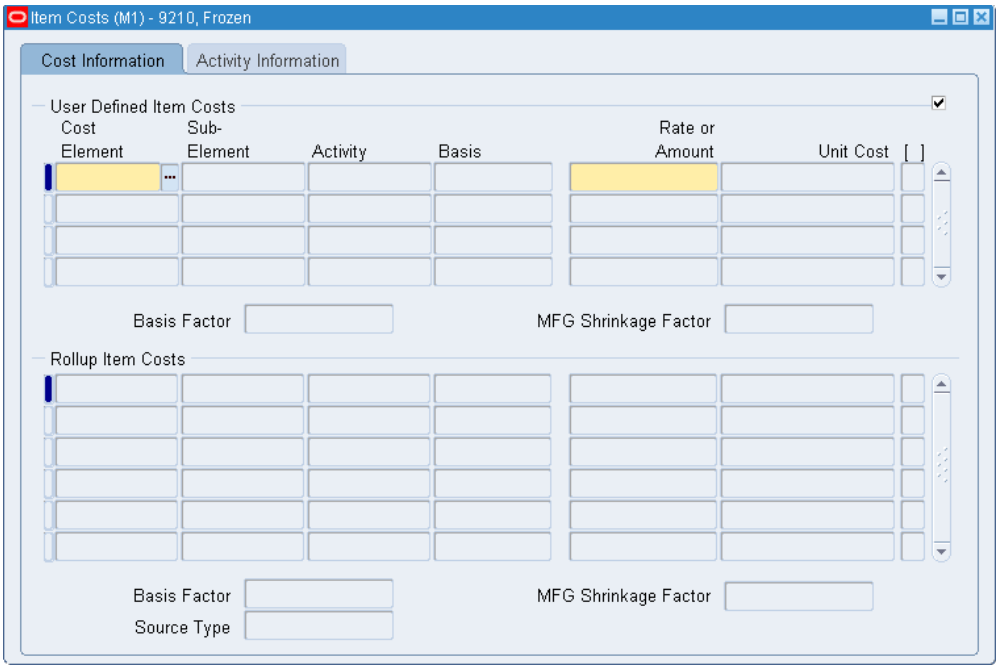
For Bills of Material users, you can use the costs in any cost type for the costed bill of material explosion reports to examine other cost scenarios.

> **Tip:** If you use Bills of Materials, and intend to use the resource, outside processing, and overhead cost elements when you define item costs, then you must first define bill parameters to have access to material and material overhead cost elements. See: Defining Bills of Material Parameters, *Oracle Bills of Material User's Guide* and Defining Bills of Material Parameters, *Oracle Bills of Material User's Guide*.

> **Note:** Negative item costs are not supported in Oracle Cost Management.

To define item costs:

1. Navigate to the Item Costs window. Choose the Costs button from either the Item Costs Summary folder window or from the Item Costs Details window. See: Selecting An Item / Cost Type Association, page 3-1 and Defining Item Costs Details, page 3-6.



If you are defining an item cost in a cost type other than Frozen, then the existing cost information is copied from the default cost type to the current cost type. You can use this cost information or modify it to create a new cost for the current cost type. If you use the average cost method, you can create budget or simulation costs here. You cannot edit average costs from this window.

2. Select the cost element. If you are defining a frozen cost for your item, a row is inserted for any applicable default material overhead subelements you defined.

3. Select the subelement. For material cost elements, the default is the material subelement you defined for the current organization.

4. Select the activity. The default activity you associated with the subelement is the default.

5. Select the basis. The default is the default basis associated with the subelement.

6. If you choose a basis type of Activity for a material overhead subelement, enter the following:

   - the number of times you expect the activity to occur for the current item during the period the costs are in effect

   - the cumulative quantity of the item passing through the activity during the same period.

7. Enter a percentage rate or a fixed amount, as appropriate for the basis.

Cost information for the current item and cost type combination is displayed:

- The basis factor is the amount or quantity the rate/amount is multiplied by to calculate the unit cost of the subelement. The basis factor for subelements with a basis type of Item is always 1. The basis factor for subelements with a basis type of Lot is the ratio of 1 over the item's standard lot size**.** The basis factor for subelements with a basis type of Activity is the ratio of activity occurrencesover number of items**.** The basis factor for subelements with a basis type of Resource Unitsis the number of resource units earned on an assembly routing. The basis factor for subelements with a basis type of Resource Valueis the extended value of the resource earned on an assembly routing. The basis factor for subelements with a basis type of Total Valueis the total cost of the item, less any this level material overhead.

- The manufacturing shrink factor (the multiplier used in the unit cost calculation), which uses the following equation:

1 / (1 - manufacturing shrinkage)

What's Next

The Item Costs window displays material costs rolled up for item-based and lot-based components in different rows. However, if the Element option is selected during cost type setup, then the differentiation based on basis types (item or lot) is lost and only consolidated rows for each cost-element appear.

The sub-element associated with a resource has the same name as the resource. The default basis type of the resource is defined as item-based or lot-based when defining the resource. The rolled up costs in the Item Costs window displays the cost due to this level resource, along with the name and basis type.

All costs within respective cost elements that are associated with Lot Based Material display the basis type as lot when the corresponding BOM level includes a lot-based material. In the case of a Material cost element, that row displays the total cost incurred due solely to item-based components, and different rows display costs incurred due to lot-based components. The basis type of *lot* is used to indicate costs due to lot-based components, and a basis type of *item* indicates costs due to item-based components.

Related Topics

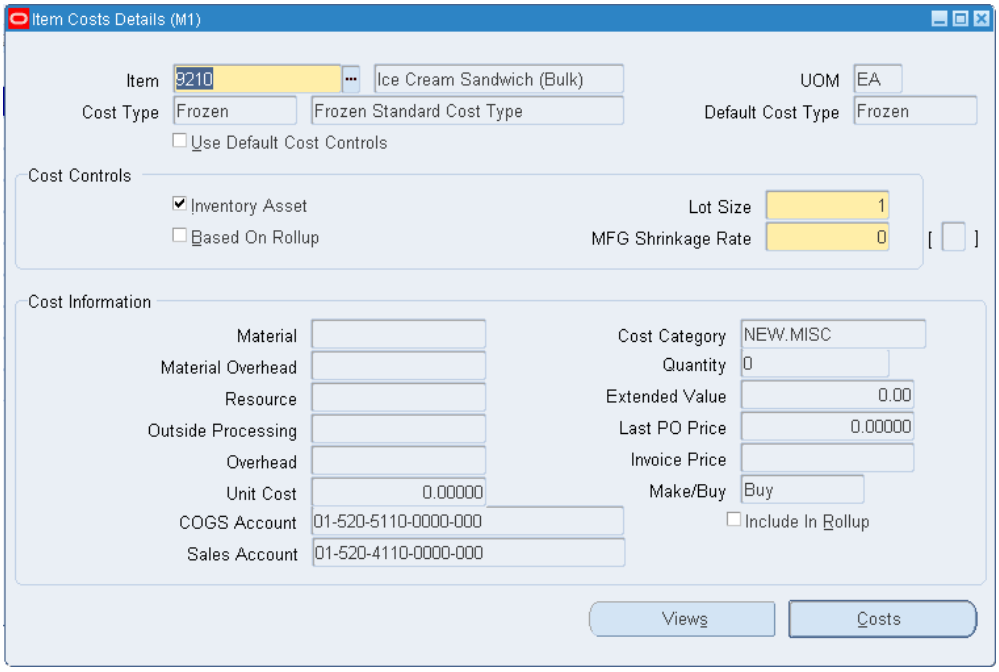
Indented Bills of Material Cost Report, page 13-46

Defining Item Costs Details

Item costs details include cost control information and basic cost information.

To define item cost details:

1. Navigate to the Item Costs Details window. Do this by choosing the New or Open buttons from the Item Costs Summary folder window. See: Selecting An Item / Cost Type Association, page 3-1.



2. Indicate whether to use default cost controls from the default cost type or those you define for the current cost type.

   Important: If you turn this on, you cannot modify the cost controls or create user-entered costs for this item.

3. Turn Inventory Asset on to indicate that for this cost type the item is an asset and has a cost. Turn Inventory Asset off to indicate that for this cost type the item is an inventory expense item and cannot have a cost.

4. Indicate whether costs are based on a rollup of the item's bill of material and routing. This determines if the structure of the item is exploded during the cost rollup process. Turn this off if the assembly for which you do not want to change the cost.

Generally, assemblies (make items) have this control turned on, and buy items have this control turned off. You can *freeze* the cost of an assembly (for example, for an obsolete item) for the current cost type by turning this off after performing a cost rollup. Future cost rollups do not change the cost for this item.

The default is the value of the MPS/MRP Planning make or buy attribute from the template used to define the item default.

5. Enter the costing lot size for the item.

   Use this to determine the unit cost of subelements with a basis type of Lot. The costing lot size is separate from the planning lead time lot size.

   When you define an item cost for the Frozen cost type, the default is either the standard lot size, or 1, if the standard lot size is blank.

6. Enter the manufacturing shrinkage rate. The cost rollup uses the value you enter here to determine the incremental component requirements due to the assembly shrinkage of the current item. You cannot enter shrinkage for items that do not base costs on a rollup of the item's bill of material and routing(buy items).

   Detailed cost information is displayed for reference.

7. Do one of the following:

   - Choose the Views button to open the View Item Cost Summary window.
   - Choose the Costs button to open the Item Cost window.

Viewing Item Costs

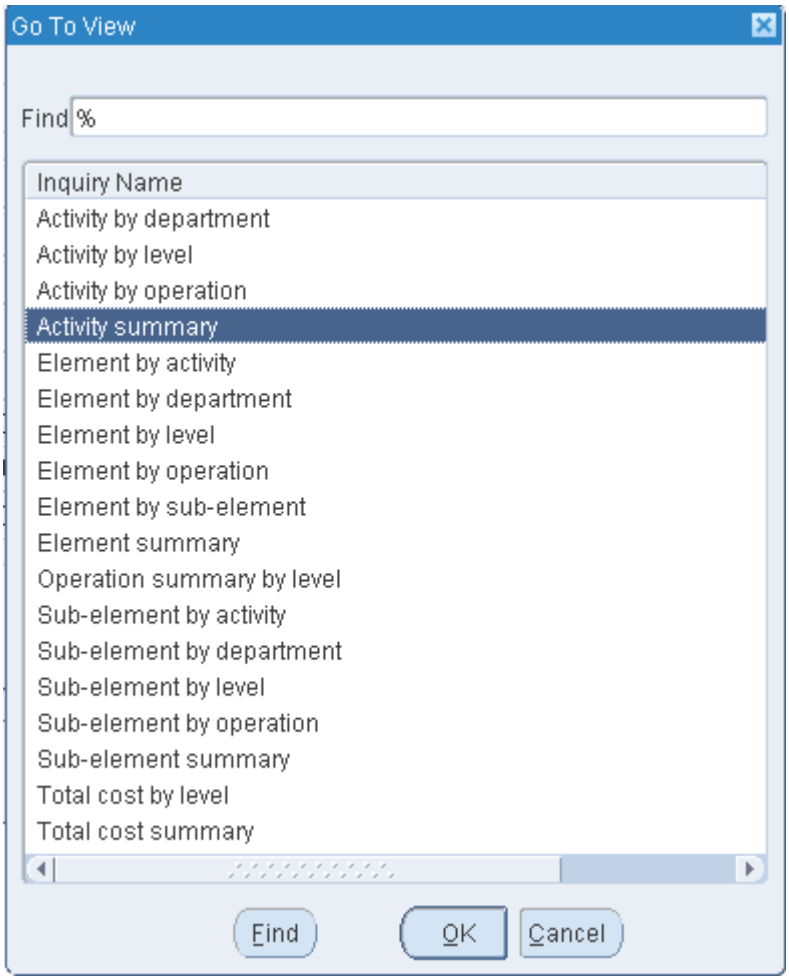
View item costs using multiple inquiries. From each inquiry, you can drill down into cost details.

> **Note:** You can create additional cost inquiries. See: *Oracle Manufacturing, Distribution, Sales and Service Open Interfaces Manual, Release 12.*

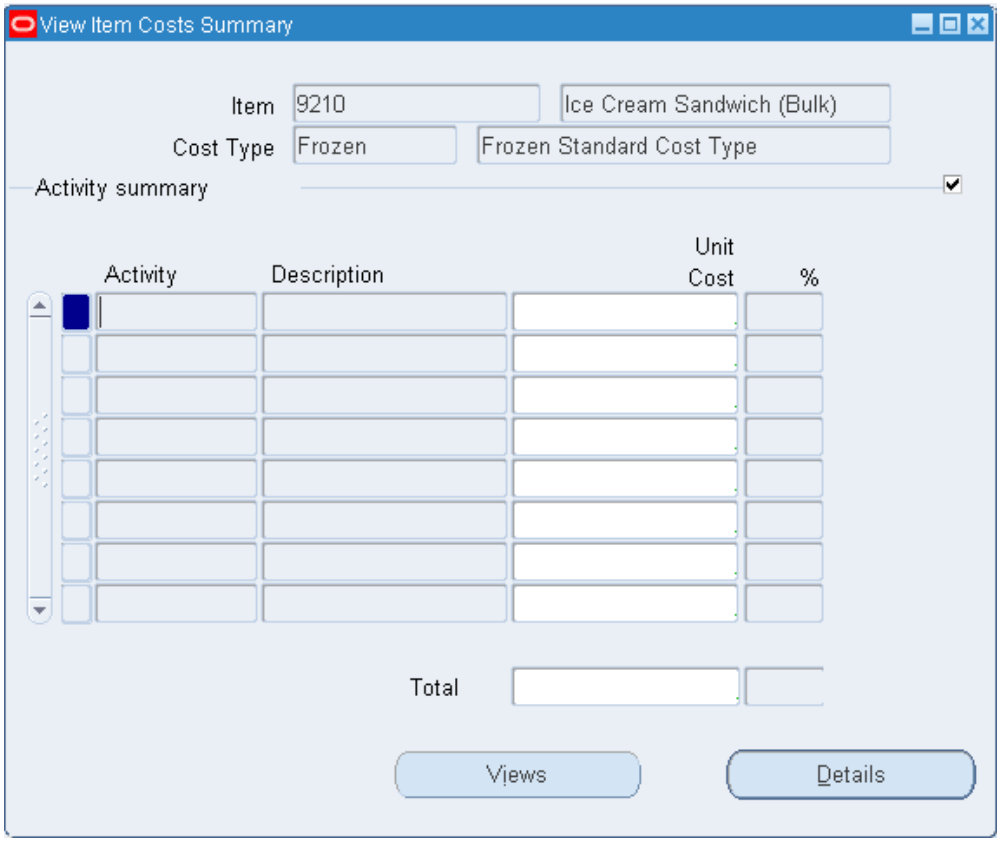
To view item cost information:

1. Navigate to the View Item Costs Summary window by choosing the Views button from the Item Costs Summary or Item Costs Details windows.

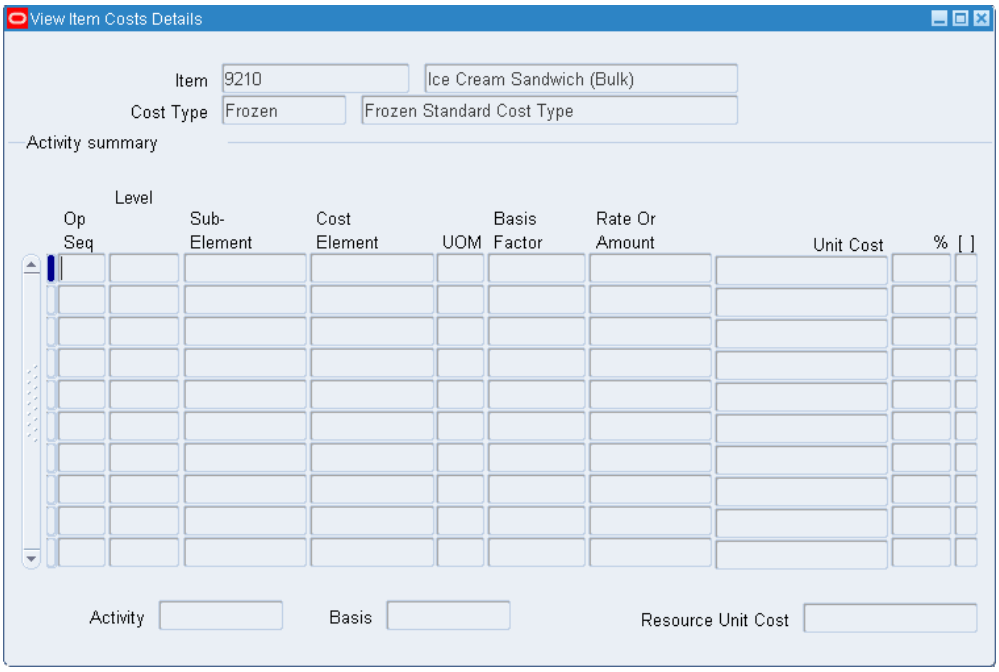
2. Select an inquiry by which to view cost information.



The View Item Costs Summary window displays information on the item cost and the associated cost type.



3. Drill down on Unit Cost to open the View Item Cost Details window. If you chose a *by level* inquiry, you can also drill down on This Level Cost and Previous Level Cost.



The View Item Cost Details window displays different information depending upon the selected inquiry.

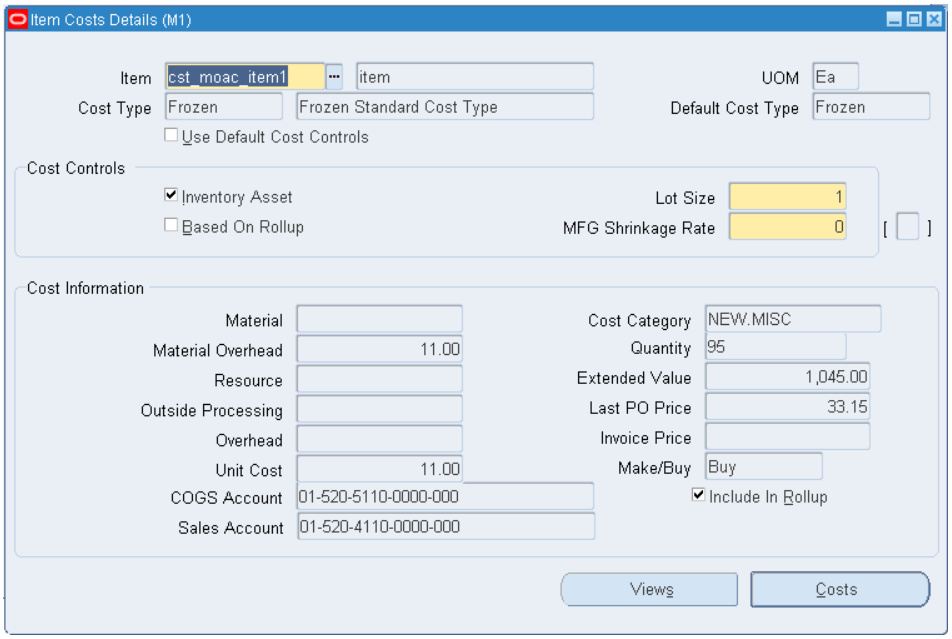
4. Optionally, select another inquiry by which to view cost type details by choosing the Views button again.

5. From the Item Costs Summary window, select an item line and choose Open. The Item Costs Details window appears.

   The Item Costs Details window includes the following cost fields:

   - Last PO Price - displays the Purchase Order Price for the last receipt of this item including non-recoverable tax, if any.

   - Invoice Price - displays the invoice price for the last AP Invoice of this item excluding taxes.



Related Topics

Selecting An Item / Cost Type Association, page 3-1

Cost Type Inquiries, page 3-11

Defining Item Costs Details, page 3-6

Cost Type Inquiries

When viewing item cost information, the Item Costs Summary and View Item Costs Details windows display different information, depending on what inquiry you select. The inquiries and the information they display are listed below.

> **Important:** If you use average costing, you cannot view subelemental information.

Activity by department	The type of activity, department, name (description) of the responsible department, unit cost by department, percent of total unit cost for each department, and the total item unit cost. Cost Management displays non-routing based costs, generally material and material overhead without a department.
Activity by flexfield segment value	The flexfield options you have defined using the activity flexfield. Cost Management displays the unit cost by flexfield segment, percent of total unit cost for each flexfield segment, and the total item unit cost. For example, you might set up a *Value Added* flexfield segment with the values *low*, *medium*, or *high*, then you can view your activity costs by the *Value Added* flexfield segment.
Activity by level	The activity, this level, previous level costs, and total unit cost for each activity, the percent of total unit cost for each activity, total costs for the item by level and in total, and the percentage total.
Activity by operation	The activities sorted by operation with a description of the operation. Cost Management displays the unit cost by activity by operation, percent of total unit cost for each activity by operation, and the total item unit cost.

Activity flexfield segment value by level	The flexfield options you have defined using the activity flexfield. Cost Management displays this level, previous level and total unit cost of the activity by flexfield segment, percent of total unit cost for each flexfield segment, total costs for the item by level and in total, and the percentage total. For example, you might set up *Value Added* with the values *low*, *medium*, or *high* for your activity flexfield, and you can see your activity costs by the *Value Added* flexfield segment.
Activity summary	The activity, the description of the activity, unit cost of the activity, percent of total unit cost for each activity, and total amounts for unit costs and percentages.
Element by activity	The cost element, activity, description of the activity, unit cost of the cost element by activity, percent of total unit cost for each cost element by activity, and the total item unit cost.
Element by department	The type of cost element, department, name (description) of the responsible department, unit cost by cost element by department, percent of total unit cost for each cost element by department, and the total item unit cost.
Element by level	The cost element, this level, previous level and total item unit cost, the percent of total unit cost for each cost element, total costs for the item by level and in total, and the percentage total.

Element by operation	The cost elements, operation, a description of the operation. Oracle Cost Management displays the unit cost by cost element by operation, percent of total unit cost for each cost element by operation, and the total item unit cost.
Element by subelement	The cost element, subelement, the name (description) of the subelement, item unit cost, percent of total unit cost for each cost element by subelement, and the total item unit cost.
Element summary	The cost element, the name (description) of the cost element, unit cost of the cost element, percent of total unit cost for each cost element, and the total item unit cost.
Operation summary by level	The operation name, operation sequence number, this level, previous level and total operation unit cost, the percent of total unit cost for each operation, total costs for the item by level and in total, and the percentage total.
Subelement by activity	The subelement, activity, activity description, unit cost by subelement by activity, percent of total unit cost for each subelement by activity, the total item unit cost, and the percentage total.
Subelement by department	The subelement, department, name (description) of the responsible department, unit cost by subelement by department, percent of total unit cost for each subelement by department, and the total item unit cost.

Subelement by flexfield segment value	The flexfield options you have defined using the subelement flexfield. Cost Management displays the total unit cost of the item by flexfield segment, percent of total unit cost for each flexfield segment, item total cost, and the percentage total. For example, you might set up the flexfield *Fixed or Variable* with the same values to classify the subelement. You could then see your subelement costs by the *Fixed or Variable* flexfield segments.
Subelement by level	The subelement, this level, previous level and total subelement unit cost, the percent of total unit cost for each subelement, total costs for the item by level and in total, and the percentage total.
Subelement by operation	The subelements, operation, description of the operation. Cost Management displays the unit cost by subelement by operation, percent of total unit cost for each subelement by operation, and the total item unit cost.
Subelement flexfield segment value by level	The flexfield options you have defined using the subelement flexfield. Cost Management displays this level, previous level and total unit cost of subelement by flexfield segment, percent of total unit cost for each subelement by flexfield segment, total costs for the item by level and in total, and the percentage total. For example, you might set up the flexfield *Fixed or Variable* with the same values to classify the subelement. You could then see your subelement costs by the *Fixed or Variable* flexfield segments.

Subelement summary	The subelement, subelement description, item unit cost, the percentage of the total unit cost for each subelement, the item unit cost, and percentage total.
Total cost by level	This level, previous level costs, and total item unit costs.
Total cost by summary	The item unit cost.

Purging Cost Information

You can purge cost types and all costs within the cost type. Or, you can purge only part of the cost information, such as make or buy items, resource and outside processing costs, overhead rates and amounts, or resource and overhead associations.

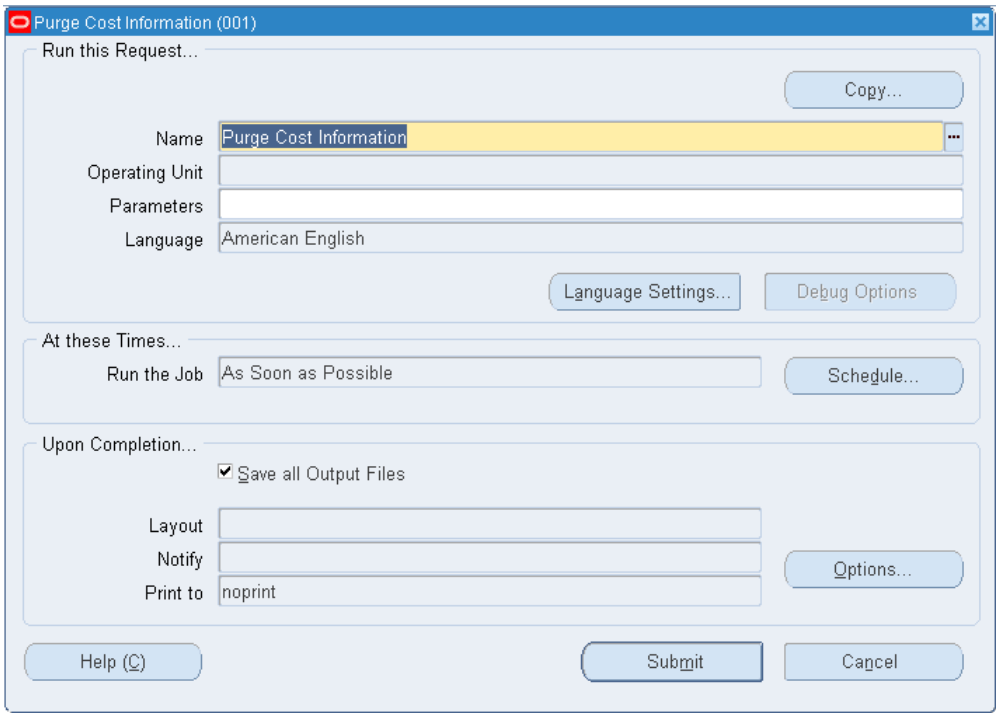
You cannot purge frozen costs in standard costing or average costs in average costing.

> **Important:** This feature *permanently* removes the selected cost type information from the database. These records are *not* retrievable.

You can safeguard selected cost types from inadvertent purging by disabling the Allow Updates check box when defining cost types.

To purge cost information:

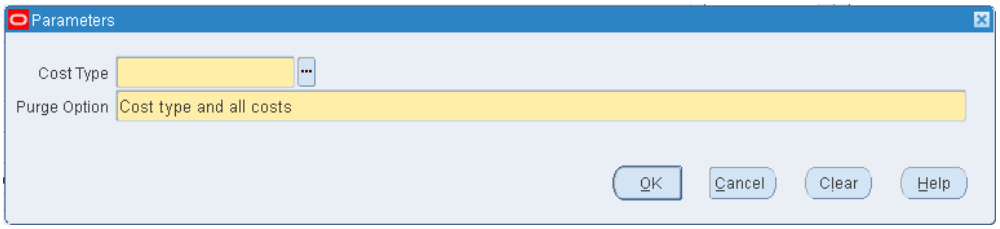
1. Navigate to the Purge Cost Information window.
2. Enter a cost type to purge associated item cost information.



3. Select one of the following purge options:

Based on rollup items, costs and controls: Cost information for based on rollup items, costs and controls associated with the cost type.

Cost type and all costs: The cost type and all associated cost information. This is the default.



Department overhead costs and rates: Department overhead costs and rates associated with the cost type.

Not based on rollup items, costs and controls: Cost information for items not based on the cost rollup, costs and controls.

Resource costs: Resource costs associated with the cost type.

Resource/Overhead associations: Resource/overhead association costs.

Related Topics

Defining Cost Types, page 2-13

Standard Request Submission, *Oracle Applications User's Guide*.

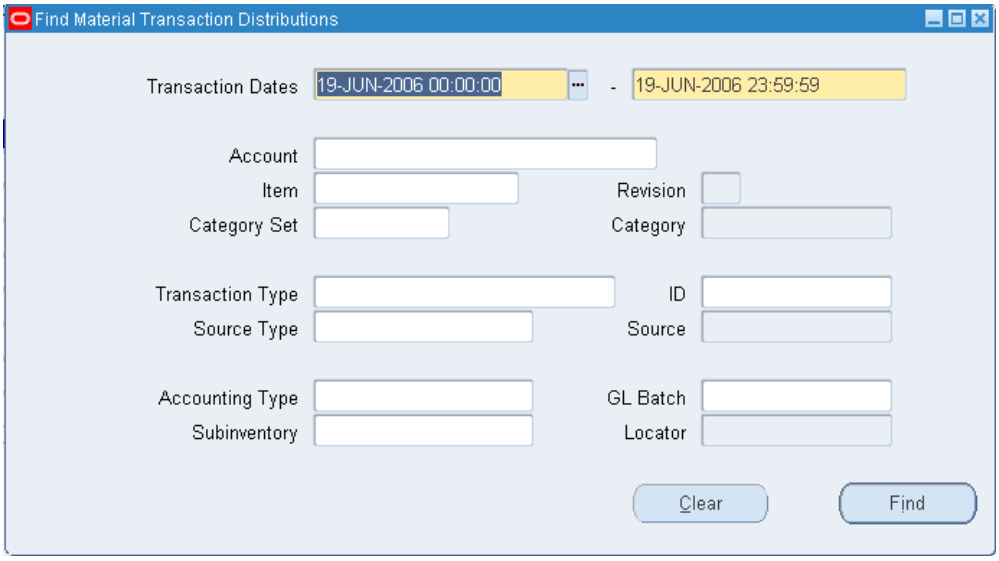
Viewing Material Transaction Distributions

View inventory accounting distributions. View account, currency, location, and transaction type information for transactions performed within a date range.

To view inventory transaction distributions:

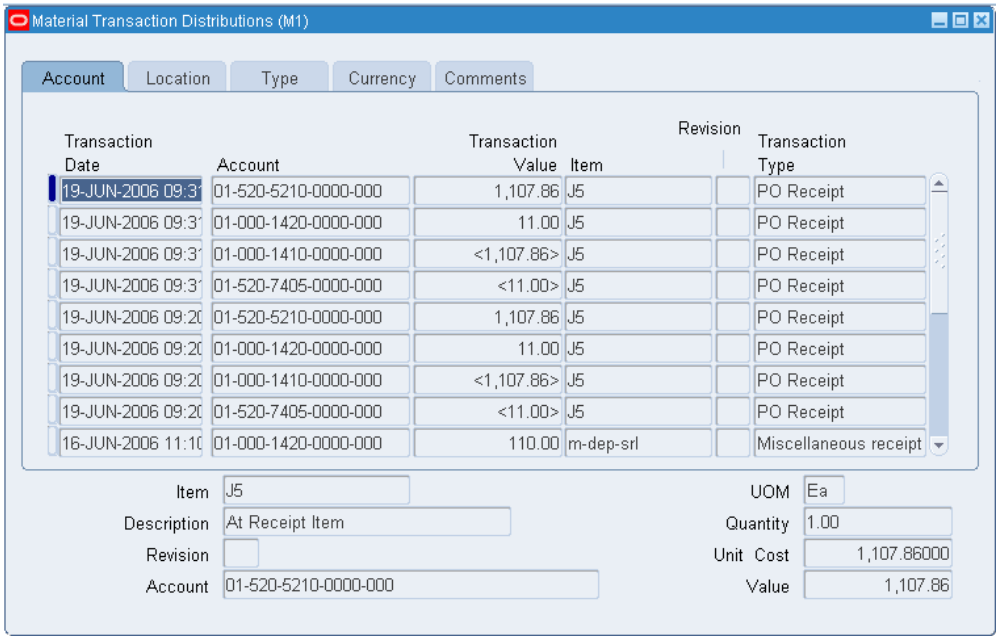
1. Navigate to the Material Transaction Distributions window.

   The Find Material Transaction Distributions window appears.



2. Enter the required search criteria.

   The Material Transactions Distributions window displays transaction dates and five tabbed regions: Account, Location, Type, Currency, and Comments.



Account: Displays the account, transaction value, item, revision, and the accounting type.

Location: Displays the subinventory, locator, operation sequence, and transaction ID.

Type: Displays the transaction type (such as miscellaneous issue, sales order issue, or cycle count adjustment), source type (the origin of the inventory transaction), source (such as account number), the UOM, and the primary quantity (in the item's primary UOM).

Currency: Displays currency, the transaction value (for foreign currency), and displays the conversion (exchange) rate, type (such as Spot, Corporate, or User Defined), and exchange rate date.

Comments: Displays transaction reason, transaction reference, and the general ledger batch ID (if transferred to the general ledger).

Related Topics

Overview of Query Find, *Oracle Applications User's Guide*.

Searching For Data, *Oracle Applications User's Guide*.

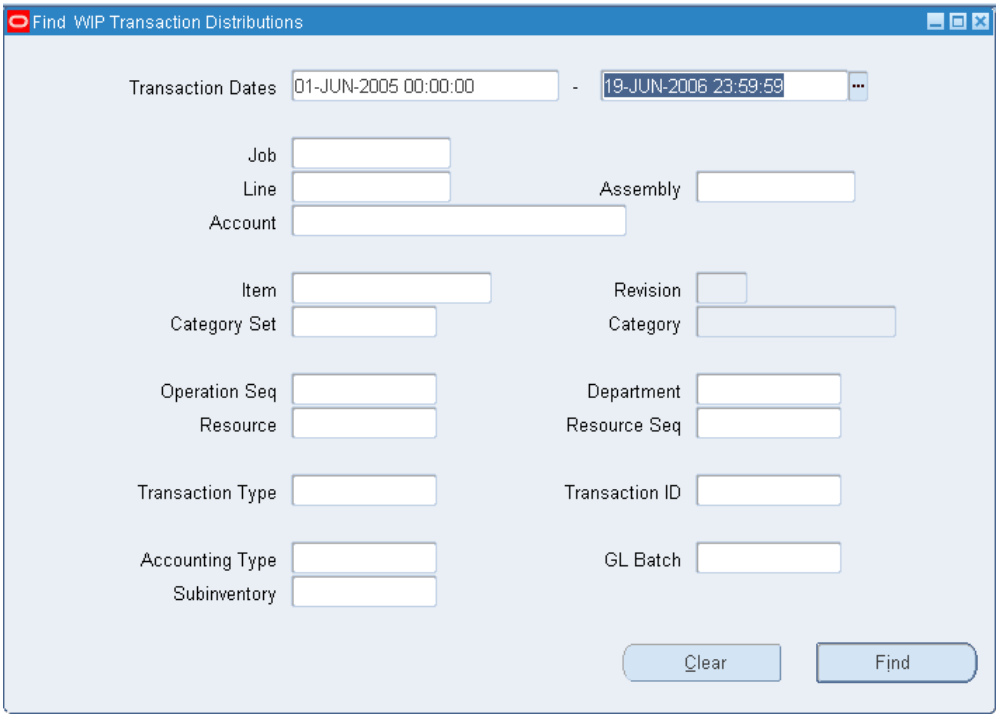
Viewing WIP Transaction Distributions

View detailed accounting transactions for the job or repetitive schedule.

To view WIP transaction distributions:

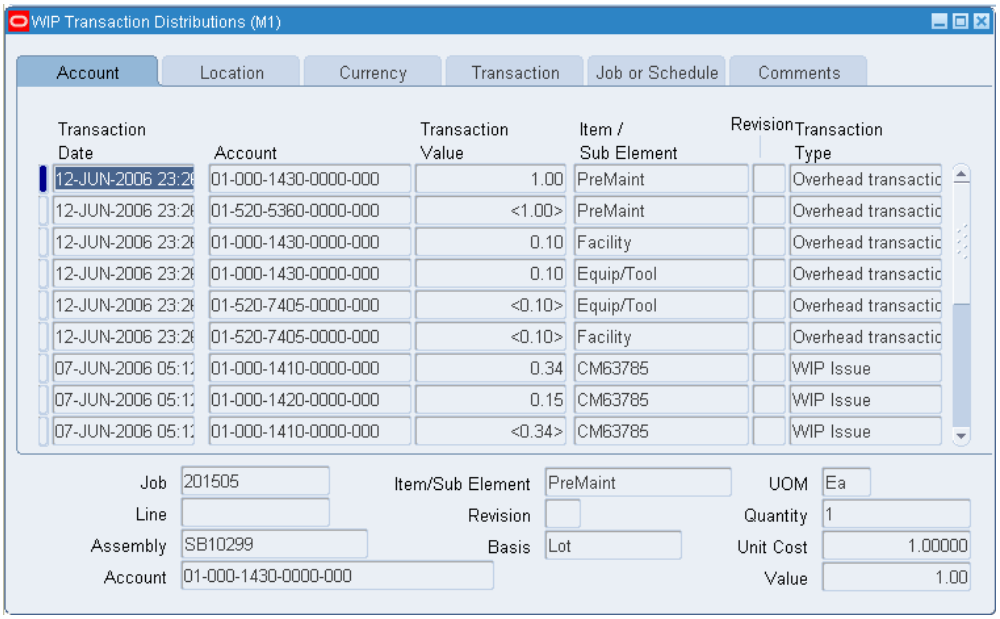
1. Navigate to the WIP Transaction Distributions window. The Find WIP Transaction Distributions window appears.

2. Enter your search criteria.



3. Choose the Find button.

   The WIP Transaction Distribution window displays transaction dates and six tabbed regions: Account, Location, Currency, Transaction, Job/Schedule, and Comments:



Account: Displays the account, transaction value, the item/subelement, revision, and the transaction type (such as Job close variance, Resource transaction, WIP component issue, or Cost update).

Location: Displays the operation sequence, department, resource sequence (for resource transactions), subinventory, and transaction ID.

Currency: Displays currency, the transaction value (for foreign currency), and displays the conversion (exchange) rate, type (such as Spot, Corporate, or User Defined), and exchange rate date.

Transaction: Displays accounting type, the transaction source (such as the account number), the UOM, and the primary quantity (in the item's primary UOM).

Job/Schedule: Displays the job or schedule, line, assembly, and basis (Item if it is a material transaction, or Lot).

Comments: Displays transaction reason, transaction reference, and the general ledger batch ID (if not yet transferred to the general ledger).

> **Note:** Lot Based Components are not supported in Repetitive Schedules and are issued as Item based components. During explosion for repetitive schedules, lot-based components are converted to item based components.

Related Topics

Overview of Query Find, *Oracle Applications User's Guide*.

Searching For Data, *Oracle Applications User's Guide*.

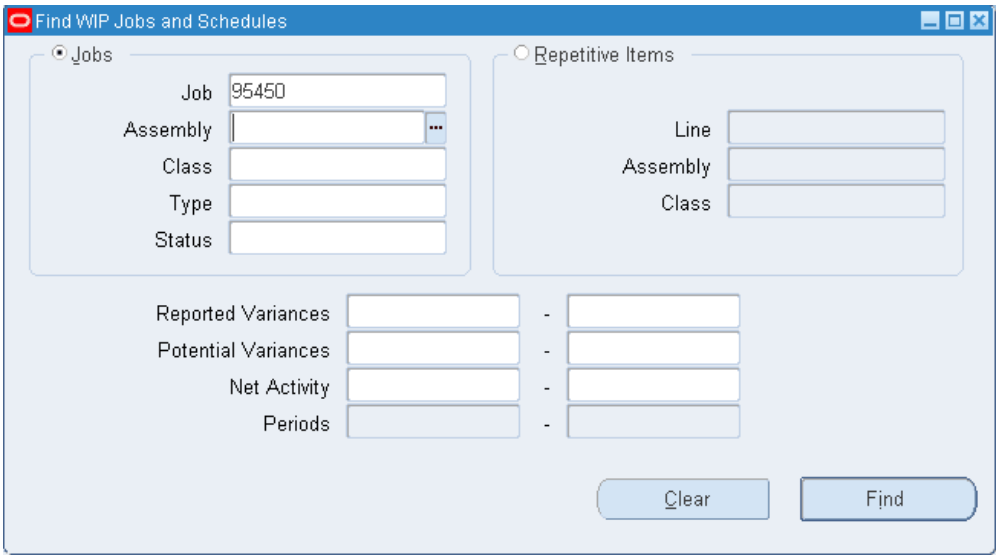
Viewing WIP Value Summaries

You can view and analyze the work in process values of a job or repetitive line by cost element, such as material, material overhead, resource, outside processing, and overhead. You can also drill down to detailed accounting transactions. Values are displayed in your organization's base currency.

To view WIP value information:

1. Navigate to the WIP Value Summary window. The Find WIP Jobs and Schedules window appears.

2. Indicate whether to find a Job or a Repetitive item.



3. Select your search criteria.

   If you are choose to find jobs, you can search by job, class, assembly, type, and status. This search does not use period range information. If you choose to find repetitive items, you can search by line, assembly, and class. The search criteria are defined as follows:

   Job: The name of the job.

   Line: The production line associated with the repetitive assembly.

   Assembly: The job or repetitive assembly.

   Class: The WIP accounting class. Only jobs or schedules associated with this class are displayed.

   Type: The WIP job or schedule type.

Status: The status of the job or jobs. Only jobs with this status are displayed. See: Discrete Job Statuses, *Oracle Work in Process User's Guide*.

4. Optionally, enter a period range for transactions, a posted variance range, a potential variance range, or a net activity range.

   To use Reported Variances, Potential Variances, or Net Activity criteria, you must enter a period range. Reported variances are recorded variances from closed jobs or schedules. Potential variances are for jobs or schedules that are not closed or with open balances with unrecognized variances. The calculation is costs incurred minus costs relieved minus variance relieved. Depending on the timing of issue and completion transactions, this may not represent an accurate variance.

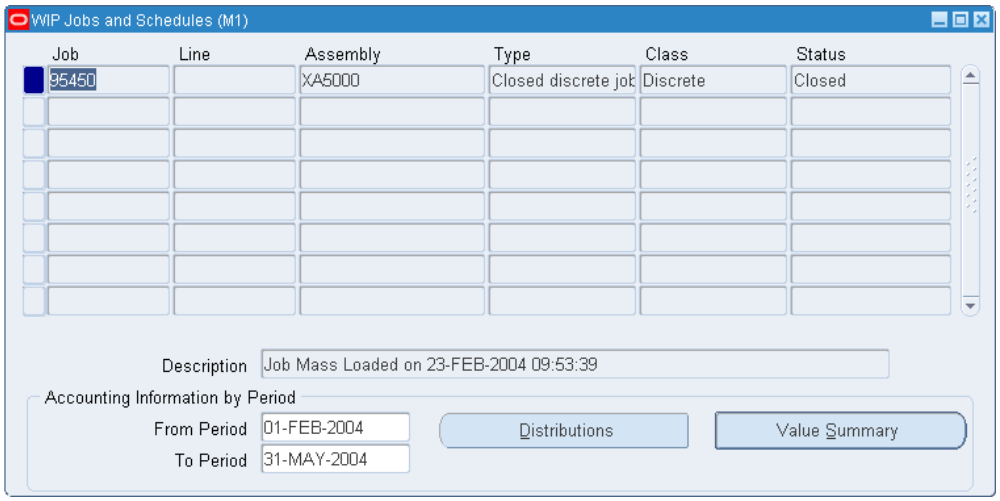
   Net activity is the total of the WIP transactions for the selected period range.

   If a To value is left blank, the selected records are greater than or equal to the From value. If a From value is blank, the selected records are less than or equal to the To value.

   The period range information is only used for the variance and net activity criteria.

5. Choose the Find button to initiate the search, or the Clear button to clear all entries.

6. Use the WIP Jobs and Schedules window to review summary information for WIP jobs or schedules.



You can now optionally do one of the following:

- Select a row and choose the Distributions button to open the WIP Transactions Distribution window.

- Select a row and choose the Value Summary button to open the WIP Value Summary window.

  You must also enter a period range to enable the Distributions and Value

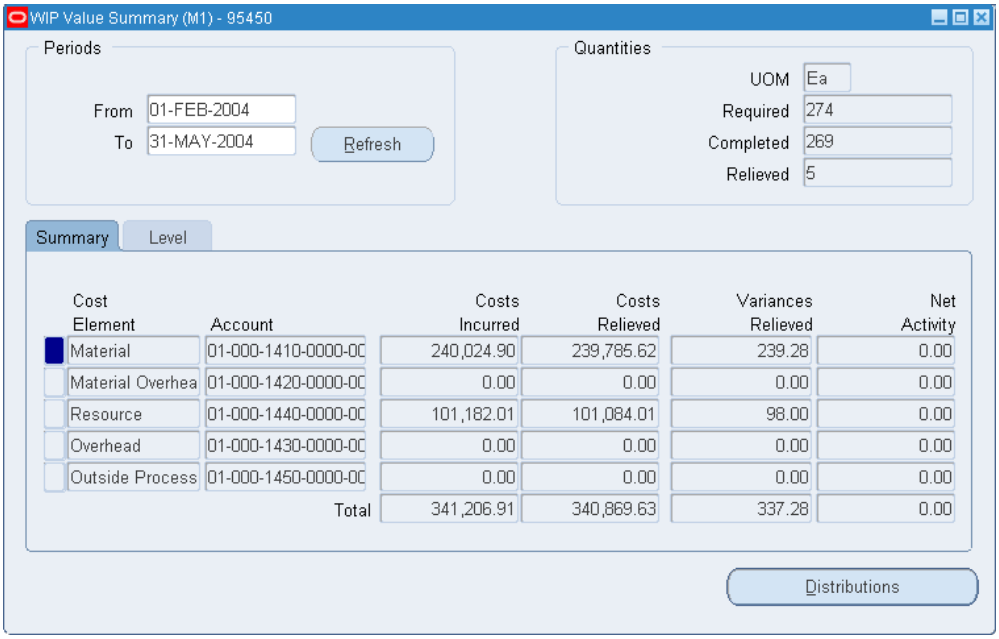
Summary buttons. The quantity completed and scrapped calculations, and other data displayed in the WIP Value Summary window depend on a period range.

> **Note:** Modify the period date range and choose the Summary button to refresh the results in the WIP Value Summary window.

Since the View WIP Value window calculates the quantity completed from the accounting transactions, and the accounting transactions may be unprocessed, you may see a different quantity in the View Discrete Jobs or View WIP Operations windows. These windows display summary quantity information that is available before the accounting occurs.

To review WIP value summary information:

1. Navigate to the WIP Value Summary window. Do this by choosing the Value Summary button from the WIP Jobs and Schedules window.



   The period date range defaults from values entered in the WIP Jobs and Schedules window.

   The quantity of the assembly, quantity completed, and quantity scrapped during the period date range for this job or schedule is displayed.

2. Optionally, modify the period date range and choose the Refresh button to view WIP value results for a given period date range.

The WIP value results display cost information by cost element and valuation account for the job or repetitive schedule's accounting class.

The Summary tabbed region displays the following information for the cost element of the job or repetitive schedule:

Costs Incurred: Costs associated with material issues/returns, resource, and overhead transactions of a job or repetitive schedule.

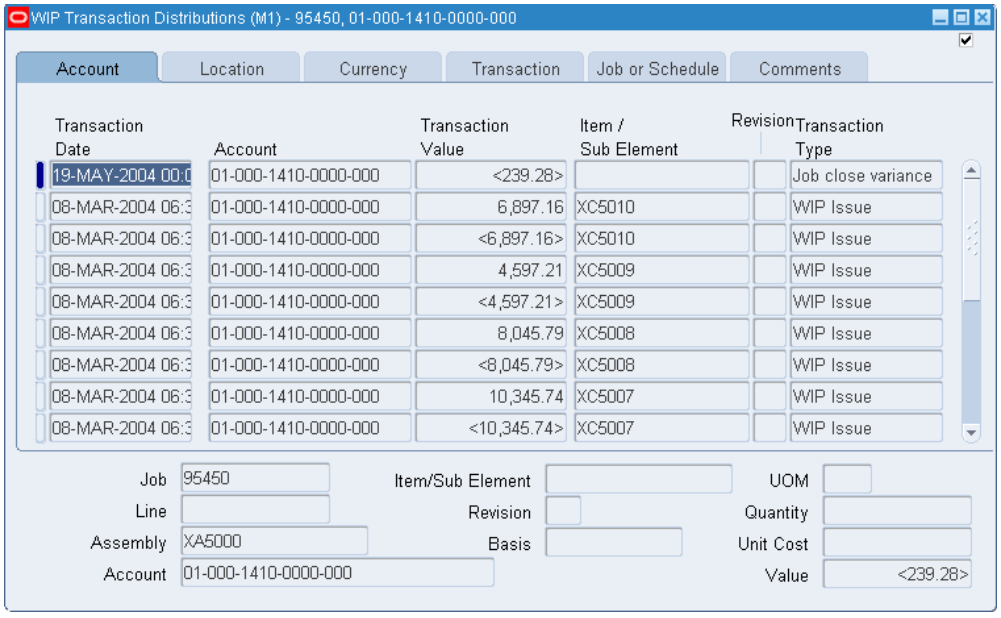
Costs Relieved: Standard costs relieved by cost element when assemblies from a job or repetitive schedule are completed or scrapped.

Variances Relieved: Variances relieved by cost element when a job or accounting period is closed, or when a repetitive schedule is cancelled.

Net Activity: Cost element net activity, the difference between the costs incurred and the costs and variances relieved.

3. Select the Level tabbed region to view elemental cost information, incurred and relieved, for this and the previous level of the bill of material.

4. Choose the Distributions button to open the WIP Transaction Distributions window.



Related Topics

Overview of Query Find, *Oracle Applications User's Guide*.

Searching For Data, *Oracle Applications User's Guide*.

Viewing Material Transactions

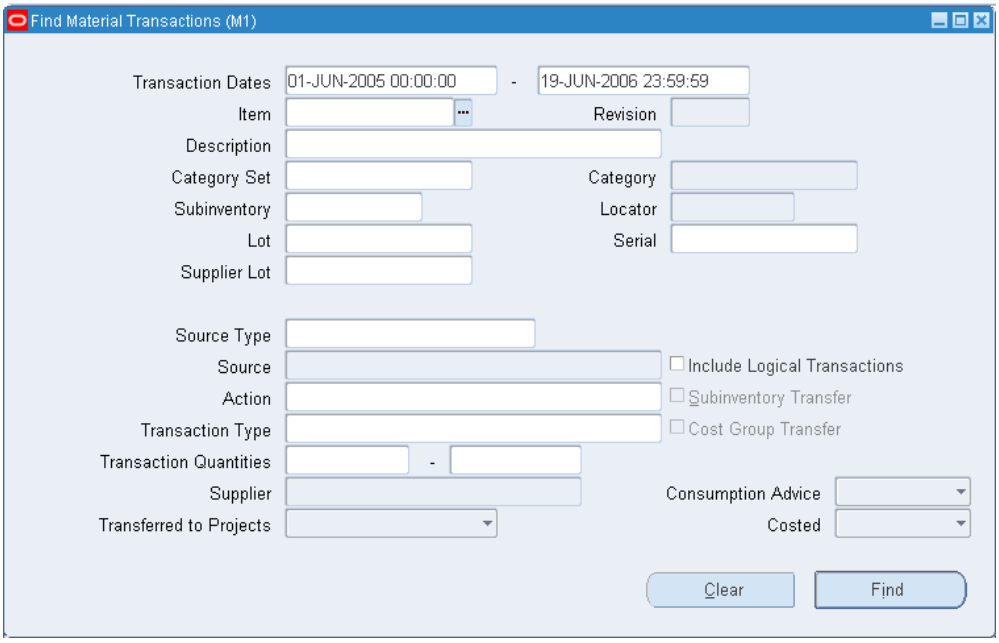
You can view detail associated with inventory transactions, including error messages, and resubmit those transactions that have errorred.

Search for transaction information by entering a combination of search criteria.

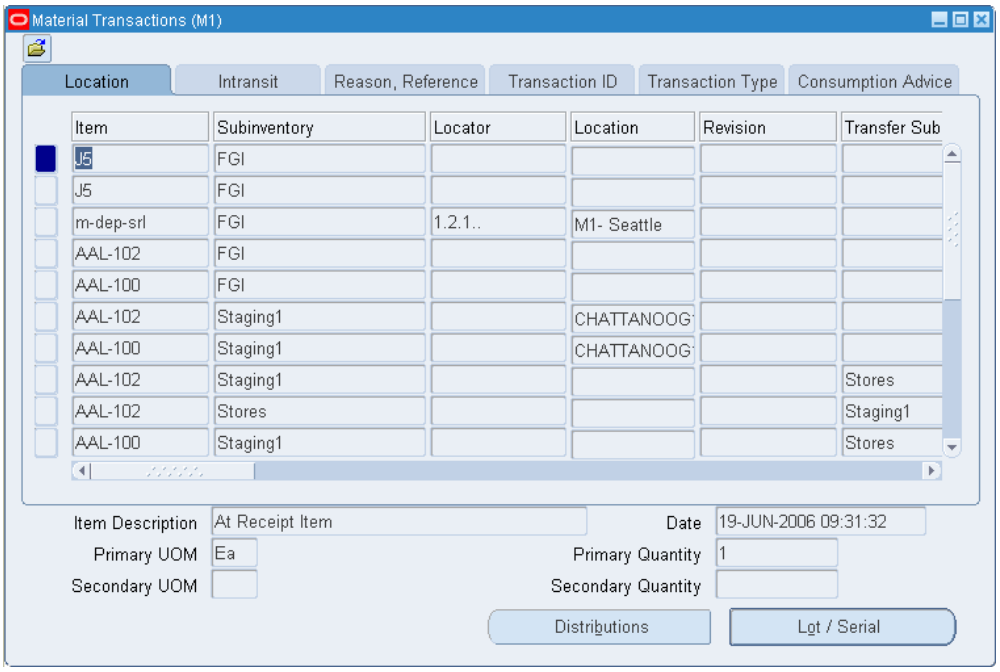
Two drop-down lists, labeled *Costed* and *Transferred to Projects*, which enable additional search criteria, are described in the section on errorred transactions, See: Error Resubmission, page 3-28

To view detail associated with inventory transactions:

1. Navigate to the Material Transactions folder window from the Cost function. The Find Material Transactions window appears.



2. Enter any combination of search criteria and choose Find. The results display in the Material Transactions folder window.



3. View information in the following tabbed regions:

   - *Location*: Displays the item, subinventory, locator, revision, transfer locator, transfer subinventory, transfer organization, transaction date, and transaction type information.

   - *Intransit*: Displays the item, shipment number, waybill/airbill number, freight code, container, quantity, and transaction type information.

   - *Reason, Reference*: Displays the item, reason, reference, costed indicator, transferred to Projects indicator, error code, error explanation, supplier lot, source code, source line ID, and transaction type information.

   - *Transaction ID*: Displays the item, transfer transaction ID, transaction header number, receiving transaction ID, move transaction ID, transaction UOM, completion transaction ID, department code, operation sequence number, transaction quantity, transaction ID, transaction date, source, source type, transaction type, source project number, source task number, project number, task number, to project number, to task number, expenditure type, expenditure organization, error code, and error explanation.

   - *Transaction Type*: Displays the item, source, source type, transaction type, transaction action, transaction UOM, transaction quantity, transaction ID, and transaction date information.

To view lot/serial number information for a transaction:

1. Select a transaction and choose the Lot/Serial button.
2. View information on lot/serial numbers, quantities, and locations.

To view transaction distribution information:

1. Select a transaction.
2. Choose the Distributions button.

Related Topics

Overview of Inventory Transactions, *Oracle Inventory User's Guide*.

Error Resubmission

If you are using Standard or Average Inventory Costing, including Project Manufacturing Costing, then you can resubmit cost transactions that have failed to cost, and projects that have failed to transfer.

- Standard Costing: Any error occurring during the cost processing of a transaction flags the transaction as errorred. The cost processing of other transactions continues.
- Average Costing: Any error during the cost processing of a transaction for a particular organization flags the transaction as errorred and prevents the cost processing of other transactions in that particular organization. Failed cost updates can be resubmitted just like other errors.

> **Note:** You can view and resubmit WIP transactions using the View Pending Resource Transactions window. See: Finding Pending Resource Transactions, *Oracle Work in Process User's Guide*.

Project Costing

All transactions that were costed successfully but errorred during the transfer to Projects can be be resubmitted.

Viewing Inventory Errors

You can view inventory errors through the Material Transactions window in the Cost function. See: Viewing Material Transactions , page 3-26.

It is important that you view Material Transactions from the Cost function, rather than the Inventory function. The following two features are only available from the Cost

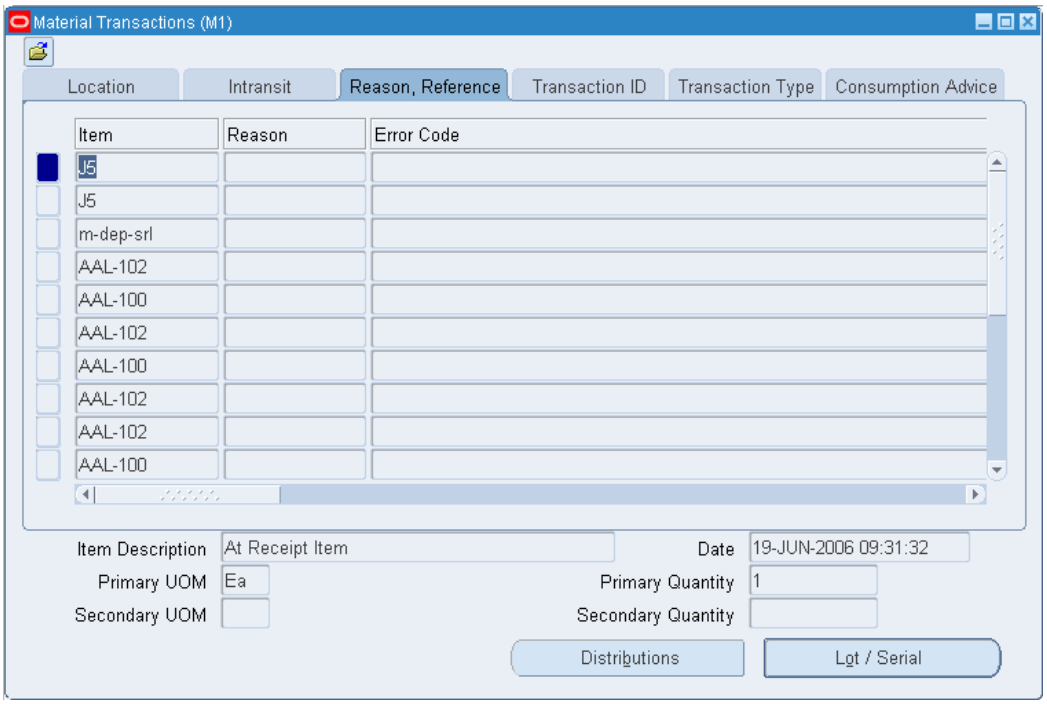
function:

- *Submit options*: allow resubmission of errorred transactions.
- *Display of average cost updates*: lists the item with transaction type as cost update.

The Find Material Transactions window includes two drop–down lists:

- *Costed*: includes Yes, No, and Error
- *Transferred to Projects*: includes Yes, No, Error, and Not Applicable. This list is only applicable to Project Manufacturing Costing.

Selections from these drop–down lists, along with the other search criteria, bring up the Material Transactions window. When Error is selected, the error indicator appears in the Reason, Reference tab, for those transactions that have errorred. The error indicator appears in either the Costed column or the Transferred to Projects column, whichever is appropriate. The Reason, Reference tab also includes error codes and error explanations which enable you to analyze and correct errors before resubmitting transactions.



To view, select, and resubmit failed inventory transactions:

1. Navigate to the Find Material Transactions window from the Cost function.
2. Select Error from the Costed or the Transferred to Projects drop–down list.

Note: To view errorred Transfers to Projects, do not make a selection from the Costed list. All errorred transfers to Projects are costed successfully.

3. Navigate to the Costed column of the Reason, Reference tab in the View Material Transactions window.

4. Select errorred transactions to resubmit as follows:

   - *All errors*: Choose Submit all from the Tools menu
   - One error: Place the cursor in the error cell and execute a control–click
   - *A range of errors*: Select one error as above, then move the cursor to the next error and execute a shift–click. Continue for all of the range. Then select Submit # from the Tools menu.

5. Save your work

4

Standard Costing

This chapter covers the following topics:

- Overview of Standard Costing
- Standard Costing Setup
- Setting Up Standard Costing
- Setting Up Standard Costing for Manufacturing
- Bills and Cost Rollups
- Updating Standard Costs
- Phantom Costing
- Reporting Pending Adjustments
- Updating Pending Costs to Frozen Standard Costs
- Reporting Cost Update Adjustments
- Viewing Standard Cost History
- Viewing a Standard Cost Update
- Purging Standard Cost Update History
- Standard Cost Valuation
- Overview of Standard Cost Variances
- Manufacturing Standard Cost Variances
- Standard Cost Transactions
- Manufacturing Standard Cost Transactions

Overview of Standard Costing

Under standard costing, predetermined costs are used for valuing inventory and for charging material, resource, overhead, period close, and job close and schedule

complete transactions. Differences between standard costs and actual costs are recorded as variances.

Use standard costing for performance measurement and cost control. Manufacturing industries typically use standard costing. Standard costing enables you to:

- Establish and maintain standard costs
- Define cost elements for product costing
- Value inventory and WIP balances
- Perform extensive cost simulations using unlimited cost types
- Determine profit margin using expected product costs
- Update standard costs from any cost type
- Revalue on-hand inventories, intransit inventory, and discrete WIP jobs when updating costs
- Record variances against expected product costs
- Measure your organization's performance based on predefined product costs

If you use Inventory without WIP, you can define your item costs once for each item (in the cost master organization) and share those costs with other organizations. If you share standard costs across multiple organizations, all reports, inquiries, and processes use those costs. You are not required to enter duplicate costs.

The cost master organization can be a manufacturing organization that uses WIP or Bills of Material. No organization sharing costs with the cost master organization can use Bills of Material.

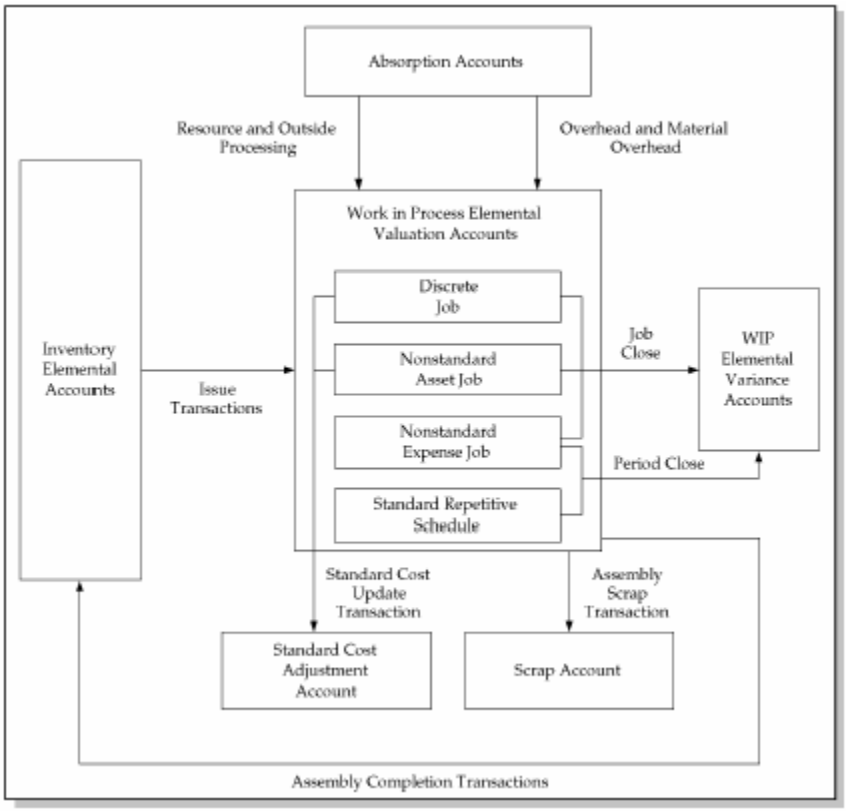
Related Topics

Overview of Cost Management, page 1-1

Work in Process Transaction Cost Flow

The following diagram displays the cost flow associated with WIP transactions.

Valuation accounts are charged when material is issued to a job or schedule, or when resources, outside processing, or overhead are earned by a job or schedule. Valuation accounts are also relieved when assemblies are completed from a job or schedule. The following graphic displays that variance accounts are charged upon job or period close, depending on how the WIP (WIP) parameters are set (for repetitive schedules) or the type of job, asset, or expense.



Related Topics

Work in Process: Elemental Visibility, page 1-10

Standard Costing Setup

Follow the process in this section to set up perpetual standard costing. Steps previously covered in the Setup Prerequisites or the Setup Checklist are mentioned here only if there is setup information that is specific to standard costing.

Related Topics

Overview of Setting Up Cost Management, page 2-2

Setup Checklist, page 2-7

Setting Up Standard Costing

The following steps are required when setting up standard costing. Additional steps follow in the next section for those also using WIP or BOM or both.

- Define organization parameters:

- Costing Method is set to Standard.
- Transfer Detail to GL is appropriately set.
- Default Material Subelement account (required).

- Define cost types.
- Define activities and activity costs.
- Define material overhead defaults.
- Define item and item costs, and establish item cost controls. See: Overview of Item Setup and Control., *Oracle Inventory User's Guide*
- Launch transaction managers.

To set up standard costing:

1. Define item costs. See: Defining Item Costs, page 3-3.
2. Set activity costs for items.

   You can assign an activity to any cost. If you use the activity basis type, you can directly assign the activity cost to the item. When you use the other basis types, the cost is based on the subelement, basis type, and entered rate or amount. The activity defaults from the subelement, and, if needed, you can override the default. See: Defining Activities and Activity Costs, page 2-17.
3. Edit costs.

   You can mass edit item costs and activities using several predefined mass edits:

   - Reflect increases in supplier prices or other changes in business conditions.
   - Change item costs to reflect new activity rates.
   - Create new material costs based on a weighted average of actual payables invoice cost, open purchase orders, or historical purchase order receipts.
   - Mass edit existing material and material overhead costs to a specified amount, by a percentage change, or by an absolute amount.
   - For Oracle Manufacturing installations, edit manufacturing shrinkage rates to a specified rate or set it equal to planning shrinkage rates.

   With these mass edits, you can specify a range of items or categories, a specific cost type, a basis type, an activity, or a type of item (make or buy). The weighted average mass edits enable you to specify a transaction date range. All cost mass

edits can copy from an existing cost type and simultaneously submit a cost comparison report.

Oracle Consulting or your MIS staff can create and add custom mass edits to the list of available mass edits. Each mass edit is a stored procedure in the database, and each stored procedure is registered in a mass edits table.

4. Edit item accounts. See: Mass Editing Item Accounts, page 2-43.

5. Copy costs between cost types. See: Copying Costs Between Cost Types, page 2-59.

6. Perform cost update, if needed.

   This final step is optional if your frozen standard costs are complete. If you use Bills of Material, and you are updating assemblies, then you must roll up your assembly costs before you update. See: Updating Standard Costs, page 4-9.

Setting Up Standard Costing for Manufacturing

In addition to the steps required in the previous section, the following prerequisites and steps are applicable to standard costing with Bills of Material (BOM) or Work in Process (WIP), or both.

Again, note that some of these steps were previously covered in the Setup Prerequisites. These steps are covered again here to highlight the setup requirements that are specific to standard costing .

Prerequisites

- Define Bills of Material parameters. See: Defining Bills of Material Parameters, *Oracle Bills of Material User's Guide*

  This ensures that bill and routing information (resource, outside processing, and overhead cost elements) is accessible when you define item costs and define overhead.

- Define resources.

  You define resource subelements by creating resources, departments, bills, and routings with Bills of Material.

  Resources can be costed or not costed; because you can have multiple resources per operation, you could use an uncosted resource for scheduling and a costed resource for costing. The cost rollup/update process and accounting transaction processing ignore uncosted resources.

  You can set up the resource to apply charges at the actual rate or standard rate. If you apply actual rates and specify that the resource charges at standard, then you create rate variances. If you apply actual rates and specify that the resource does not charge at standard, then you collect actual costs in the job/schedule and recognize a

variance at the end of the job or schedule. You can also set up a fixed amount for each unit earned in the routing step.

For each resource, the charge type determines whether the resource is for internal (labor, machine, and so on) or outside processing. Use PO Move and PO Receipt charge types for outside processing. Each resource has its own absorption account and variance account. By cost type, you define a cost per unit of measure, and use the cost rollup/update process to change the pending rates to Frozen resource rates.

- Define departments.
- Assign resources to departments.

  For capacity planning and overhead assignment purposes, you must assign each resource to one or more departments. Once you assign a resource, you can select it when you define a routing.

- Define overheads and assign them to departments.

  The cost rollup uses the assigned basis type to apply the overhead charge, and assigns the activity to the calculated overhead cost. You can define pending rates and use the cost rollup/update process to change the pending rates to Frozen overhead rates.

- Review routing and bill structures to confirm that costs will roll up properly.
- Control overheads by resource.

  For overheads based on resource units or resource value, you must specify the resources on which the overhead is based. You can then charge multiple resources in the same department for the same operation, while still earning separate overhead for each resource. If you do not associate your overheads and resources, you do not apply overhead in the cost rollup or charge resource-based overhead in WIP.

- Confirm that the WIP parameters: *Recognize Period Variance and Require Scrap Account* are set as required.
- Confirm that your WIP accounting classes and their valuations and accounts are properly set up.

  If you use the same account numbers for different valuation and variance accounts, then Cost Management automatically maintains your inventory and WIP values by cost element. Even if you use the same cost element account in a given subinventory or WIP accounting class, Oracle recommends that you use different accounts for each and never share account numbers between subinventories and WIP accounting classes. If you do, then you will have difficulty reconciling Inventory and WIP valuation reports to your account balances.

To set up standard costing with BOM and WIP:

1. Run a summary audit to validate your structures.

   After you have defined your bill and routing structures, items and unit costs, you should run the summary audits to ensure information integrity. These audits check for bill of material structures with no headers, valued items with no costs, and so on.

2. Perform cost rollup as appropriate to set initial standard costs. See: Rolling Up Supply Chain Costs, *Oracle Cost Management User's Guide*

   With the initial cost rollup/update, you complete the setup of the manufacturing cost structure and begin normal processing, including purchase order receipts, material issues, job/schedule creation, shop floor moves, and so on. Later, you analyze, report, and distribute costs through the period close process.

3. Perform a cost update after rolling up assemblies. This revalues inventory and implements new costs. See: Updating Pending Costs to Frozen Standard Costs, page 4-13.

Related Topics

Bills and Cost Rollups, page 4-7

Phantom Costing, *Oracle Cost Management User's Guide*

Bills and Cost Rollups

Bills and routings define the foundation for cost rollups, elemental distribution, and all related manufacturing costing functions.

WIP uses the bill of material to determine material requirements and control material transactions. In addition, the primary bill for an assembly determines the standard material and material overhead costs of that assembly.

WIP uses the routing to do the following:

- Determine production schedules
- Specify shop floor and operation moves
- Control resource, outside processing, and overhead cost transactions

In addition, the primary routing for the assembly determines the standard resource, outside processing, and resource overhead costs of that assembly.

When you submit a cost rollup, you may include or not include unimplemented engineering change orders. The cost rollup also considers the effective date.

Components and resources with effective dates on or before the rollup date are included in the rollup. The cost rollup does not include disabled components or resources.

> **Note:** For phantom assemblies, the cost rollup includes the material costs and the routing costs in the cost of higher level assemblies. WIP charges and values phantom assembly material costs and phantom assembly routing costs at this level.

Purchased assemblies show different elemental costs when you buy the assemblies rather than build or make them.

Buy Assembly	The total cost consists of the material and material overhead cost elements only.
Make Assembly	The total cost consists of the material, resource, overhead, and outside processing cost elements.

Therefore, the value of the material cost element may differ in buy versus make situations. The value of the material cost element affects job cost, period close distributions, and variances.

A component yield of less than 100 percent increases the usage quantity of the component and the material and material overhead value of that component in the assembly. According to your cost type controls, the cost rollup may or may not include any component yield factors. See: Yield, *Oracle Bills of Material User's Guide*.

> **Important:** Changing the Include Component Yield flag when there are open WIP jobs in the inventory organization may result in inaccurate cost variances. For example, if the standard cost rollup includes component yield and the Include Component Yield flag is cleared, backflush transactions will no longer factor in component yield. Artificial variances will result.

When you roll up an assembly using a common bill, the cost rollup uses the common bill structure to determine the appropriate cost elements. The exception is assembly material overhead. You assign assembly material overhead to the assembly item itself, not the bill structure. This means that the cost rollup uses the material overhead rate of the assembly that points to the common bill, not the assembly that owns the common bill. See: Referencing Common Bills and Routings, *Oracle Bills of Material User's Guide*.

For example, suppose you have a material overhead and a bill for assembly A. Suppose further that you define assembly B using A as a common bill. However, you also define a material overhead rate for B. A cost rollup on A uses A's material overhead. A rollup on B uses B's material overhead.

Common routings are similar to common bills of material. The cost rollup costs common routings like standard routings.

You can define multiple alternates for a bill or routing. You can roll up alternate structures and update these costs into your Frozen cost type.

Related Topics

Overview of Bills of Material, *Oracle Bills of Material User's Guide* and

Overview of Routings, *Oracle Bills of Material User's Guide*.

Updating Standard Costs

The standard cost update procedure lets you define and roll up pending costs, simulate changes to standard costs for analysis, and then update pending costs to the Frozen standard cost type.

> **Note:** You can also update costs using the Supply Chain Cost Rollup. This cost rollup enables you to roll up costs across multiple organizations connected to sourcing rules. You can preserve the buy cost detail visibility and use a lot size multiplier in calculations. See: Rolling Up Supply Chain Costs, page 11-1

If possible, run your cost update at the beginning of your inventory accounting period before transactions have started for the new period.

To update standard costs, define costs and rates, and run the following procedures:

- Define a cost type for pending standard costs.
- Define pending costs for each of the cost elements: material (inventory items: both components and assemblies), material overhead, resources, overhead, and outside processing.

  If you have changed your activity rates, as well as the base material overhead on these activity rates, then you must run the activity mass edit to recalculate the activity based material overhead.

  You can also define pending rates for resources and overhead.
- Roll up pending costs. This adds up pending costs for all cost elements of an assembly and creates a new pending cost for the assembly.
- Print and review preliminary adjustment reports to see potential changes to the frozen standard costs.
- Update pending costs to frozen standard costs.

- (Optional) Print new standard cost reports.

> **Caution:** If you are using Oracle Enterprise Install Base and have the profile option CSE: Use eIB Costing Hook set to 'Y', then be aware that standard cost adjustments for change in the standard cost of eIB trackable items will be incorrect if your asset subinventories have quantities of these items that have already been converted to fixed assets. For details about the meaning of some of the terms above and for a set of recommendations to avoid incorrect adjustments, see the Oracle Enterprise Install Base and Implementation Guide.

Related Topics

Defining Cost Types, *Oracle Bills of Material User's Guide*,

Defining Item Costs, page 3-3,

Defining a Resource, *Oracle Bills of Material User's Guide*,

Defining Overhead, *Oracle Bills of Material User's Guide*,

Rolling Up Supply Chain Costs, page 11-1,

Reporting Pending Adjustments, *Oracle Bills of Material User's Guide*,

Updating Pending Costs to Frozen Standard Costs, *Oracle Bills of Material User's Guide*,

Detailed Item Cost Report, page 13-9,

Elemental Cost Report, page 13-13,

Indented Bills of Material Cost Report, page 13-46, and

Overhead Report, page 13-36.

Phantom Costing

You can cost phantom assemblies in the following:

- Work in Process
- Discrete and repetitive manufacturing environments
- Standard and average organizations

You can set up phantom assemblies just like any other assembly and include resource and overhead costs.

Two BOM parameters control the behavior of phantoms:

- *Inherit Phantom Operation Sequence:* Controls inheritance of the parent's operation sequence.

  Note: *Inherit Phantom Operation Sequence*, previously a WIP parameter, is now a BOM parameter.

- *Use Phantom Routings:* Determines if resources and overheads on phantom routings are recognized for costing and capacity planning purposes.

These parameters affect the job at the time of creation and at the time of cost update or rollups. Consequently, inappropriate variances can occur if a parameter is changed after the job is created and the change remains in effect at the time of the update or rollup.

The Supply Chain Cost Rollup costs the routings assigned to phantom assemblies. The bill of material for the phantom determines how the component is treated. If you are rolling up the phantom assembly, the cost of the routing is included in this level cost of the assembly in parent assembly's this level cost. For the parent assembly, when the subassembly's supply type is Phantom, the routing costs from the lower level assembly are included in the cost of the parent assembly. If you change the supply type and the subassembly is no longer a phantom, the parent assembly includes the lower level routing cost in the parent assembly's previous level costs.

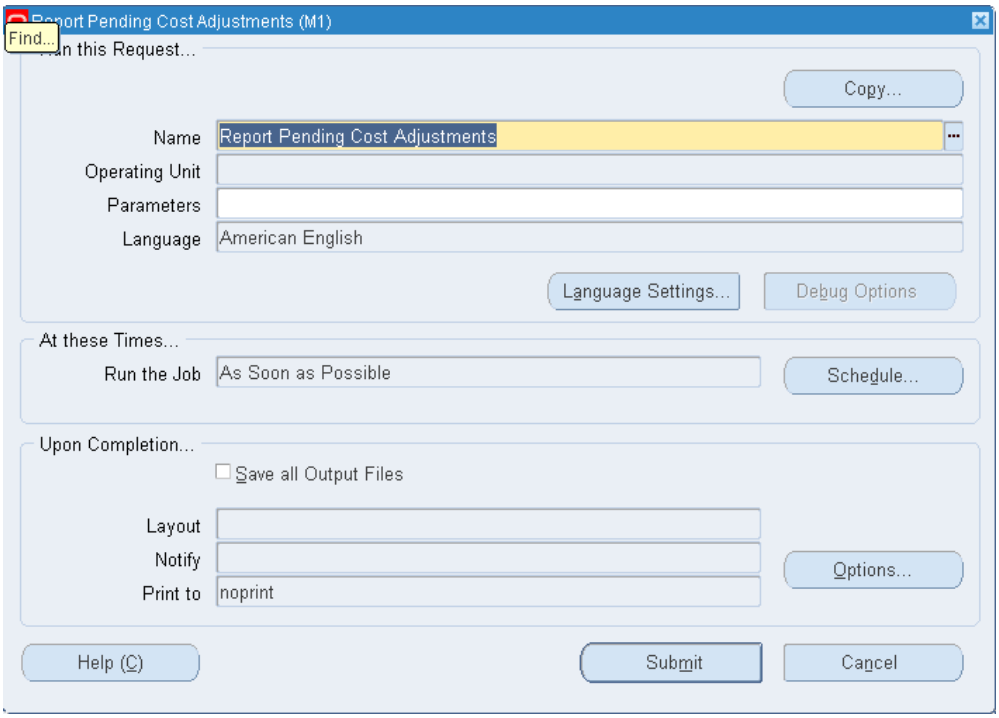
You can see resources in phantom routings under WIP operation resources. Resources inherit parent operation sequence numbers from the main routing but maintain their own departments as specified in the phantom routing. Resources have associated overhead from those phantom departments.

Reporting Pending Adjustments

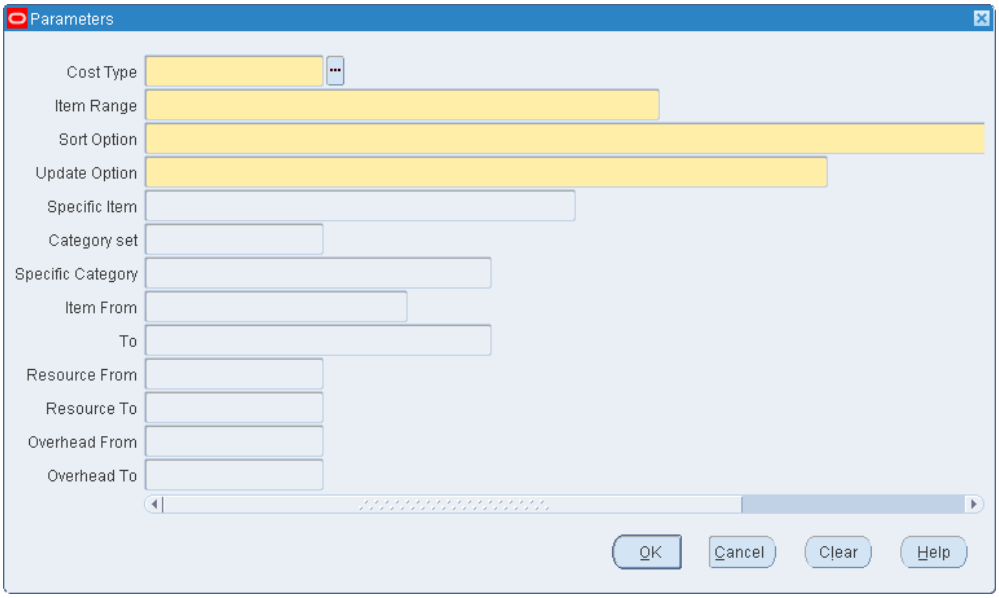
Report pending adjustments to simulate a change in standard costs. This launches two processes, one to simulate a cost update from the cost type that you specify to the Frozen cost type, and one to launch the Inventory, Intransit, and WIP Standard Cost Adjustment reports. These reports enable you to preview the changes that the standard cost update would perform for current inventory balances. These same three reports are run as part of a cost update. In this case, the reports show adjustments made to the inventory valuation by the cost update process.

To report pending adjustments:

1. Navigate to the Report Pending Cost Adjustments window.



2. In the Parameters window, select a Cost Type.



3. Select an item range to perform a simulated standard cost update and generate preliminary adjustment reports for:

   All items: This is the default.

   Based on rollup items: Items that have Based on Rollup turned on in the Frozen cost

type. This is only available if you use Inventory with Bills of Material.

Category: All items in a category you specify.

Not based on rollup items: Items that have Based on Rollup turned off in the Frozen cost type. This is only available if you use Inventory with Bills of Material.

Range of items: Range of items you specify.

Specific item: Specific item you specify.

Zero cost items: Items with zero cost in the Frozen cost type.

4. Select a sort option for the adjustment reports: by category, by item, or by subinventory (default).

5. Select an update option:

   Item costs only: This is the default.

   Resource, overhead, and item costs: This is only available if you use Inventory with Bills of Material. If you use WIP, choose this option to reflect resource and overhead cost changes for actual charges to standard and non-standard asset jobs.

6. Do one of the following:

   - If you selected Specific item in the Item Range field, enter the specific item to include in the simulated cost update.
   - If you selected Category in the Item Range field, enter a specific category.
   - If you selected Range of items in the Item Range field, enter values for Item From and Item To. A simulated standard cost update is performed for all items in this range, inclusive.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Updating Pending Costs to Frozen Standard Costs

Updating pending costs to Frozen standard costs does the following:

- Updates the existing standard costs with the costs created in the new cost type and creates the resulting adjustment accounting entries.

  If you use Work in Process, the cost update revalues discrete job balances, creates accounting adjustments, and prints the adjustments along with the new job values in its report.

- Creates item cost history.
- Prints the Inventory, Intransit, and WIP Standard Cost Adjustment reports that detail the valuation changes in your inventory due to the change in the standard costs.
- If you share costs across inventory organizations, the standard cost update automatically revalues the on-hand balances in all organizations that share costs.

  Oracle recommends that you also print the Cost Type Comparison Reports to display differences in item costs for any two cost types. You can compare by cost element, activity, subelement, department, this/previous level, or operation.
- Optionally, saves update details for rerunning adjustment reports

You can only update standard costs from the master costing organization, which must use standard costing.

The standard cost update is a batch process that can run while you perform normal transactions. Doing so delays accounting transactions until the cost update is complete. (Consider scheduling large-scale cost updates for off hours.) However, if the period close, job close, or general ledger transfer processes are running, the standard cost update is delayed until they are complete.

Because this function changes the frozen standard value of inventory, Oracle recommends that you take appropriate security precautions.

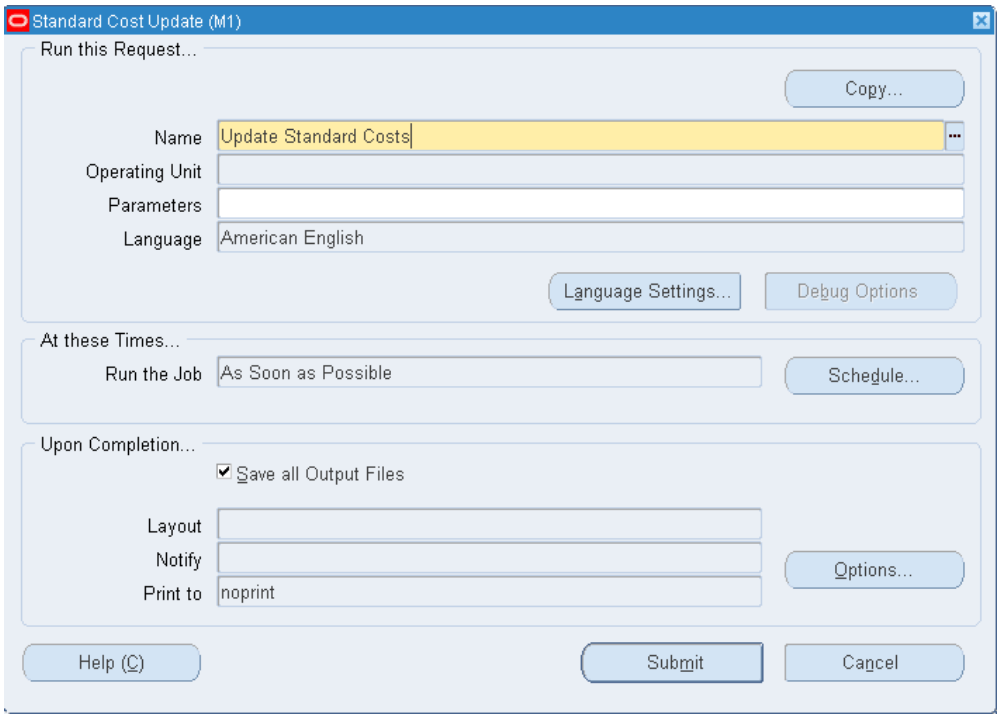
> **Important:** Cost Management does *not* update the standard costs of those items for which you do not define a cost. The standard cost is updated to zero only if you define a zero cost for the item.

Prerequisites

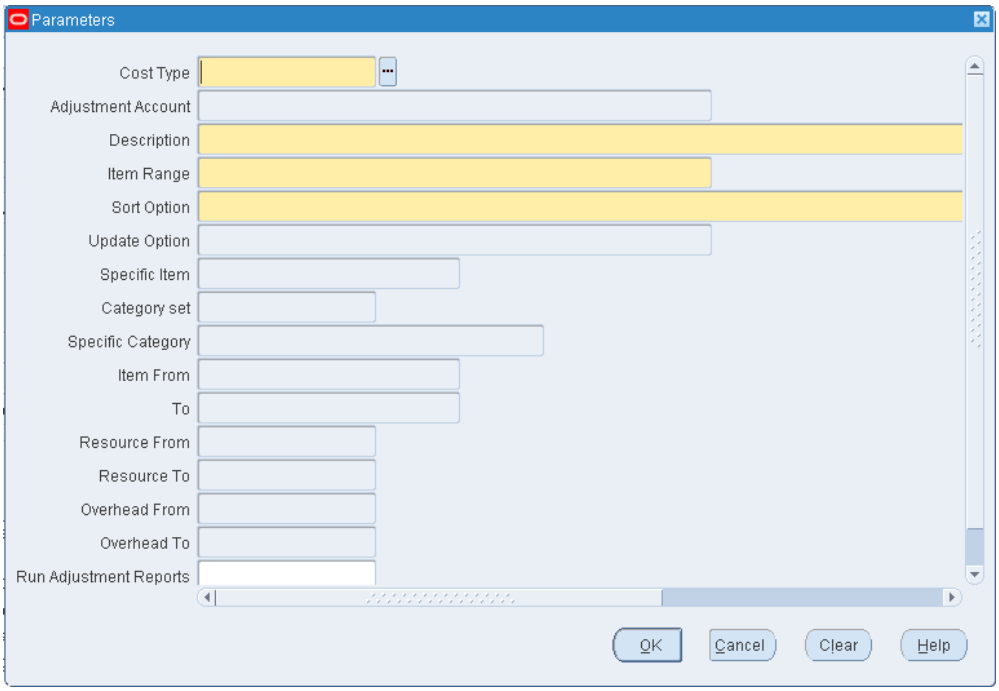
❒ To define, update, or delete cost information, the Privilege to Maintain Cost security function must be included as part of the responsibility. See: Cost Management Security Functions, page 2-83.

To update pending costs to Frozen standard costs:

1. Navigate to the Update Standard Cost window.



2. In the Parameters window, select a Cost Type.



Cost information (a set of costs for items, activities, resources, outside processing, and overhead) is copied from this cost type into the *Frozen* cost type.

3. Select an Adjustment Account.

   This account is used to collect the changes in value to each item, and to automatically generate transactions that adjust your inventory accounts. Your inventory is adjusted by subinventory and elemental cost account. Your discrete WIP is adjusted by job and cost element account. The WIP accounting class defines the adjustment account for your discrete jobs.

4. Optionally, enter a Description.

5. Select an Item Range option. The options are as follows:

   All items: This is the default.

   Based on rollup items: Items that have Based on Rollup turned on in the Frozen cost type.

   Category: All items in a selected category.

   Not based on rollup items: Items that have Based on Rollup turned off in the Frozen cost type.

   Range of items: Range of items you specify.

   Specific item: Specific item you specify.

   Zero cost items: Items with zero cost in the Frozen cost type.

6. Select a Sort Option for the adjustment report. The options are as follows:

   Item: By item

   Category, Item: By category, then by item within the category

   Subinventory, Item: By subinventory, then by item within the subinventory (Default)

7. If you selected All Items for Item Range, select an update option: either Overhead, resource, activity, and item costs, or Resource, overhead, and item costs.

   Overhead, resource, activity, and item costs:

   Resource, overhead, and item costs: This is only available if you use Inventory with Bills of Material. If you use WIP, choose this option to reflect resource and overhead cost changes for actual charges to standard and non-standard asset jobs.

   Activity and item Costs:

   Item costs only: This is the default.

8. If you selected *Specific item* for the Item Range, select the Specific Item to be updated.

9. If you selected *Category* for the Item Range, do one of the following:

   - Select a Category Set. The default is the category set defined for the costing functional area.

   - Select a specific category.

10. If you selected *Range of items* in the Item Range field, select beginning and ending Item From and To values. Standard costs are updated for all items in this range, inclusive.

11. Indicate whether to save details. Selecting Yes saves a snapshot of the inventory and WIP on-hand quantities cost update details. If you select Yes, then you can rerun the adjustment reports as long as you choose to maintain the details.

    You can purge standard cost history to delete these details.

Related Topics

Updating Standard Costs, page 4-9,

Standard Request Submission, *Oracle Applications User's Guide*,

Purging Standard Cost Update History, page 4-23, and

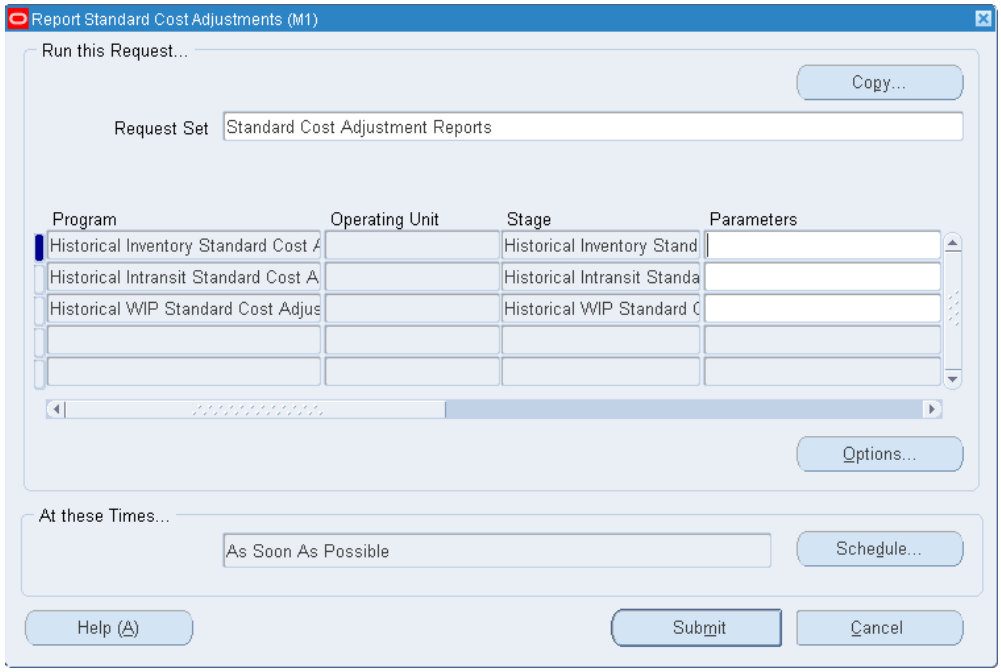
Defining Items, *Oracle Inventory User's Guide*.

Reporting Cost Update Adjustments

For previous standard cost updates where you chose to save the details, you can print Historical Inventory and Intransit Standard Cost Adjustment reports. If you use WIP, you can also print the Historical WIP Standard Cost Update Report. These reports show the adjustments made to inventory and WIP valuation due to the cost update.

To report cost update adjustments:

1. Navigate to the Report Standard Cost Adjustments window.



   This submits the Historical Intransit Standard Cost, Historical WIP Standard Cost Adjustment, and Historical Inventory Standard Cost reports.

2. In the Parameters window, enter the date and a time of a previous cost update.

3. Select a report Sort Option. The options are as follows:

   Item: By item

   Category, Item: By category, then by item within the category

   Subinventory, Item: By subinventory, then by item within the subinventory

4. Select a Cost Type.

5. To restrict the report to a range of items, select a beginning and ending Item.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Viewing Standard Cost History

View standard cost history and inventory adjustment values and quantities for your items. All historical cost information for your items is displayed for each cost update, even if you did not choose to save cost update details. All item costs updated or defined using the Define Item Cost window are also displayed.

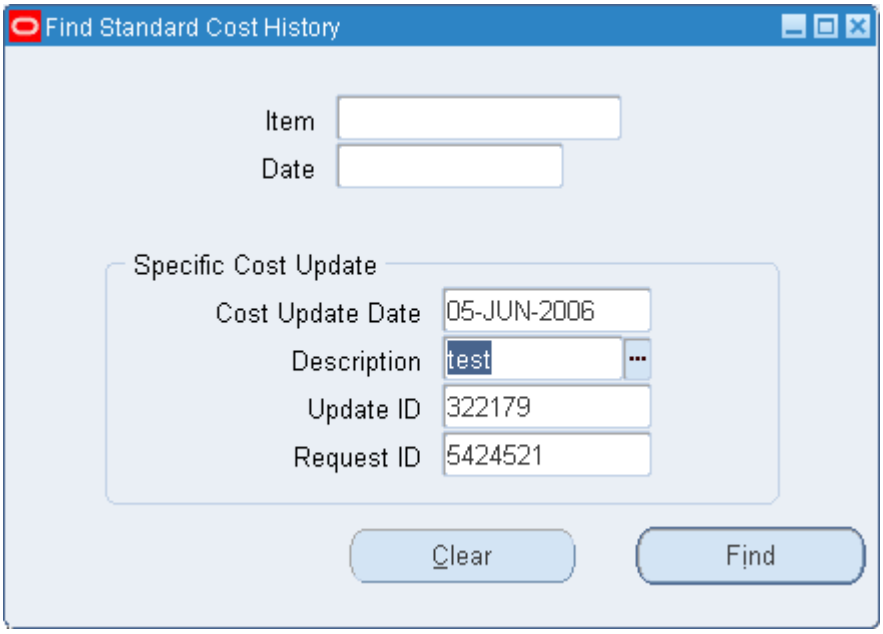
If you share costs and are accessing this window from the master costing organization, you can choose to view the adjustment values for the current organization only or for all organizations that share the same standard costs. If you access this window from a child organization (non-cost master organization), you can only view the adjustment values for that organization.

Prerequisites

❒ To view cost information, the Privilege to View Cost security function must be included as part of the responsibility. See: Cost Management Security Functions, page 2-83.

To view standard cost history:

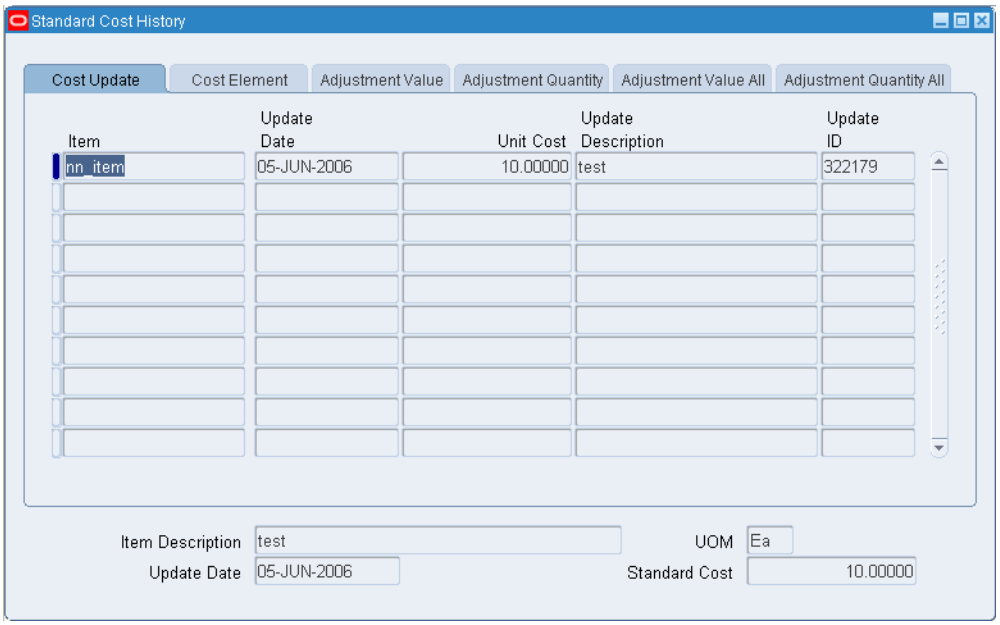
1. Navigate to the View Cost History window. The Find Standard Cost History window appears.



2. Enter your search criteria.

3. Choose Find to initiate the search, and choose History to view the Standard Cost

History window.



The Standard Cost History window lists item cost updates. There are four tabbed regions: Cost Update, Cost Elements, Adjustment Values, and Adjustment Quantity. The Adjustment Values and Adjustment Quantity tabbed regions are available for the current organization. They are available for all organizations if you are in the costing master organization and there are child organizations that point to the master for cost information.

The Cost Update tabbed region displays the update date, the unit cost, the update description, and the update ID.

The Cost Elements tabbed region displays cost element information.

The Adjustment Values tabbed region displays the update date, the inventory and intransit adjustment values, and, if you use WIP, the WIP adjustment value.

The Adjustment Quantity tabbed region displays the update date, the inventory and intransit adjustment quantities, and, if you use WIP, the WIP adjustment quantity.

Related Topics

Overview of Query Find, *Oracle Applications User's Guide*,

Searching For Data, *Oracle Applications User's Guide*,

Defining Item Costs, page 3-3.

Viewing a Standard Cost Update

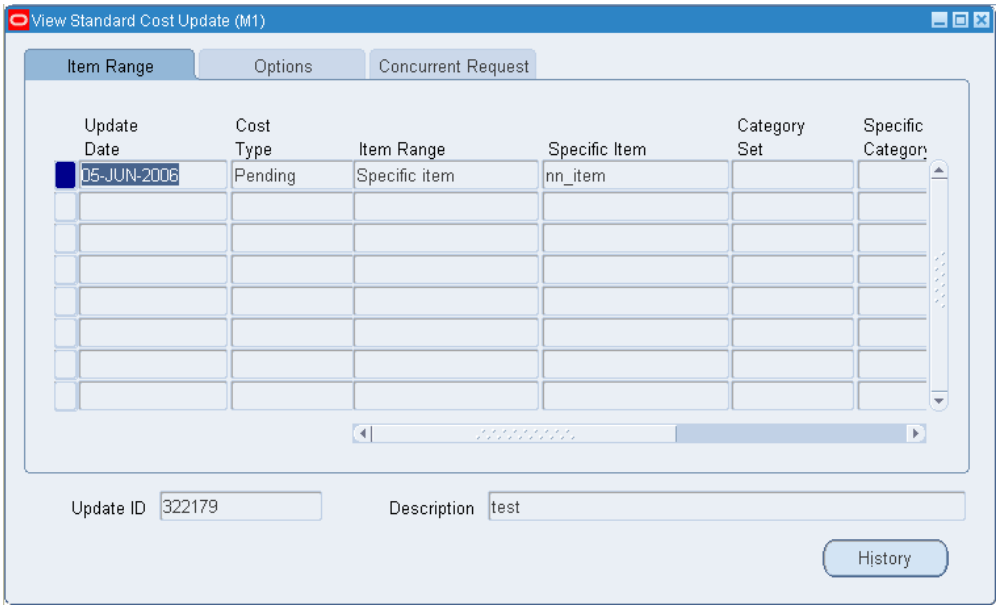
View previous standard cost update requests, options, and ranges.

Prerequisites

❒ To view cost information, the Privilege to View Cost security function must be included as part of the responsibility. See: Cost Management Security Functions, page 2-83.

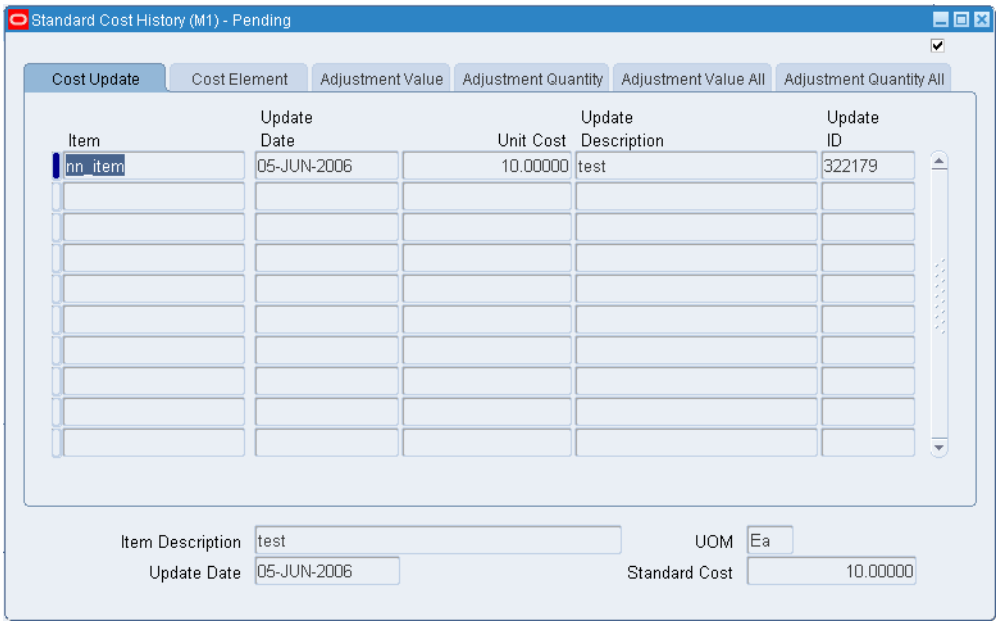
To view a standard cost updates:

1. Navigate to the View Standard Cost Update window.



2. Enter information by which to find a previous standard cost update to view.

3. Choose the History button to view previous standard cost update requests.



Related Topics

Updating Pending Costs to Frozen Standard Costs, page 4-13

Purging Standard Cost Update History

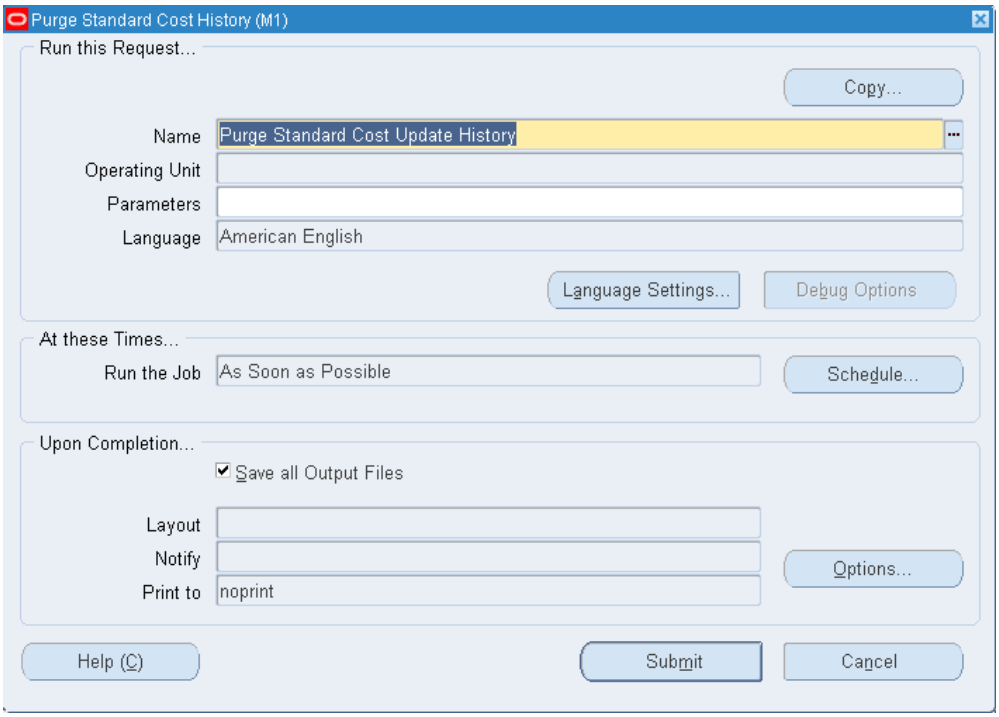
When you update costs and choose to save details, information associated with the update is retained so that you can rerun adjustment reports. When you no longer need such information, purge it.

Prerequisites

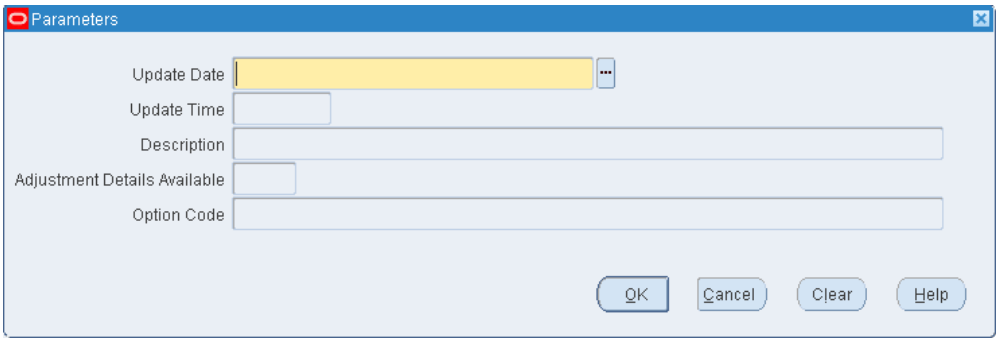
❒ To define, update, or delete cost information, the Privilege to Maintain Cost security function must be included as part of the responsibility.

To purge standard cost update history:

1. Navigate to the Purge Standard Cost History window.



2. Enter the date and time of a standard cost update to purge.



3. Select to purge only the cost update adjustment details available, only the item cost history, or both.

> **Important:** If you choose to purge the item cost history, then note that this impacts the period close summarization values. In the absence of item cost history, the period close summarization process assumes zero as the standard cost for the item at the end of the period that is being summarized.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide* and

Cost Management Security Functions, page 2-83.

Standard Cost Valuation

Inventory and WIP continually update inventory value with each transaction. WIP balances are updated with each related accounting transaction. Inventory subinventory values may be reported when the quantity movement occurs.

Value by Cost Element

Inventory or WIP value is maintained and reported on by distinct cost element (such as material, material overhead, and so on), even if you assign the same general ledger valuation account to each cost element. You can also report WIP value by cost element within specific WIP accounting classes.

Standard Costing

Under standard costing, the value of inventory is determined using the material and material overhead standard costs of each inventory item. If you use Bills of Material, Inventory maintains the standard cost by cost element (material, material overhead, resource, outside processing, and overhead).

Unlimited Cost Types

You can define an unlimited number of cost types and use them with any inventory valuation and margin analysis reports. This allows you to see the potential effects of a cost rollup/update. You can also update your standard costs from any of the cost types you have defined.

When you use Bills of Material with Inventory, you can specify the cost type in explosion reports and report these costs for simulation purposes. See: Defining Cost Types, page 2-13 and Defining Item Costs, page 3-3.

Overview of Standard Cost Variances

This section describes standard cost variances.

Standard Cost Inventory Variances

In general, inventory records purchase price variance (PPV) and recognizes cycle count and physical inventory adjustments as variances.

Purchase Price Variance (PPV)

During a purchase order receipt, Inventory calculates purchase price variance. In general, this is the difference between what you pay the supplier and the item's standard cost. Inventory calculates this value as follows:

PPV = (PO unit price - standard unit cost) x quantity received

Inventory updates the purchase price variance account with the PPV value. If the purchase order price is in a foreign currency, Inventory converts it into the ledger currency of the inventory organization and calculates the purchase price variance. Purchasing reports PPV using the Purchase Price Variance Report. You distribute this variance to the general ledger when you perform the general ledger transfer, or period close.

Invoice Price Variance

In general, invoice price variance is the difference between the purchase price and the invoice price paid for a purchase order receipt. Purchasing reports invoice variance. Upon invoice approval, Payables automatically records Invoice Price Variance, to both invoice price variance and exchange rate variance accounts.

Cycle Count and Physical Inventory

Inventory considers cycle count and physical inventory adjustments as variance.

Distribute these variances to the general ledger when you perform the general ledger transfer or period close.

Related Topics

Overview of Period Close, page 10-1

Standard Cost Transactions, *Oracle Cost Management User's Guide*

Manufacturing Standard Cost Variances

WIP provides usage, efficiency, and standard cost adjustment variances.

Usage and Efficiency Variances

Usage and efficiency variances result when the total costs charged to a job or schedule do not equal the total costs relieved from a job or schedule at standard. Charges occur from issues and returns, resource and overhead charges, and outside processing

receipts. Cost relief occurs from assembly completions, scrap transactions, and close transactions.

You can view these variances in the Discrete Job Value report, the Repetitive Value report, and by using the WIP Value Summary window.

WIP reports usage and efficiency variances as you incur them, but does not update the appropriate variance accounts until you close a job or period. WIP updates the standard cost adjustment variance account at cost update.

Usage and efficiency variances are primarily quantity variances. They identify the difference between the amount of material, resources, outside processing, and overheads required at standard, and the actual amounts you use to manufacture an assembly. Efficiency variance can also include rate variance as well as quantity variance if you charged resources or outside processing at actual.

You can calculate and report usage and efficiency variances based on planned start quantity or the actual quantity completed. You can use the planned start quantity to check potential variances during the job or repetitive schedule. You can use the actual quantity completed to check the variances before the job or period close. Your choice of planned start quantity or actual quantity completed determines the standard requirements. These standard requirements are compared to the actual material issues, resource, outside processing, and overhead charges to determine the reported variance.

WIP calculates, reports, and recognizes the following quantity variances:

Material Usage Variance

The material usage variance is the difference between the actual material issued and the standard material required to build a given assembly, calculated as follows:

standard material cost x (quantity issued - quantity required)

This variance occurs when you over or under issue components or use an alternate bill.

Resource and Outside Processing Efficiency Variance

The resource and outside processing efficiency variances is the difference between the resources and outside processing charges incurred and the standard resource and outside processing charges required to build a given assembly, calculated as follows:

(applied resource units x standard or actual rate) - (standard resource units at standard resource rate)

This variance occurs when you use an alternate routing, add new operations to a standard routing during production, assign costed resources to No - direct charge

operations skipped by shop floor moves, overcharge or undercharge a resource, or charge a resource at actual.

Move Based Overhead Efficiency Variance

Move based overhead efficiency variance is the difference between overhead charges incurred for move based overheads (overhead basis of Item or Lot) and standard move based overheads required to build a given assembly, calculated as follows:

---

applied move based overheads - standard move based overheads

This variance occurs when you use an alternate routing, add operations to a standard routing during production, or do not complete all the move transactions associated with the assembly quantity being built.

Resource Based Overhead Efficiency Variance

Resource based overhead efficiency variance is the difference between overhead charges incurred for resource based overheads (overhead basis of Resource units or Resource value) and standard resource based overheads required to build a given assembly, calculated as follows:

---

applied resource based overheads - standard resource based overheads

---

This variance occurs when you use an alternate routing, add new operations to a standard routing during production, assign costed resources to No - direct charge operations skipped by shop floor moves, overcharge or undercharge a resource, or charge a resource at actual.

Standard Cost Adjustment Variance

Standard cost adjustment variance is the difference between costs at the previous standards and costs at the new standards created by cost update transactions.

Related Topics

Work in Process Cost Update Transactions, page 4-35

Standard Cost Transactions

The following cost transactions can occur in distribution organizations:

- Inter-Organization Transfer Transactions

- Standard Costing Order Management/Shipping Execution Transactions
- Standard Costing Purchasing Transactions

> **Note:** For purchasing related transactions, this table applies to inventory destinations. See: Overview of Receipt Accounting, *Oracle Purchasing User's Guide*.

See: Standard and Average Costing Compared, page 1-8

Purchase Order Receipt to Inventory

When you receive material from a supplier directly to inventory, the receipt and delivery transactions are performed in one step.

First, the Receiving Inspection account is debited and the Inventory A/P Accrual account credited based on quantity received and the purchase order price.

Account	Debit	Credit
Receiving Inspection account @ PO Cost	XX	-
Inventory A/P Accrual account @ PO Cost	-	XX

Next, the Subinventory and Receiving Inspection accounts are, respectively, debited and credited based on the transaction quantity and standard cost of the received item.

Account	Debit	Credit
Subinventory accounts @ standard cost	XX	-
Receiving Inspection account @ PO Cost	-	XX
Debit/Credit Purchase Price Variance		

If your item has material overhead(s), then the subinventory entry is debited for the material overhead and the material overhead absorption account(s) is credited.

Account	Debit	Credit
Subinventory accounts	XX	-
Material Overhead Absorption account	-	XX

Important: If the subinventory account is combined with the above entry, then the material overhead absorption account adds one additional entry.

See: Delivery From Receiving Inspection to Inventory, page 5-35

See: Overview of Receipt Accounting, *Oracle Purchasing User's Guide*

Return To Supplier From Receiving

Use the Receiving Returns and Receiving Corrections windows to return material to suppliers. If you use receiving inspection and have delivered material into inventory, then you must first return the goods to receiving before you can return to your supplier. When items are returned to a supplier from receiving inspection, the Inventory A/P Accrual account is debited and the receiving inspection account is credited, thus reversing the accounting entry created for the original receipt.

See: Entering Returns, *Oracle Purchasing User's Guide*

See: Outside Processing Charges, page 4-41.

Return To Supplier From Inventory

When you do not use receiving inspection, the return to supplier transaction updates the same accounts as the direct receipt to inventory, with reverse transaction amounts. The Inventory A/P Accrual account is debited and the Receiving Inspection account is credited based on quantity received and the purchase order price.

Foreign Currencies

As with the purchase order receipt to inventory transaction, the system converts the purchase order price to the ledger currency and uses this converted value for the return to supplier accounting entries.

See: Entering Returns, *Oracle Purchasing User's Guide*.

Sales Order Shipments

Ship material on a sales order using Oracle Shipping Execution. Here are the accounting

entries generated by a sales order shipment:

Account	Debit	Credit
Deferred Cost of Goods Sold account	XX	-
Subinventory accounts @ standard cost	-	XX

Important: You do not create any accounting information when you ship from an expense subinventory or ship an expense inventory item.

RMA Receipts

You can receive items back from a customer using the return material authorization (RMA) Receipts window. An RMA receipt results in a credit to total COGS (split appropriately between deferred COGS and COGS if necessary), and a debit to inventory.

Account	Debit	Credit
Subinventory accounts at standard cost	XX	-
Cost of Goods Sold Account	-	XX
Deferred Cost of Goods Sold Account	-	XX

This example uses the same account as the original cost of goods sold transaction.

Important: You do not create any accounting entries when you receive material for an RMA for an expense item or expense subinventory.

See: Return Material Authorizations, *Oracle Purchasing User's Guide*.

RMA Returns

You can return items received into inventory through an RMA back to the customer using the RMA Returns window. For example, you can send back (return) an item that

was returned by the customer to you for repair.

This example transaction reverses an RMA receipt. It also mimics a sales order shipment and updates the same accounts as a sales order shipment.

Account	Debit	Credit
Cost of Goods Sold Account	XX	-
Deferred Cost of Goods Sold Account	XX	-
Subinventory accounts @ standard cost	-	XX

The return amount is split between COGS and Deferred COGS. The application returns non-referenced RMA's at the current standard COGS. Referenced RMA's are returned at the original sales order issue cost. This leaves an unallocated balance (variance) that is due to one or more standard cost updates that must have occurred since the original sales order issue. This variance is created using the item COGS account, but the line type is the standard cost update adjustment account. The COGS account should be replaced in subledger accounting (SLA) with an actual standard cost update adjustment account.

> **Important:** Do not create any accounting entries when you return material for an RMA for an expense item or expense subinventory.

See: Return Material Authorizations, *Oracle Purchasing User's Guide*.

Miscellaneous Transactions

Using the Miscellaneous Transaction window, you can issue material from a subinventory to a general ledger account (or account alias) or receive material to a subinventory from an account or alias. An account alias identifies another name for a general ledger account.

> **Tip:** Use account aliases for account numbers that you use frequently. For example, use the alias *SCRAP* for your general ledger scrap account.

Issuing material from a subinventory to a general ledger account or alias generates the following accounting entries:

Account	Debit	Credit
Entered General Ledger Account @ standard cost	XX	-
Subinventory accounts @ standard cost	-	XX

Receiving material to a subinventory from an account or an alias generates the following accounting entries:

Account	Debit	Credit
Subinventory accounts @ standard cost	XX	-
Entered General Ledger Account @ standard cost	-	XX

Expense Subinventories and Expense Items

When you receive into an expense location or receive an expense item, you have expensed the material. If you use the miscellaneous transaction to issue from an expense location, then you can issue to an account or to an asset subinventory if the *INV:Allow Expense to Asset Transfer* profile option in Oracle Inventory is set to Yes. If issued to an account, then the system assumes the material is consumed at the expense location and moves the quantity without any associated value. If transferred to an asset subinventory, the material moves at its current cost.

When you perform a miscellaneous transaction to receive an expense item to either an asset or expense subinventory, no accounting occurs. Because the account balance could involve different costs over time, the system assumes that the cost of the expense item is unknown.

See: Performing Miscellaneous Transactions, *Oracle Inventory User's Guide*

Subinventory Transfers

This transaction increases the accounts of the to subinventory and decreases the from subinventory, but has no net effect on overall inventory value.

If you specify the same subinventory as the fFrom and to subinventory, then you can move material between locators within a subinventory.

Account	Subinventory	Debit	Credit
Subinventory accounts	To	XX	-
Subinventory accounts	From	-	XX

Expense Subinventories and Expense Items

You can issue from an asset to an expense subinventory, but you can transfer from an expense subinventory only if the Oracle Inventory *INV:Allow Expense to Asset Transfer* profile option is set to Yes. The system assumes the material is consumed at the expense location.

See: Transferring Between Subinventories, *Oracle Inventory User's Guide*

Internal Requisitions

You can use the internal requisitions to replenish inventory. You can source material from a supplier, a subinventory within your organization, or from another organization. Depending upon the source that you choose, the accounting entries are similar to one of the proceeding scenarios. However, unlike inter-organization transfers, internal requisitions do not support freight charges.

See: Overview of Internal Requisitions, *Oracle Purchasing User's Guide*

See: Purchase Order Receipt To Inventory, page 4-29

See: Inter-Organization Transfers, page 11-10

See: Subinventory Transfers, page 4-33

Cycle Count and Physical Inventory

Use cycle counting and physical inventory to correct inventory on-hand balances. A cycle count updates the accounts of the affected subinventory and offsets the adjustment account you specify. If you physically count *more than* your on-hand balance, then here are the accounting entries:

Account	Debit	Credit
Subinventory accounts @ standard cost	XX	-

Account	Debit	Credit
Adjustment account @ standard cost	-	XX

If you count *less than* your on-hand balance, then here are the accounting entries:

Account	Debit	Credit
Adjustment account @ standard cost	XX	-
Subinventory accounts @ standard cost	-	XX

Like a cycle count, a physical inventory adjustment also updates the accounts of the affected subinventories and the physical inventory adjustment account you specify.

> **Tip:** Since the standard cost is not stored as you freeze the physical quantities, you should not perform a standard cost update until you have adjusted your physical inventory.

Expense Subinventories and Expense Items

The application does not record accounting entries for expense subinventories or expense items for either physical inventory or cycle count adjustments. However, the on-hand balance of an expense subinventory is corrected if you track the quantities.

See: Overview of Cycle Counting, *Oracle Inventory User's Guide*

See: Entering Cycle Counts, *Oracle Inventory User's Guide*

See: Overview of Physical Inventory, *Oracle Inventory User's Guide*

See: Processing Physical Inventory Adjustments, *Oracle Inventory User's Guide*

See: Updating Pending Costs to Frozen Standard Costs, page 4-13

Manufacturing Standard Cost Transactions

The following cost transactions can occur when Oracle Work in Process is installed:

- Component Issue and Return Transactions
- Move Transactions

- Resource Charges
- Outside Processing Charges
- Overhead Charges
- Assembly Scrap Transactions
- Assembly Completion Transactions
- Job Close Transactions
- Period Close Transactions
- WIP Cost Update Transactions

Component Issue and Return Transactions

Component issue and return transactions can be launched in a variety of ways. See: Component Issue and Return Transaction Options, *Oracle Work in Process User's Guide* and Backflush Transactions, *Oracle Work in Process User's Guide*.

Costing Issue and Return Transactions

Issue transactions increase the WIP valuation and decrease the inventory valuation. Here are the accounting entries for issue transactions:

> **Note:** The accounts in the following tables are the default accounts when standard costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the following default accounts are not used.

Account	Debit	Credit
WIP accounting class valuation accounts	XX	-
Subinventory elemental accounts	-	XX

Here are the accounting entries for return transactions:

Account	Debit	Credit
Subinventory elemental accounts	XX	-
WIP accounting class valuation accounts	-	XX

Subinventory accounts are defined in the Define Subinventories window in Oracle Inventory. WIP elemental accounts are defined in the WIP Accounting Classes window in WIP. See: Defining Subinventories, *Oracle Inventory User's Guide*, Subinventory General Ledger Account Fields, *Oracle Inventory User's Guide*, and WIP Accounting Classes, *Oracle Work in Process User's Guide*.

See: Overview of Material Control, *Oracle Work in Process User's Guide*

Move Transactions

A move transaction moves assemblies within an operation, such as from queue to run, or from one operation to the next. Move transactions can automatically launch operation completion backflushing and charge resources and overheads.

You can perform move transactions using the Move Transactions window, Open Move Transaction Interface window, or the Enter Receipts window in purchasing.

Backflush Material Transactions

With backflushing, issue component material used in an assembly or subassembly by exploding the bills of material. Then multiply the bills of material by the number of assemblies produced.

Move transactions can create operation pull backflush material transactions that issue component material from designated WIP supply subinventories and locators to a job or repetitive schedule. For backflush components under lot or serial number control, assign the lot or serial numbers during the move transaction.

When you move backward in a routing, WIP automatically reverses operation pull backflush transactions. Here are the accounting entries for move transactions:

Account	Debit	Credit
WIP accounting class valuation accounts	XX	-

Account	Debit	Credit
Subinventory elemental accounts	-	XX

Here are the accounting entries for return transactions:

Account	Debit	Credit
Subinventory elemental accounts	XX	-
WIP accounting class valuation accounts	-	XX

Moved Based Resource Charging

As the assemblies you build pass through the operations on their routings, move transactions charge all pre-assigned resources with an auto-charge type of WIP Moveat their standard rates.

You can charge resources based upon a fixed amount per item moved in an operation (item basis) or based upon a fixed lot charge per item moved in an operation (lot basis). For resources with a basis of lot, WIP automatically charges the lot cost upon completion of the first assembly in the operation.

You can also enter manual resource transactions associated with a move, or independent of any moves. You can manually charge resources to a job and repetitive schedule, provided that the job and repetitive schedule has a routing. You can also transact resources through the Open Resource Transaction Interface.

See: Overview of Resource Management, *Oracle Work in Process User's Guide*

See: Charging Resources with Move Transactions, *Oracle Work in Process User's Guide*

See: Backflush Transactions, *Oracle Work in Process User's Guide*

Resource Charges

WIP supports four resource autocharging methods: Manual,WIP Move,PO Move,and PO Receipt.You can charge resources at an actual rate. You can also charge resource overheads automatically as you charge resources.

WIP Move Resource Charges

You can automatically charge resources at their standard rate to a job or repetitive

schedule when you perform a move transaction using either the Move Transactions window or the Open Move Transaction Interface. When you move assemblies from the queue or run intraoperation steps forward to the to move, reject, or scrap intraoperation steps, or to the next operation, WIP charges all pre-assigned resources with an charge type of WIP Moveat their standard rates.

For resources with a basis of item, WIP automatically charges the resource's usage rate or amount multiplied by the resource's standard cost upon completion of each assembly in the operation. For resources with a basis of lot, WIP automatically charges the resource's usage rate or amount multiplied by the resource's standard cost upon completion of the first assembly in the operation.

You can undo the WIP move resource charges automatically by moving the assemblies from queue or run of your current operation to queue or run of any prior operation, or by moving the assemblies from the to move, reject, or scrap intraoperation steps backward to the queue or run intraoperation steps of the same operation, or to any intraoperation step of any prior operation.

WIP applies WIP Move resource transactions to multiple repetitive schedules on a line based on how the assemblies being moved are allocated. WIP allocates moves across multiple repetitive schedules based on a first in, first out basis.

Manual Resource Charges

You can charge manual resources associated with a move transaction or independent of any moves. Manual resource transactions require you to enter the actual resource units applied rather than autocharging the resource's usage rate or amount based on the move quantity. You can charge resources using that resource's unit of measure or any valid alternate. You can manually charge resources to a job or repetitive schedule provided that the job or repetitive schedule has a routing.

If you use the Move Transactions window to perform moves and manual resource transactions at the same time, then WIP displays all pre-assigned manual resources with an charge type of manual assigned to the operations completed in the move. If the resource is a person-type resource, you can enter an employee number.

In addition to the resources that appear, you can manually charge any resource to a job or repetitive schedule, even if you have not previously assigned the resource to an operation in the job or repetitive schedule. You can also manually charge resources to an operation added ad hoc by entering any resource defined for the department associated with the operation. WIP applies manual resource transactions to the first open repetitive schedule on the line.

You can correct or undo manual resource transactions by entering negative resource units worked.

Costing Resource Charges at Resource Standard

Resource charges increase WIP valuation. Here are the accounting entries for resource transactions:

Account	Debit	Credit
WIP accounting class resource valuation account	XX	-
Resource absorption account	-	XX

If Autocharge is set to WIP Move, WIP and labor are charged at standard. There are no resource rate or efficiency variances.

Here are the accounting entries for negative manual resource transactions and backward moves for WIP move resources:

Account	Debit	Credit
Resource absorption account	XX	-
WIP accounting class resource valuation account	-	XX

Costing Labor Charges at Actual

You can charge labor charges at actual in two ways. You can enter an actual rate for the employee using the Open Resource Transaction Interface or when you define employee rates. Here are the accounting entries for labor charges using an actual or employee rate for a resource for which charge standard rate is turned off:

Account	Debit	Credit
WIP accounting class resource valuation account	XX	-
Resource absorption account	-	XX

Any difference between the total labor charged at actual and the standard labor amount is recognized as an efficiency variance at period close.

If the Standard Rates check box is selected and you enter an actual rate for a resource, then the system charges the job or repetitive schedule at standard. If Autocharge is set to Manual and actual rates and quantities are recorded, then a rate variance is recognized immediately for any rate difference. Any quantity difference is recognized as an efficiency variance at period close. Here are the accounting entries for the actual

labor charges:

Account	Debit	Credit
WIP accounting class resource valuation account	XX	-
Resource rate variance account (Debit when actual rate is greater than the standard rate. Credit when the actual rate is less than the standard rate.)	XX	XX
Resource absorption account	-	XX

PO Receipt and PO Move Transactions

You can receive purchased items associated with outside resources from an outside processing operation back into WIP in Oracle Purchasing. For these items, WIP creates resource transactions at the standard or actual rate for all outside resources with an auto charge type of PO receipt or PO move.

See: Overview of Resource Management, *Oracle Work in Process User's Guide*

See: Managing Receipts, *Oracle Purchasing User's Guide*

See: Introduction to Outside Processing, *Oracle Work in Process User's Guide*

Outside Processing Charges

WIP automatically creates resource transactions at the standard or actual rate for all outside processing resources with an charge type of PO Receipt or PO Move when you receive assemblies from an outside processing operation back into WIP, using the Enter Receipts window in Purchasing. For outside processing resources with an charge type of PO Move, WIP also performs a move of the assemblies from the queue or run intraoperation step of your outside processing operation into the queue intraoperation step of your next operation or into the to move intraoperation step if the outside processing operation is the last operation on your routing.

If you assigned internal resources to an outside operation with an charge type of manual, then use the Move Transactions window or the Open Resource Transaction Interface to charges these resources.

If you return assemblies to the supplier, then WIP automatically reverses the charges to all automatic resources associated with the operation. You must manually reverse all manual resource charges using the Move Transactions window. For outside processing resources with an charge type of PO Move, WIP automatically moves the assemblies

from the queue intraoperation step of the operation immediately following the outside processing operation into the queue intraoperation step of your outside processing operation.

If the outside processing operation is the last operation on your routing, then WIP automatically moves the assemblies from the to move intraoperation step to the queue intraoperation step. WIP applies PO Move resource transactions to multiple repetitive schedules on a line based on how the assemblies being moved are allocated. WIP allocates moves across multiple repetitive schedules based on a first in, first out basis. WIP applies PO Receipt resource transactions to the first open repetitive schedule on the line.

Costing Outside Processing Charges at Standard

When you receive the assembly from the supplier, Purchasing sends the resource charges to WIP at either standard cost or actual purchase order price, depending upon how you specified the standard rate for the outside processing resource.

If the Standard Rates option is enabled for the outside processing resource being charged, then the application charges WIP at the standard rate and creates a purchase price variance for the difference between the standard rate and the purchase order price. Here are the accounting entries for outside processing items:

Account	Debit	Credit
WIP accounting class outside processing valuation account	XX	-
Purchase price variance account (Debit when the actual rate is greater than the standard rate. Credit when the actual rate is less than the standard rate.)	XX	XX
Organization Receiving account	-	XX

Any quantity or usage difference is recognized as an outside processing efficiency variance at period close.

The accounting entries for return to supplier for outside processing are:

Account	Debit	Credit
Organization Receiving account	XX	-
Purchase price variance account (Debit when actual rate is less than the standard rate. Credit when the actual rate is greater than the standard rate.	XX	XX
WIP accounting class outside processing valuation account	-	XX

Costing Outside Processing Charges at Actual Purchase Order Price

If the Standard Rates option is disabled for the outside processing resource being charged, then the system charges WIP the purchase order price and does not create a purchase price variance.

Here are the accounting transactions for outside processing charges at purchase order price:

Account	Debit	Credit
WIP accounting class outside processing valuation account	XX	-
Organization Receiving account	-	XX

Any difference from the standard is recognized as a resource efficiency variance at period close.

See: Overview of Shop Floor Control*, Oracle Work in Process User's Guide*

Overhead Charges

Move Based Overhead Charging

WIP automatically charges appropriate overhead costs as you move assemblies through the shop floor. You can charge overheads directly based on move transactions or based on resource charges. For overheads charged based on move transactions with a basis of

item, WIP automatically charges overheads upon completion of each assembly in the operation. WIP automatically reverses these charges during a backward move transaction.

For overheads based on move transactions with a basis of lot, WIP automatically charges overheads upon completion of the first assembly in the operation. WIP automatically reverses these charges during a backward move transaction if it results in zero net assemblies completed in the operation.

Resource Based Overhead Charging

WIP automatically charges appropriate overhead costs as you charge resources. You can charge overheads based on resource units or value. WIP automatically reverses overhead charges when you reverse the underlying resource charge.

Costing Overhead Charges

Overhead charges increase WIP valuation. Here are the accounting entries for overhead charges:

Account	Debit	Credit
WIP accounting class overhead account	XX	-
Overhead absorption account	-	XX

You can reverse overhead charges by entering negative Manual resource charges or performing backward moves for WIP Moveresources. The accounting entries for reverse overhead charges are:

Account	Debit	Credit
Overhead absorption account	XX	-
WIP accounting class overhead account	-	XX

See: Overview of Shop Floor Control, *Oracle Work in Process User's Guide*.

Assembly Scrap Transactions

You can move partially completed assemblies that you consider unrecoverable to the scrap intraoperation step of that operation. If necessary, you can recover assemblies

from scrap by moving them to another intraoperation step. By moving into the scrap intraoperation step, you can effectively isolate good assemblies from bad.

WIP considers a move into the scrap intraoperation step from the queue or run of the same operation as an operation completion, and thus updates operation completion information, backflushes components, and charges resource and overhead costs according to the elemental cost setup.

You can also move assemblies back to the scrap intraoperation step of the previous operation for queue or run if no work has been completed at the current operation.

Costing Assembly Scrap Transactions

When you define WIP parameters, you can specify whether moves into the scrap intraoperation step require a scrap account. If you enter a scrap account or alias when you move assemblies into scrap, then the scrap account is debited and the job or repetitive schedule elemental accounts for the standard cost of the assembly through the scrap operation are credited. This removes the cost of the scrapped assemblies from the job or repetitive schedule. If you do not enter a scrap account or select an alias, then the cost of the scrap remains in the job or schedule until job or period close. If you recover assemblies from scrap, then the scrap account is credited and the job or repetitive schedule elemental accounts for the standard cost of this assembly through this operation are debited. Here are the accounting entries for scrap transactions:

Account	Debit	Credit
Scrap account	XX	-
WIP accounting class valuation accounts @ calculated scrap value	-	XX

The accounting entries for reverse scrap transactions are:

Account	Debit	Credit
WIP accounting class valuation accounts @ calculated scrap value	XX	-
Scrap account @ calculated scrap value	-	XX

Overview of Shop Floor Control, *Oracle Work in Process User's Guide*.

Assembly Completion Transactions

Use the Completion Transactions window, Move Transactions window, and Inventory Transaction Interface to move completed assemblies from WIP into subinventories. Completion transactions relieve the valuation account of the accounting class and charge the subinventory accounts (for example, finished goods) based upon the assembly's elemental cost structure.

Overcompletions

If you have overcompleted a job, it is not necessary to change the job quantity.

However, if you are overcompleting assemblies associated with lot based resources and overheads, these resources and overheads are over-relieved from WIP.

See: Assembly Over-Completions and Over-Moves, *Oracle Work in Process User's Guide* and Move Completion/Return Transactions, *Oracle Work in Process User's Guide*.

Costing Assembly Completion Transactions

Completions decrease WIP valuation and increase inventory valuation at standard costs. Here are the accounting entries for completion transactions:

Account	Debit	Credit
Subinventory elemental accounts	XX	-
WIP accounting class valuation accounts	-	XX

Earning Assembly Material Overhead on Completion

You can assign overheads based on item, lot or total value basis. For standard discrete jobs and repetitive schedules, you can earn these overheads as you complete assemblies from WIP to inventory.

Here are the the accounting entries for material overhead on completion transactions for standard discrete jobs and repetitive schedules:

Account	Debit	Credit
Subinventory material overhead account	XX	-

Account	Debit	Credit
Inventory material overhead absorption account	-	XX

Use non-standard expense jobs for such activities as repair and maintenance. Use non-standard asset jobs to upgrade assemblies, for teardown, and to prototype production. Non-standard discrete jobs do not earn overhead on completion. Because you have already earned overhead to produce the assemblies as you are repairing or reworking, WIP prevents you from double earning material overhead on these assemblies.

Here are the accounting entries for material overhead on completion transactions for non-standard expense and non-standard asset jobs:

Account	Debit	Credit
Subinventory material overhead account	XX	-
WIP accounting class material overhead account	-	XX

> **Note:** This accounting entry does not indicate that the jobs are earning material overhead, but rather that material overhead already in the job from a previous level is being credited. Unlike average costing, non-standard discrete jobs do not earn overhead on completion in standard costing.

See: Completing and Returning Assemblies, *Oracle Work in Process User's Guide*.

Job Close Transactions

Until you close a job or change the status of the job to Complete - No Charges, you can make material, resource, and scrap charges to the job. Closing a discrete job prevents any further activity on the job.

Costing Job Close Transactions

Closing a job calculates final costs and variances. The actual close date that you specify determines the accounting period that WIP uses to recognize variances. You can back date the close to a prior open period if desired.

The close process writes off the balances remaining in the WIP elemental valuation accounts to the elemental variance accounts that you defined by accounting class, leaving a zero balance remaining in the closed job.

If there is a positive balance in the job at the end of the close, here are the accounting entries for a job close:

Account	Debit	Credit
WIP accounting class variance accounts	XX	-
WIP accounting class valuation accounts	-	XX

Period Close Transactions - Standard Costing

The period close process in Inventory recognizes variances for non-standard expense jobs and repetitive schedules. It also transfers the WIP period costs to the general ledger.

Costing Nonstandard Expense Job Period Close Transactions

You can close discrete jobs and recognize variances for non-standard expense jobs at any time. In addition, the period close process automatically recognizes variances on all non-standard expense job charges incurred during the period. Therefore, open non-standard expense jobs have zero WIP accounting balances at the start of a new period.

If there is a positive balance in the job at the end of the period, here are the accounting entries for nonstandard expense jobs at period close:

Account	Debit	Credit
WIP accounting class variance accounts	XX	-
WIP accounting class valuation accounts	-	XX

Costing Repetitive Schedule Period Close Transactions

You do not *close* a repetitive schedule. However, you do recognize variances on a period basis that result in zero WIP accounting balances at the start of the new period. You

should check your transactions and balances using the Repetitive Value Report before you close a period.

When you define WIP parameters, you can specify which repetitive schedule variances that you recognize when you close an accounting period. You can either recognize variances for all repetitive schedules when you close an accounting period, or recognize variances for those repetitive schedules with statuses of either Complete - No Charges or Cancelled.

Assuming positive balances in the repetitive schedules at the end of the period, here are the accounting entries for repetitive schedules at period close:

Account	Debit	Credit
WIP accounting class variance accounts	XX	-
WIP accounting class valuation accounts	-	XX

See: Overview of Period Close, page 10-1,

Overview of Discrete Job Close, *Oracle Work in Process User's Guide*, and

Defining WIP Parameters, *Oracle Work in Process User's Guide*.

Work in Process Standard Cost Update Transactions

The standard cost update process revalues standard and non-standard asset discrete jobs and updates pending costs to frozen standard costs. Repetitive schedules and non-standard expense jobs do not get revalued by the cost update.

The cost update creates accounting transactions by job and cost element valuation account. Each standard and non-standard asset discrete job is updated using the following formula:

Standard cost update adjustment = [new costs in (material, resource, outside processing, and overhead charges) - new costs out (scrap and assembly completion charges)] - [old costs in (material, resource, outside processing, and overhead charges) - old costs out (scrap and assembly completion charges)]

If the result of the cost update is an increase in the standard cost of the job, here are the accounting entries for a cost update transaction:

Account	Debit	Credit
WIP accounting class valuation accounts	XX	-
WIP Standard cost adjustment account	-	XX

If the result of the cost update is a decrease in the standard cost of the job, here are the accounting entries for a cost update transaction:

Account	Debit	Credit
WIP Standard cost adjustment account	XX	-
WIP accounting class valuation accounts	-	XX

When the cost update occurs for open jobs, standards and WIP balances are revalued according to the new standard, thus retaining relief variances incurred up to the date of the update.

5

Average Costing

Overview of Average Costing

Under average cost systems, the unit cost of an item is the average value of all receipts of that item to inventory, on a per unit basis. Each receipt of material to inventory updates the unit cost of the item received. Issues from inventory use the current average cost as the unit cost.

By using Oracle Cost Management's average costing method, you can perpetually value inventory at an average cost, weighted by quantity (inventory value = average unit cost * quantity).

For purchased items, this is a weighted average of the actual procurement cost of an item. For manufactured items, this is a weighted average of the cost of all resources and materials consumed.

> **Note:** Weighted average costing cannot be applied to repetitively manufactured items. Therefore, you cannot define repetitive schedules in an organization that is defined as a manufacturing average cost organization.

This same average cost is used to value transactions. You can reconcile inventory and WIP balances to your accounting entries.

> **Note:** Under average costing, you cannot share costs; average costs are maintained separately in each inventory organization.

Average costing enables you to:

- Approximate actual material costs
- Value inventory and transact at average cost

- Maintain average costs
- Automatically interface with your general ledger
- Reconcile inventory balances with general ledger
- Analyze profit margins using an *actual* cost method

Inventory allows negative on-hand quantity balances without adversely affecting average costs.

Charge Resources to WIP at Actual Cost

You can charge WIP resources at an actual rate. You can charge the same resource at different rates over time. You can also charge outside processing costs to a job at the purchase order unit cost.

Complete Assemblies at an Average Cost

When you complete assemblies into inventory, costs are relieved from WIP, and inventory is charged using a cost that is calculated based upon a combination of several options.

Inventory Valued at Average Cost

Under average costing, all asset purchased items in inventory are valued based on their purchase order cost. This results in item unit costs that reflect the weighted average of the purchase order unit costs for all quantity onhand.

There is only one average unit cost for each item in an organization. The same item in multiple subinventories within the same organization has the same unit cost.

Perpetual Recalculation of Unit Cost

For the following transactions, the transaction unit cost may be different from the current unit cost for an item:

- Purchase order delivery to subinventory
- Return to vendor
- Transfer between organizations where the receiving organization uses average costing
- Miscellaneous and account receipts
- Miscellaneous and account issues

- Average cost update
- Assembly completion

In such cases, after the transaction has been processed, the item's unit average cost is automatically recalculated. As a result, at any time, inventory is valued at a current, up-to-date average unit cost.

See: Average Cost Transactions, page 5-32.

This Level/Previous Level Elemental Costs

Elemental costs for manufactured items are kept at two levels: this level and previous level. This level costs are those costs incurred in producing the part at the current bill of material level. Previous level costs are those incurred at lower levels. This level costs might include labor and overhead supplied to bring an assembly to a certain state of completion. Previous level costs might include material and labor and outside processing costs incurred to bring an item to its current state of completion. Totals costs for an item are calculated by summing this level and previous level costs as shown in the following table.

Example of This Level and Previous Level Costs

Costs in Dollars	Material	Material Overhead	Resource	Outside Processing	Overhead
Previous Level	100	20	25	27	5
This Level	0	2	3	3	1
Total Costs	100	22	28	30	6

Cost Element Visibility

For tracking and analysis purposes, you can see cost details by cost element in two ways:

- For unit costs, as a breakout of the total unit cost into each of the five cost elements. From this detail, you can determine the value of labor, overhead, and material components in inventory.
- For WIP, as all job charges (including previous level subassemblies) and relief in cost element detail.

Average Cost Updates

When you update average costs, items in all asset subinventories in your organization and inventory in intransit that is owned by your organization are updated (revalued) by changing the unit cost to the new specified cost.

You can change costs by cost element and can choose one, several, or all cost elements at the same time. The offset to the change in inventory value resulting from a cost update is posted to the average cost adjustment account that you specify. Items in WIP are not revalued by an average cost update, nor are expense items or any item in an expense subinventory. See: Updating Average Costs, page 5-16.

Material Overhead Application

You can add costs (receiving, stocking, material movement, and handling) using material overhead. You can define as many material overheads as required and include that additional cost in the average unit cost.

Material overheads are associated to items on an item-by-item basis. As in standard costing, you can define default material overheads to apply to selected categories of items or all items in your organization.

Specifically, you can charge material overhead when you perform any of the following three transactions:

- Deliver purchased items to subinventory
- Complete assemblies from WIP to subinventory
- Receive items being transferred from another organization and deliver to subinventory

Material overhead is applied at the rate or amount in effect at the time of the transaction. On-hand balances are not revalued when the rate or amount of a material overhead is redefined.

Transaction and Cost Processing

You can set up the transaction processor, which affects current on-hand quantities of items, to run either periodically (in the background) or on line (quantities updated immediately). Oracle strongly recommends that you set the transaction processor to run on line. The cost processor is always run in the background at user-defined intervals.

Transaction Backdating

You can backdate transactions. If you backdate transactions, the next time transactions are processed, the backdated transactions are processed first, before all other unprocessed transactions. Previously processed transactions, however, are not rolled

back and reprocessed.

Setting Up Average Costing

Follow the steps in this section to set up perpetual average costing.

Steps previously covered in the Setup Prerequisites or the Setup Checklist are mentioned here only if there is setup information that is specific to average costing.

The following steps are required when setting up average costing. Additional steps follow in the next section for those also using Bills of Material (BOM) alone or WIP and BOM together.

Overview of Setting Up Cost Management, page 2-2

Setup Checklist, page 2-7

Prerequisites

❒ Define organization parameters. See: Organization Parameters Window, *Oracle Inventory User's Guide*.

- Costing Method is set to Average
- Transfer Detail to GL is appropriately set
- (Optional) Default Material Subelement account

❒ Define material overhead defaults.

❒ Define item and item costs, and establish item cost controls. See: Overview of Item Setup and Control, *Oracle Inventory User's Guide*.

❒ Launch transaction managers.

To set up average costing:

1. Set the Control Level for your items to Organization. Organizations cannot share average cost.

2. Define, at minimum, one cost type to hold the average rates or amounts for material overhead rates. See: Defining Cost Types, page 2-13.

   Inventory valuation and transaction costing in an average cost organization involve two cost types: Seeded: Average and User-Defined: Average Rates.

3. Assign the cost type defined in the last step as the Average Rates Cost Type in the Organization Parameters window in Oracle Inventory. See: Organization Parameters Window, *Oracle Inventory User's Guide* and Defining Costing

Information, *Oracle Inventory User's Guide*.

4. Set the *TP: INV:Transaction Processing Mode* profile option in Oracle Inventory to On-line processing.

   When using average costing, you must properly sequence transactions so that the application uses the correct costs to value transactions and calculate unit costs. Proper transaction sequencing can only be ensured if all transaction processing occurs on line. See: Inventory Profile Options, *Oracle Inventory User's Guide*.

Setting Up Average Costing for Manufacturing

In addition to the preliminary steps in the previous section, the following steps are required to use perpetual average costing with BOM alone or with WIP and BOM together.

Prerequisites

❒
- Set the *INV:Transaction Date Validation* profile option to *Do not allow past date.* See: Inventory Profile Options, *Oracle Inventory User's Guide*.

- Define bills of material parameters. See: Defining Bills of Material Parameters, *Oracle Bills of Material User's Guide*.

  Defining bills of material parameters ensures that bill and routing information (resource, outside processing, and overhead cost elements) is accessible when you define item costs and overhead.

- Define resources. See: Defining a Resource, *Oracle Bills of Material User's Guide*

  You define resource subelements by creating resources, departments, bills, and routings with Bills of Material.

  Resources can be costed or not costed. Because you can have multiple resources per operation, you can use a non-costed resource for scheduling and a costed resource for costing. The cost update process and accounting transaction processing ignore uncosted resources.

  For each resource, the charge type determines whether the resource is for internal (labor, machine, and such) or outside processing. Use PO Move and PO Receipt charge types for outside processing. Each resource has its own absorption account and variance account.

- Define departments. See: Defining a Department, *Oracle Bills of Material User's Guide*

- Assign resources to departments. See: Creating a Routing, *Oracle Bills of Material User's Guide*

For capacity planning and overhead assignment purposes, you must assign each resource to one or more departments. Once you assign a resource, you can select that resource when you define a routing.

- Define overheads and assign to departments. See: Defining Overhead, page 2-22

  The cost processor uses the assigned basis type to apply the overhead charge and to assign the activity to the calculated overhead cost. You can define pending rates and use the cost update process to specify the pending rates as the Average Rates cost type.

- Review routing and bill structures. See: Overview of Bills of Material, *Oracle Bills of Material User's Guide* and Overview of Routings, *Oracle Bills of Material User's Guide*

- Control overheads by resource.

  For overheads based on resource units or resource value, you must specify the resources on which the overhead is based. You can then charge multiple resources in the same department for the same operation, while still earning separate overhead for each resource. If you do not associate your overheads and resources, then you do not apply overhead or charge resource-based overhead in WIP.

- Confirm that the WIP parameters, *Recognize Period Variance* and *Require Scrap Account* are set as required.

- Confirm that your WIP accounting classes and their valuations and accounts are properly set up. See: WIP Accounting Classes, *Oracle Work in Process User's Guide* and Defining WIP Accounting Classes, *Oracle Work in Process User's Guide* .

  If you use the same account numbers for different valuation and variance accounts, Cost Management automatically maintains your inventory and WIP values by cost element. Even if you use the same cost element account for inventory or a WIP accounting class, Oracle recommends that you use different accounts for each and never share account numbers between subinventories and WIP accounting classes. If you do, then you will have difficulty reconciling Inventory and WIP valuation reports to your account balances.

To set up average costing with BOM and WIP:

1. In addition to setting the *TP: INV:Transaction Processing Mode* profile option in Oracle Inventory to On-line processing, you must also set the following WIP transaction processing profile options to On-line:

   - TP:WIP:Completion Transactions Form

- TP:WIP:Material Transactions Form
- TP:WIP:Move Transaction
- TP:WIP:Operation Backflush Setup
- TP:WIP:Shop Floor Material Processing

  See: Inventory Profile Options, *Oracle Inventory User's Guide*

  See: Profile Options, *Oracle Work in Process User's Guide*

2. Define rates for your resources and associate these resources and rates with the Average rate cost type. See: Defining a Resource, *Oracle Bills of Material User's Guide*.

   Unlike under standard costing, charging a resource defined as a Standard rate resource does not create rate variances. For each resource, the charge type determines whether the resource is for internal (labor, machine, and such) or outside processing. Use PO Move and PO Receipt charge types for outside processing. Each resource has its own absorption account and variance account.

3. Define overheads and assign them to departments. See: Defining Overhead, page 2-22.

   For each overhead subelement, define a rate of amount in the cost type that you have specified as the average rates cost type. Overheads with a basis type of Resource Units or Resource Value use the actual transaction resource amount or hours to calculate the overhead amount. The cost processor uses the assigned basis type to apply the overhead charge and assigns the activity to the calculated overhead cost. You can define pending rates and use the cost update process to specify the pending rate as the Average Rates cost type.

4. Define WIP parameters. See: Defining WIP Parameters, *Oracle Work in Process User's Guide*.

   You can use the *Require Scrap Account* parameter to determine whether a scrap account is mandatory when you move assemblies into a scrap intraoperation step. Requiring a scrap account relieves scrap from the job or schedule. Not requiring a scrap account leaves the cost of scrap in the job or schedule.

   If the Require Scrap Account is set to *No*, scrap costs remain in the job. See the following sections from *Oracle Work in Process User's Guide*: WIP Parameters, Assembly Scrap, and Scrapping Assemblies.

   You must set the appropriate average costing parameters (Default Completion Cost Source, Cost Type, Auto Compute Final Completion, and System Option) to determine how completions are charged.

   Applying these parameters is explained in the Assembly Completion Transaction and Resource Transaction sections.

5. Define WIP accounting classes. See: WIP Accounting Classes, *Oracle Work in Process User's Guide* and Defining WIP Accounting Classes, *Oracle Work in Process User's Guide*.

   Accounting classes determine which valuation and variance accounts are charged and when. You can define the following elemental accounts for WIP accounting classes that are used with average costing: material, material overhead, resource, outside processing, overhead, material variance, resource variance, outside processing variance, overhead variance, bridging, and expense accounts. See: WIP Valuation and Variance Accounts, *Oracle Work in Process User's Guide*.

   > **Note:** If you use the same account numbers for different valuation and variance accounts, Cost Management automatically maintains your inventory and WIP values by cost element even if you use the same cost element account in a given subinventory or WIP accounting class. Oracle recommends that you use different accounts for each and never share account numbers between subinventories and WIP accounting classes. If you do, you will have difficulty reconciling Inventory and WIP valuation reports to your account balances.

6. Define subinventories and subinventory valuation accounts.

   The five Valuation accounts and the Expense account are defined at the organization level. The valuation accounts apply to each subinventory and intransit within the organization. You cannot change these accounts at the subinventory level under average costing. The expense account defaults to each subinventory within the organization and you can override it. You can choose a different valuation account for each cost element, or use the same account for several or all elements.

   How you set up your accounts determines the level of elemental detail in the General Ledger and on Inventory valuation reports. See: Defining Subinventories, *Oracle Inventory User's Guide*.

Average Costing Flows

The following sections discuss transaction flows that occur when transacting jobs in an average costing organization.

- Labor Charges
- Overhead Charges
- Component Issues
- Material Overhead Charges

- Scrap Charges
- Assembly Completions
- Assembly Returns
- Job Closures and Cancellations
- Average Cost Update

Labor Charges to WIP

You can charge person-type resources to jobs either at a predefined labor rate or at the actual labor rate. If you choose to charge labor at the predefined rate, move transactions that complete an operation automatically charge WIP Move resources associated with that operation at the resource's rate as defined in the Average Rates cost type. Resource rates are associated with cost types when you define resources. If you choose to charge labor at an actual employee rate, you can enter an employee rate as you charge manual resources. You can charge labor at either an actual or a predefined rate if you choose to import resource transaction through the Open Resource Cost Interface.

A predetermined number of labor hours can be charged by adding a WIP Move resource to a routing operation, or you can charge the actual hours to a manual resource by either:

- Entering the actual hours as assemblies are moved
- Entering the actual hours as part of an independent resource transaction
- Importing resource transactions through the WIP Resource Cost Transaction Interface

See: Charging Resources with Move Transactions, *Oracle Work in Process User's Guide*, Charging Resources Manually, *Oracle Work in Process User's Guide*, and Open Resource Transaction Interface, *Oracle Work in Process User's Guide*.

Resource labor transactions are valued at the rate in effect at the time of the transaction no matter whether the predefined average rate or actual labor rate method is used. As a result, when the same labor subelement or employee is charged to the same job at different times, different rates may be in effect.

Overhead Charges to WIP

For each overhead subelement, define a rate or amount in the cost type you have specified as the Average Rates cost type.Overheads with a basis type of Resource Units or Resource Value use the actual transaction resource amount or hours to calculate the overhead amount. See: Defining Overhead, page 2-22.

Components Issued to WIP

Component items can be defined as push or pull requirements on your jobs. Components issued to jobs are valued at the inventory average cost in effect at the time of the transaction. Components issued to a job in several different transactions may have different unit costs for each transaction. If a component's unit cost is composed of more than one cost element, this elemental detail continues to be visible after it is charged to a job. These costs are held and relieved as previous level costs.

Material Overhead Application

Define as many material overhead subelements as desired and base their charging in a variety of ways: by item, activity or lot, or based on transaction value. See: Defining Overhead, page 2-22.

When defining item costs, you can associate material overhead(s) to items and define the rate / amount manually using the Average Rates cost type. Once defined, the material overhead(s) are applied whenever the particular item is involved in an applicable transaction. These overheads can be changed at any time. Making a change affects future transactions, but has no impact on the current unit cost in inventory. See: Defining Item Costs, page 3-3.

For purchase order receipts and transfers between organizations, the material overhead amount earned is added to the purchase order cost / transfer cost of the item (but held as a separate cost element) when it is delivered to inventory. For assembly completions, the material overhead amount earned is added to the cost of the completion in inventory, but is never charged to the job.

Material Overhead Defaulting

For ease in assigning material overheads to items, you may choose to default them when an item is first defined rather than manually associating them item by item. This is done in average costing the same as in standard costing. Defaults may be created to apply at the organization level or at an item category level. Within either of those, the default may be chosen to apply to make or buy items only, or to all items.

If more than one rate or amount is defined for the same material overhead subelement, the order of priority is: category level make or buy items, category level all items, organization level make or buy items, organization level all items; with the higher priority rate / amount taking precedence and overriding any other. If you wish to apply more than one material overhead, you must use different subelements. When you change material overhead defaults, that change you make applies only to items defined later; there is no impact to existing items. See: Defining Material Overhead Defaults, page 2-40.

Assembly Scrap

The WIP Require Scrap Account parameter determines how assembly scrap is handled. If you enter a scrap account as you move assemblies into scrap, the transaction is costed by an algorithm that calculates the cost of each assembly through the operation at which the scrap occurred; the scrap account is debited and the job elemental accounts are credited. If you do not enter a scrap account, the cost of scrap remains in the job. If the job is then completed using the final completion option in the Completion Transactions window, the cost is included in the finished assembly cost. Otherwise, the cost is written off as a variance when the non-standard asset and standard discrete jobs are closed and at period close for non-standard expense jobs.

If you enter a scrap account as you move assemblies out of a Scrap intraoperation step, the above accounting transactions are reversed.

Assembly Completions Out of WIP

When finished assemblies are completed from a job to inventory, they are costed according to the *Completion Cost Source:* either *User Defined* or *System Calculated*.

Set the default for the *Completion Cost Source* through the *Default Completion Cost Source* parameter in the WIP Parameters window.

These parameters are the defaults in the WIP Accounting Class window as you define standard and non-standard discrete accounting classes.

If you choose System Calculated, you must then choose a system option, either *Use Actual Resources* or *Use Pre-defined Resources.* The system option determines how the system calculates costs.

If you chose User Defined, you must choose a cost type.

The Default Completion Cost Source parameter can be overridden, but in the case of System Calculated, not the system option. If it is necessary to use both system options, you should set the Default Cost Source parameter to User Defined, override this parameter to System Calculated and choose a system option for each WIP accounting class.

User defined	You must ensure that the item specified cost type rolls up correctly before completing an assembly item using this method. In other words, all component and this-level resource and overhead details have been defined. To value the unit(s) being completed using this method, you must predefine a cost in a user-designated cost type and specify that cost type. Select this method to use the current average cost of the assembly or a target cost. Then use a final completion to flush all (positive) unrelieved costs at the end of the job.
System calculated	You must select a system option. The options are as follows: *Use Actual Resource*s*:* The unit cost to be relieved from the job is calculated based on actual job charges and is charged to inventory as each unit is completed. This algorithm costs the completions using a prorated amount of actual resources charged to the job and material usages as defined on the assembly bill, multiplied by the average unit costs in the job. Note that for completions out of a nonstandard job having no routing, this algorithm selects the unit cost from the Average cost type. This method works best for jobs that have resources charged in a timely manner. *Use Pre-defined resour*ces*:* Resource costs are relieved from the job based on the job routing resource usages. This option works best for jobs with accurate routings.

No matter which method is used, job assemblies completed in the same transaction have the same unit cost.

As part of a completion transaction, the unit cost of the assembly in inventory is recalculated when it is different from the unit cost used in the completion transaction.

> **Note:** You cannot complete assemblies to more than one subinventory in the same transaction.

Overcompletions

If you have overcompleted a job, then it is not necessary to change the job quantity.

However, if you have chosen the *Use Predefined Resources* system option and are

overcompleting assemblies associated with lot based resources and overheads, then these resources and overheads are over-relieved from WIP. You can avoid this problem by selecting the *Use Actual Resources* system option. See: Assembly Over-Completions and Over-Moves, *Oracle Work in Process User's Guide* and Work in Process, Move Completion/Return Transactions, *Oracle Work in Process User's Guide*.

Final Completion

The Final Completion option check box in the WIP Assembly Completion window allows an additional costing option for the assemblies currently being completed:

Enabled: Costs these assemblies by taking the current job balances and spreading them evenly over the assembly units being completed or taking them to variance.

Disabled : Costs these assemblies according the Completion Cost Source method set.

Final completions ensure that no positive or negative residual balances are left in the job after the current assembly has been completed.

> **Note:** Use of the final completion option is unrelated to whether or not this is the last completion of the job.

The WIP Auto Compute Final Completion parameter setting determines whether the Final Completion option check box defaults to checked (enabled) or unchecked (disabled):

> **Note:** When the last assembly in a job is a scrap, a residual balance may remain in the job regardless of how you have chosen to deal with assembly scrap (see Assembly Scrap paragraph above), because the above routine for clearing the job balance is not invoked.

Assembly Returns

If you return completed assemblies back to a job, the assemblies being returned are valued at the average cost of all completions in this job (net of any prior completion reversals), if the completion cost source is *System Calculated*. This is true for both the *Use Pre-Defined Resources* option and the *Use Actual Resources* option. If the completion cost source is *User-defined*, then the assembly is returned at the User-defined costs.

WIP Job Closures and Cancellations

Variance accounts are defined for each standard and non-standard discrete WIP accounting class. Any balance remaining in a job after it has been closed is written off elementally to these accounts.

Just prior to job closure, either all costs in the job have been relieved, leaving a zero balance, or a balance will be left in the job. If the job was completed, all units required

were either completed or rejected / scrapped, and the Final Completion option was used, the job balance is zero. The final units completed have absorbed all remaining job costs into their value.

However if the job balance is not zero, it is written off to the elemental variance accounts defined for the job's WIP accounting class. A residual job balance may remain under the following conditions:

- On the element by level, the job was over-relieved, resulting in a negative net activity for that element by level in the WIP Value Summary
- All assemblies were completed but the final completion was not used
- A late transaction was posted after the completions
- The job was cancelled and closed short (not all assemblies were completed / rejected)

The elemental account for the job's WIP accounting class should be different from the Average Cost Variance account.

Average Cost Variances

Define this account in organization parameters. All variances occurring in any subinventory within an organization are charged to the same account. This account is charged if you choose to allow negative quantities in inventory or a transaction results in a negative amount in inventory for one or more cost elements of an item. See: Average Cost Variances, page 5-31.

Miscellaneous Issues

A transaction unit cost can be entered when performing a Miscellaneous Issue. Because entering a cost that is significantly different from the current average can cause large swings in the unit cost of remaining on-hand inventory, you should not allow the cost to be entered.

Average Cost Update

You can manually change the average cost of an item by performing an Average Cost Update transaction. See: Updating Average Costs, page 5-16.

> **Note:** Average cost updates should be performed only to correct transaction costing errors affecting items in subinventory. If the cost error originates from a WIP issue transaction, the impacted quantities must be returned to a subinventory, corrected there, then reissued to WIP after the update is completed.

Updating Average Costs

For average cost organizations only, you can directly update the average cost of items to include additional costs, such as freight, invoice price variances, or job variances. You can update one or more cost elements or levels (this and previous) individually or to the total unit cost. Any change made to the total unit cost is spread to all cost elements and levels in the same proportion as existed prior to the update.

> **Note:** Average cost updates that fail can be viewed and resubmitted, using the View Material Transactions window from the Cost function. See Error Resubmission, page 3-28.

You can make the following three types of updates:

- A new average cost - enter the new cost by cost element and level (and the new total unit cost is automatically calculated), or enter a new total cost (the amount of change will automatically be proportioned across all cost elements and levels); on-hand inventory in all subinventories in the cost group will be revalued. If you are updating the cost of an item in common inventory, the cost of that item in intransit owned by the current organization will also be updated.

- The percentage change in the unit cost - select cost element(s) and level(s) to adjust up or down (and the new total unit cost will be automatically calculated), or adjust the total (the percentage change will automatically be applied to all cost elements and levels); on-hand inventory in all subinventories in the cost group will be revalued.

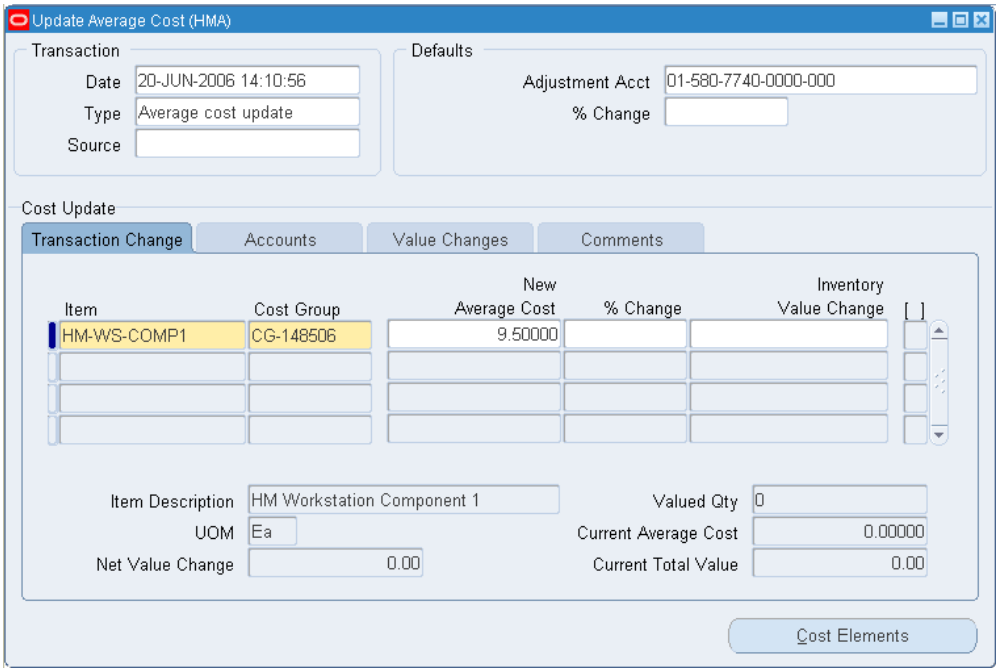
- The value change by which on-hand inventory is to be incremented or decremented - select cost element(s) and level(s) to be adjusted or adjust the total and the system will revalue on-hand inventory by that amount and recalculate the item's average cost for the cost group. You cannot change the average cost in this way unless the item has quantity on hand.

  > **Note:** Average cost update transactions are inserted into the Open Item Interface in Oracle Inventory. Update transaction details can be viewed using the Transaction Interface Details window. This window is accessed using the Cost Detail button from the Oracle Inventory Transaction Interface window. See: Viewing and Updating Transaction Open Interface, *Oracle Inventory User's Guide*.

See: Oracle Inventory Open Interfaces, *Oracle Manufacturing, Distribution, Sales and Service Open Interfaces Manual.*

To update total unit average costs:

1. Navigate to the Update Average Cost window.



   Select a transaction date.

   You can select any date within an open period, up to and including the current date.

2. Select the Average cost update in the Type field.

3. Optionally, select a Source type for the transaction.

   Source types define origins for transactions.

4. Select an average cost update Adjustment Account.

   If you increase average costs, then debit your subinventory accounts and credit the specified adjustment account. If you decrease average costs, then the reverse adjustments are generated.

   You must select an Adjustment Account.

5. If you are updating costs using a percentage change, then enter a default to use as the percentage change for individual item costs.

6. Select the item for the average cost update.

7. Select a Cost Group.

If the Project References Enabled and Project Cost Collection Enabled parameters are set in the Organization Parameters window in Oracle Inventory, you can select a cost group. See: Organization Parameters Window, *Oracle Inventory User's Guide*

If these parameters are not set, the organization's default cost group is used.

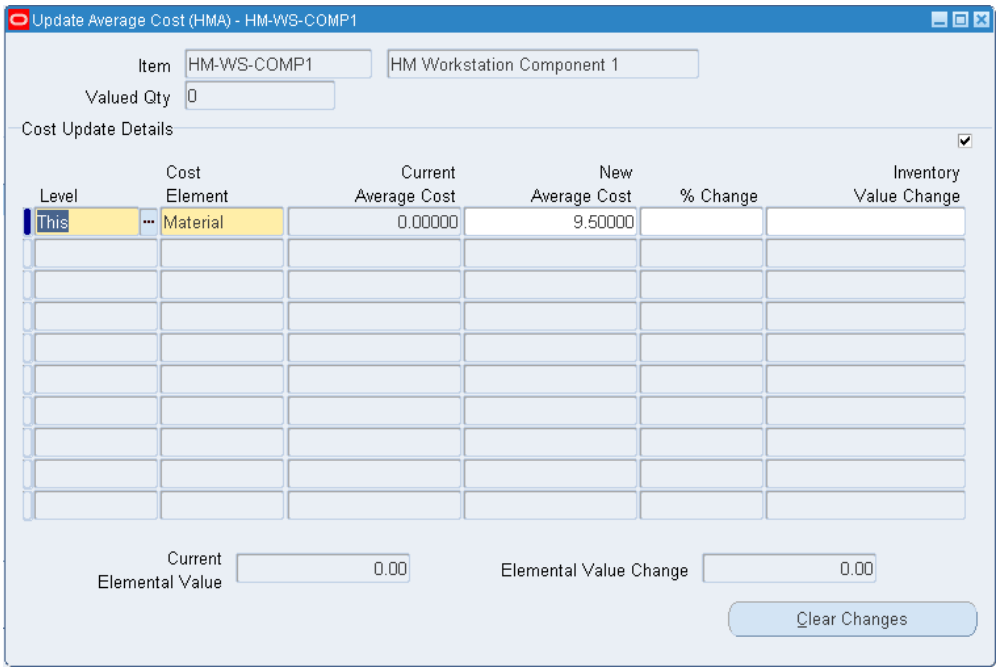
8. Update the total unit average cost. Do one of the following:
   - Enter a New Average Cost. This value cannot be negative. On-hand inventory in all subinventories and intransit are revalued.
   - Enter a percentage change in the item's average cost. The item cost is updated by this percentage value. On-hand inventory in all subinventories and intransit is revalued.
   - Enter the amount to increase or decrease the current on-hand inventory value. To decrease the value, enter a negative amount. However, you cannot enter a value that drives the inventory value negative.

     On-hand inventory is revalued by this amount and the item's average cost is recalculated by dividing the on–hand quantity into the new inventory value. You cannot change the average cost value by this method unless the item has quantity on–hand.

     The offset to the inventory revaluation in all cases above is booked to the average cost adjustment account(s) specified at the time the update is performed.
9. Open the Value Change tabbed region and review the change in inventory value.
10. Optionally, open the Comments tabbed region and enter a reason for the transaction. Use a reason code to classify or explain the transaction.
11. Optionally, enter up to 240 characters of reference text.
12. Optionally, choose Cost Elements to update average costs by element by level.

To update average costs by element and / or level:

1. Navigate to the Cost Elements window. choose the Cost Elements button from the Update Average Costs window.



2. For each level and / or element, do one of the following:

   - Enter a New Average Cost. On–hand inventory in all subinventories and intransit is revalued.

   - Enter a percentage change in the item's average cost. The item cost is updated by this percentage value. On–hand inventory in all subinventories and intransit is revalued.

   - Enter the amount to increase or decrease the current on–hand inventory value. On–hand inventory is revalued by this amount and the item's average cost is recalculated by dividing the on–hand quantity into the new inventory value. You cannot change the average cost value by this method unless the item has quantity on–hand.

   The offset to the inventory revaluation in all cases above is booked to the average cost adjustment account(s) specified at the time the update is performed.

3. Save your work.

Related Topics

Overview of Average Costing, *Oracle Cost Management User's Guide*

Transaction Types, *Oracle Inventory User's Guide*

Defining and Updating Transaction Source Types, *Oracle Inventory User's Guide*

Defining Transaction Reasons, *Oracle Inventory User's Guide*

Transferring Invoice Variance

You can transfer variances between purchase order price and invoice price back to inventory, from your user-defined adjustment account, usually an IPV account. This lets you value your inventory at costs as close to actual as possible.

The transfer process picks up only invoices that have been posted to GL to ensure that the invoices are approved for payment, and that variances can be added back to inventory.

> **Note:** Support for Project Manufacturing: If the IPV transfer is for material belonging to a specific project, only that project's inventory will be revalued and its item costs reaveraged.

For any open period, you can specify the date of the IPV transfer. You can override the default date for each transaction on the Transaction Open Interface form before submitting them for update.

You can only run the transfer process for one organization at a time.

You can only specify one adjustment account when running this transfer process. You can make changes to the material account for each adjustment transaction on the Transaction Open Interface form.

> **Note:** The Invoice Variance Transfer is listed as an average cost update in the Item Cost History or View Material Transaction inquiry.

Navigate to Transfer Invoice Variance:

1. Select Transfer Invoice Variance to Inventory Valuation.
2. Select following parameters:
   - Transfer Description (Optional)
   - Item Range
   - Specific Item
   - Category Set
   - Specific Category
   - Invoice Option

- Specific Project
- Adjustment Account
- Invoice Cutoff Date
- Automatic Update

  If you choose Yes, then the process automatically updates the inventory.

  If you choose No, then the process creates cost update open interface transactions and submits them to the Inventory Interface Manager. You can then run the Invoice Transfer to Inventory Report, review it, and submit transactions using the Inventory Transaction Open Interface manager. See: Viewing and Updating Transaction Open Interface Activity, *Oracle Inventory User's Guide*.

3. Choose OK.
4. Choose Submit.

Related Topics

Invoice Transfer to Inventory Report, *Oracle Cost Management User's Guide*

Oracle Manufacturing, Distribution, Sales and Service Open Interfaces Manual

Average Cost Recalculation

This section discusses those transactions that change the average unit cost and those transactions that use the average unit cost without changing it.

Moving Average Cost Formula

Inventory uses the following formula to recalculate the average cost of an inventory asset item:

---

average cost = (transaction value + current inventory value) / (transaction quantity + current on-hand quantity)

The following transactions use the above formula to update the average unit cost of an item:

- Receipt to inventory
- Inter-organization receipt

- Receipt from account
- Issue to account
- Return to supplier
- Return from Customer (RMA receipt)
- Other transactions
- Negative inventory balances

Receipt to Inventory

This includes both purchase order receipts to inventory and deliveries to inventory from receiving inspection. This does *not* include receipts to receiving inspection, which do *not* update the average cost. Inventory calculates the transaction value as follows:

transaction value = purchase order price x transaction quantity

If the purchase order uses a foreign currency, Inventory calculates the transaction value as follows:

transaction value = purchase order price converted to inventory functional currency transaction quantity

See: Overview of Cost Management, page 1-1

Receipt from Account

This refers to a miscellaneous receipt of material from a general ledger account or account alias. Inventory calculates the transaction value as follows:

transaction value = current average cost in inventory x transaction quantity

If you use the current average cost of the item, then this transaction does not update the average cost. However, for this type of transaction, you can override the average cost Inventory suggests and enter your own average cost. If this cost is different from the current average cost, then the transaction cost is spread elementally proportional to the current average cost elements.

For example, if you enter a user-defined transaction cost of $20 for an item that has a

current average cost of $10 (distributed as shown in the following table), then the transaction elemental costs are distributed proportionally (also shown in the following table):

Cost Element	Current Average Cost	Distribution of Transaction Cost
Material	$5	$10
Material Overhead (MOH)	$2	$4
Resource	$1	$2
Overhead	$1	$2
Outside Processing	$1	$2
Total	$10	$20

See: Performing Miscellaneous Transactions, *Oracle Inventory User's Guide*.

Issue to Account

This refers to a miscellaneous issues of material to a general ledger account or account alias. Inventory calculates the transaction value as follows:

transaction value = current average cost in inventory x transaction quantity

If you use the current average cost of the item, this transaction does not update the average cost. For this type of transaction, you can override the defaulted current average cost with your own cost.

> **Warning:** The difference between the prior average cost and the entered cost may greatly and adversely affect the new average cost.

See: Performing Miscellaneous Transactions, *Oracle Inventory User's Guide*.

Return to Supplier

This includes both purchase order returns from inventory direct to the supplier and returns to receiving inspection. Inventory calculates the transaction value as follows:

The following transactions recalculate the average cost of an inventory asset item:

transaction value = purchase order price x transaction quantity

If the purchase order uses a foreign currency, Inventory calculates the transaction value as follows:

transaction value = purchase order price converted to inventory functional currency x transaction quantity

See: Managing Receipts, *Oracle Purchasing User's Guide* and Entering Receiving Transactions, *Oracle Purchasing User's Guide*.

Return from Customer (RMA Receipt)

When accounting for RMAs, the distribution of credits between deferred COGS and actual COGS maintains the existing proportion from Costing. You can adjust this proportion once you create an MMT COGS recognition event, indicating that AR changed its proportion of total receivables that is recognized as revenue (possibly due to a related credit memo). RMAs are received into inventory at the same cost that they were issued and are treated as cost owned transactions. RMA's are received at the sales order cost, and the current average cost is updated.

Subinventory Transfer

This transaction uses the current average cost of the item to value the transfer. Since this cost is the same for all subinventories in an organization, this transaction does *not* update the average cost of the item you transfer in the receiving subinventory.

Negative Inventory Balances

Transactions that update negative on-hand inventory balances are handled differently depending on whether the new on-hand quantity after the transaction is negative, zero, or positive.

New Balance is Negative or Zero

If the new on-hand quantity is negative or zero, the transaction is costed at the current average cost.

New Balance is Positive

If the new on-hand quantity is positive after the transaction, the transaction is split into two parts and costed as explained below:

Quantity from negative to zero	Inventory uses the current average cost of the item-rather than the transaction cost-for that portion of the receipt quantity that increases the on-hand balance from negative to zero. For example, if the on-hand balance is -25, and the receipt quantity is 40, Inventory receives 25 each at the current average cost. In effect, this does *not* change the average unit cost of the item.
Quantity from zero to positive	Inventory uses the transaction cost for that portion of the receipt quantity that increases the on-hand balance from zero to positive. From the example above, Inventory receives 15 each at the transaction cost. In effect, this establishes the unit cost of the Transaction as the new average cost of the item. Inventory writes off any difference between the total receipt cost and the cost charged to your inventory to the average cost variance account.

This feature insures that the accounting transactions you report to the general ledger and your inventory value reports balance at all times.

Viewing Item Cost History Information

You can examine your item costs to determine how and why they have changed.

The following windows can be used to assist you in this process:

- **Item Costs for Cost Groups:** Displays total item costs and their elemental cost components (Material, Material Overhead, Resource, Overhead, and Outside Processing) by Cost Group.
- **Item Cost Details for Cost Groups:** Displays the this level, previous level, and current unit costs for an item within a cost group by cost element.
- **Item Cost History:** Displays the transactions, including quantities and transaction costs, that have contributed to the new (current) cost of an item. You can also view the quantity and cost of an item just prior to the current transaction.

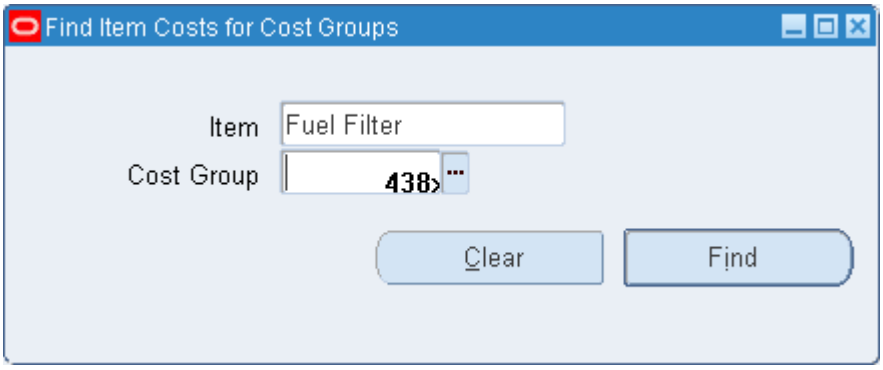
  The following windows are accessed by buttons in the Item Cost History window:

  - **Cost Elements:** Displays by cost element the new, prior, or transaction cost of an item.

- **Item Cost History Graph:** Displays a graphical representation of the cost history of an item.

To view item costs:

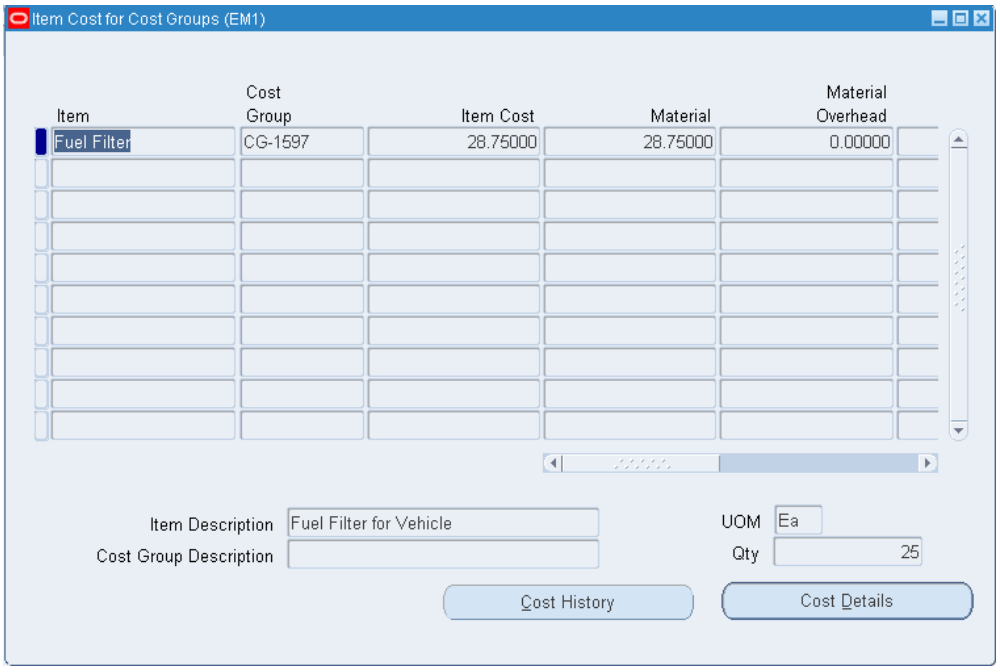
1. Navigate to the Item Costs for Cost Groups window. The Find Item Costs for Cost Groups window appears.



2. Enter your search criteria.

   You can search for all items within a cost group or for an item across cost groups.

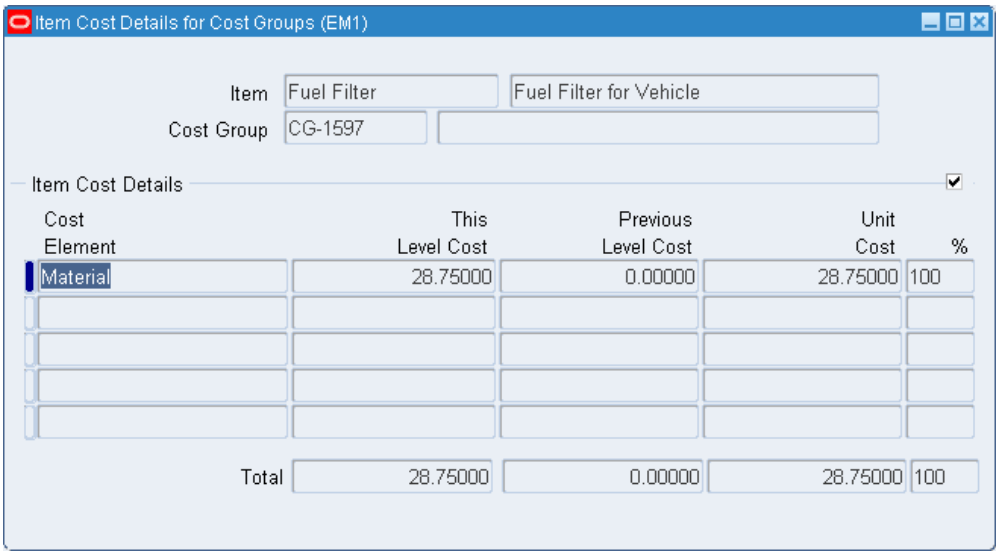
3. Choose the Find button. The results display in the Item Costs for Cost Groups window.



To view cost details for an item in a specific cost group:

1. Select one of the items displayed in the Item Cost for Cost Groups window.

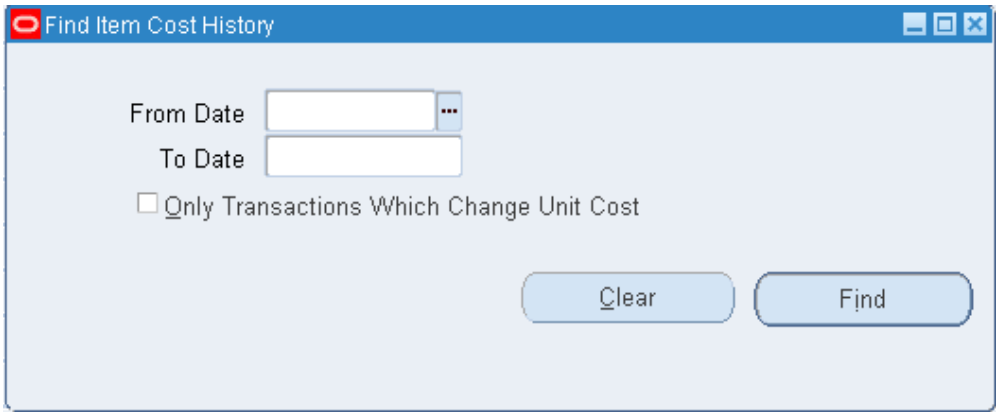
2. Choose the Cost Details button. The Item Cost Details for Cost Groups window appears.



You can view any elemental costs defined for the item at this and the previous level. You can also view each cost element's percentage contribution to the total cost.

To view the cost history of an item:

1. Navigate back to the Item Costs for Cost Groups window.
2. Select one of the item records displayed.
3. Choose the Cost History button. The Find Item Cost History window appears.

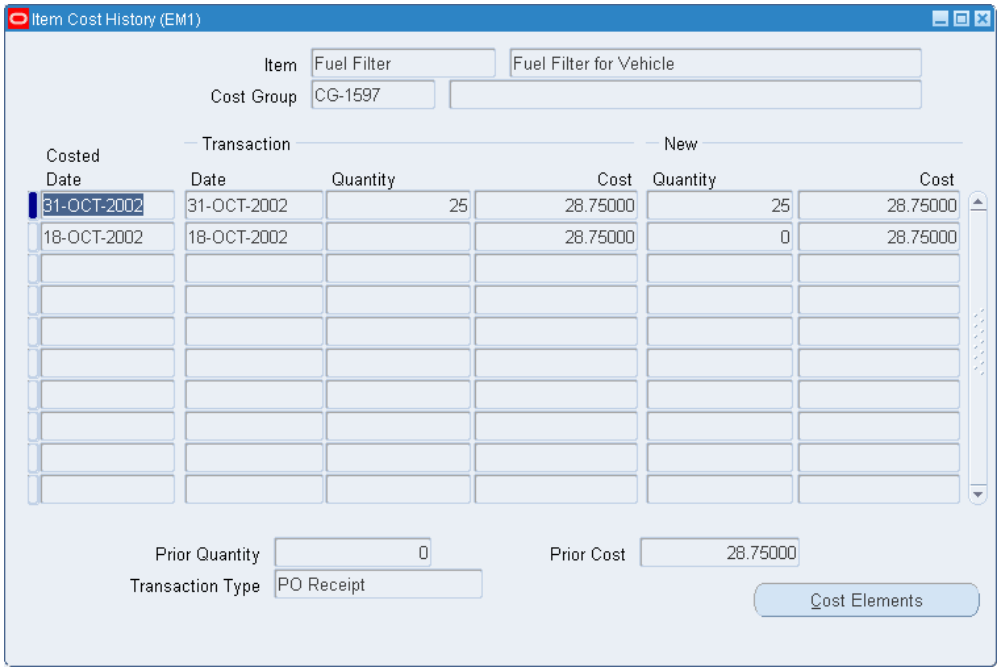


4. Enter your search criteria.

   To restrict the search to a range of dates, select a From and To Date. To further restrict the search you can choose the *Only Transactions Which Change Unit Cost* option.

5. Choose the Find button.

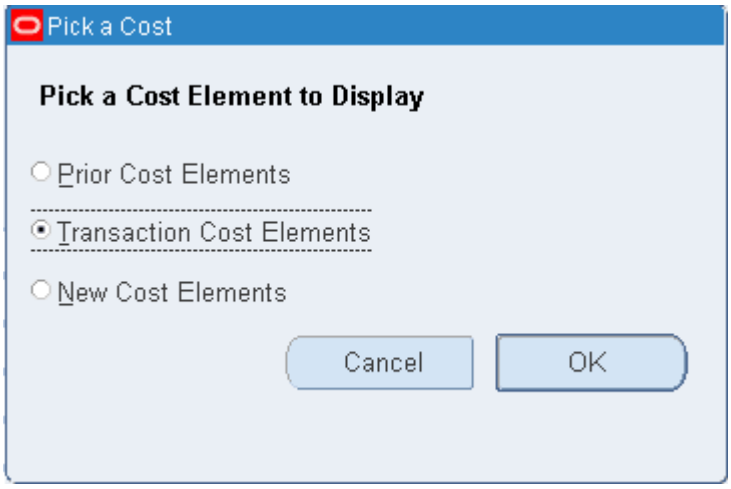
   The transactions that meet the search criteria are displayed in the Item Cost History window.



To view prior, transaction, or new (current) elemental costs for an item:

1. Select a transaction record in the Item Cost History window.

2. Choose the Cost Elements button. The Pick a Cost window appears.



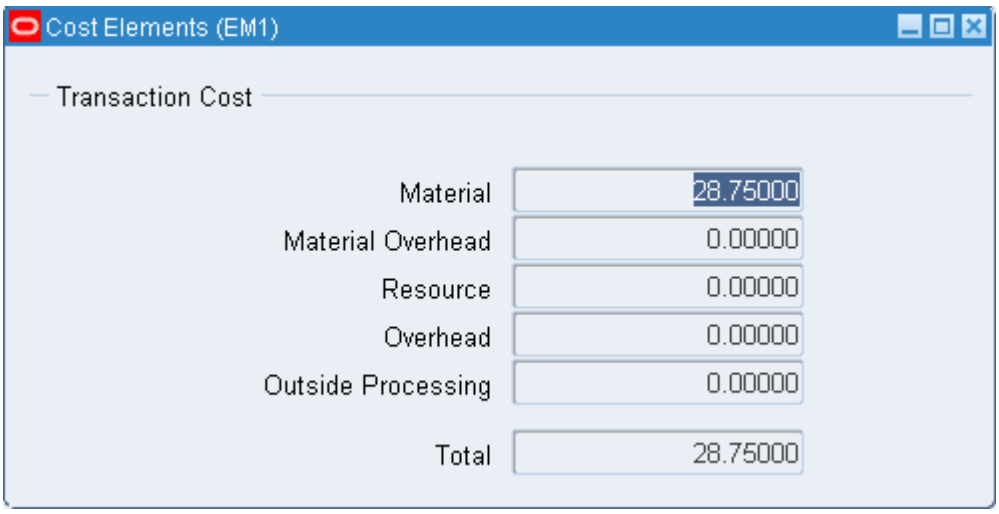
3. In the Pick a Cost window, select one of the following options:

Prior Cost Elements: Display the elemental cost of the selected item prior to the last transaction.

Transaction Cost Elements: Display the elemental transaction costs for the item.

New Cost Elements: Display the new elemental costs for the item after the transaction.

4. Choose the OK button. The Cost Elements window appears and displays the Prior, Transaction, or New Cost values depending on your selection.



To view the graph of an item's cost history:

1. Navigate to the Item Cost History window.
2. Choose the Graph button.

   The graph appears on your web browser. You can view costs and dates by selecting points on the graph.

Related Topics

Project Cost Groups, page 2-74

Average Cost Valuation

Inventory continually maintains the value of inventory, updating it with each transaction. This means that you can report your inventory value quickly and accurately.

Unlimited Cost Types

You can define an unlimited number of cost types and use them with any inventory valuation and margin analysis reports. This allows you to compare simulation and budget cost types against your actual average costs. You can also periodically save your average costs into another cost type for year to year and other comparisons.

When you use Oracle Bills of Material with Inventory, you can specify the cost type in explosion reports and report these costs for simulation purposes.

See: Defining Cost Types, page 2-13 and Defining Item Costs, page 3-3.

Average Cost Variances

Under average costing, variances are generated and handled as follows:

Average Cost Variance

Average cost variances are generated if you issue additional material even though the inventory balances for that material is negative. Inventory balances can be driven negative if the *Allow Negative Balances* parameter is set in the Organization Parameters window in Oracle Inventory is set. See: Organization Parameters Window, *Oracle Inventory User's Guide* and Defining Default Inventory Parameters, *Oracle Inventory User's Guide*.

If negative quantities are allowed, when a receipt (or transfer in) transaction occurs for an item with negative on-hand inventory, the following takes place:

- If the transaction quantity is less than or equal to the absolute value of the negative on-hand quantity, that is, the on-hand quantity would be zero or negative if the transaction were processed, then the transaction is valued at the current average unit cost.

- If the transaction quantity is greater than the absolute value of the negative on-hand quantity, that is, the on-hand quantity would be positive if the transaction were processed, then the transaction is valued in two parts:

  - At the current average unit cost for the quantity required to bring on-hand inventory balance to zero

  - At the normal transaction unit cost for the remainder of the transaction quantity.

    The difference between the units valued at the current average unit cost and those valued at the normal transaction unit cost is written to the average cost variance account.

  The Average Cost Variance account is also charged when a transaction results in a

negative amount in inventory for one or more cost elements of an item. See: Defining Costing Information, *Oracle Inventory User's Guide*.

> **Important:** If you develop a large balance in the Average Cost Variance account, adjust your average costs.

Invoice Price Variance (IPV)

Invoice price variance is the difference between the purchase price and the invoice price paid for a purchase order receipt. Invoice price variances are generated when the invoice is processed and matched to the PO line items. Upon invoice approval, Oracle Payables automatically records this variance to both the invoice price variance and exchange rate variance accounts. IPV is determined and recorded the same under standard and average costing.

Cycle Count and Physical Inventory

Inventory considers cycle count and physical inventory adjustments as variances.

Distribute these variances to the general ledger when you perform the general ledger transfer or period close.

Borrow Payback Variance

Under project manufacturing costing, borrow/payback variance accounts are set up in the Cost Group window to make it possible for one project to borrow from another and return (payback) in the original cost

See: Using the Account Generator in Oracle Purchasing, *Oracle Purchasing User's Guide*,

Overview of Period Close, page 10-1,

Overview of Period Close, page 10-1 and

Inventory Average Cost Transactions, page 5-32

Average Cost Transactions

The following types of cost transactions can occur:

- Average Costing Purchasing Transactions, page 5-34

> **Note:** For purchasing related transactions, this table applies to inventory destinations. See: Overview of Receipt Accounting, *Oracle Purchasing User's Guide*.

- Average Costing Inventory Transactions, page 5-39
- Average Costing Order Management/Shipping Transactions, page 5-43
- Average Cost Update, page 5-45

See: Standard and Average Costing Compared, page 1-8

Effects of Transactions on Item Averages

The following table indicates whether specific transactions update the average unit cost of an item.

Transactions	Update Average
Purchase Order Receipt to Receiving Inspection	No
Delivery from Receiving Inspection to Inventory	Yes
Purchase Order Receipt to Inventory	Yes
Return to Supplier from Receiving	No
Return to Supplier from Inventory	Yes
Miscellaneous Issue	No (if default cost is used)
Miscellaneous Receipt	No (if default cost is used)
Shipment Transaction/FOB Receipt	No
Shipment Transaction/FOB Shipment: Sending Org	No
Shipment Transaction/FOB Shipment: Receiving Org	Yes
Receipt Transaction/FOB Receipt: Sending Org	No
Receipt Transaction/FOB Receipt: Receiving Org	Yes

Transactions	Update Average
Receipt Transaction/FOB Shipment	No
Direct Inter-Organization Transfer: Sending Org	No
Direct Inter-Organization Transfer: Receiving Org	Yes
Cycle Count	No
Physical Inventory	No
Sales Order Shipments	No
RMA Receipts	Yes
RMA Returns	No
Average Cost Update	Yes

Note: The accounts in average costing transactions are the default accounts when average costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Average Costing Purchasing Transactions

This section shows accounting entries for average costing purchasing transactions.

Note: The accounts in average costing purchasing transactions are the default accounts when average costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Purchase Order Receipt to Receiving Inspection

You can use the Receipts window in Oracle Purchasing to receive material or outside processing items from a supplier into a receiving location (destination type = receiving). You can also use this window to receive material directly to inventory. See: Purchase

Order Receipt To Inventory, page 4-29.

When you receive material or outside processing items from a supplier into receiving inspection, the Receiving Inspection account is debited and the Inventory A/P Accrual account is credited based on the quantity received and the purchase order price.

Account	Debit	Credit
Receiving Inspection account @ PO cost	XX	-
Inventory A/P Accrual account @ PO cost	-	XX

> **Important:** If a purchase order line item lacks a defined price, the system uses zero to value the transaction.

See: Receipt Accounting, *Oracle Purchasing User's Guide*,

Overview of the Account Generator, *Oracle Applications User's Guide*,

Using the Account Generator in Oracle Purchasing, *Oracle Purchasing User's Guide*.

Delivery From Receiving Inspection to Inventory

You can use the Receiving Transactions window to move material from receiving inspection to inventory. The system uses the quantity and the purchase order price of the delivered item to update the receiving inspection account and quantity. The system uses the average cost. The accounting entries are as follows:

Account	Debit	Credit
Organization Material account @ PO cost	XX	-
Receiving Inspection account @ PO cost	-	XX

The average cost is recalculated using the transaction value of the purchase order cost times the transaction quantity.

Material Overhead

If your item has material overhead(s), you earn material overhead on deliveries from

receiving inspection. The accounting entries are as follows:

Account	Debit	Credit
Subinventory accounts	XX	-
Material Overhead Absorption account	-	XX

Foreign Currencies

If the purchase order uses a foreign currency, the purchase order cost is converted to the functional currency before the accounting entries are generated. This converted value is used for receiving accounting purposes.

The average cost is recalculated using the transaction value of the purchase price converted to the inventory functional currency times the transaction quantity.

Expense Subinventories and Expense Inventory Items

With Oracle Purchasing and Inventory, there are two types of expense items. Purchasing has non-inventory purchases, such as office supplies or capital equipment. These items use an expense destination type for the purchase order's distribution information. You can inspect these purchasing items in receiving, but you cannot deliver these items into inventory.

However, expense inventory itemscan be stocked in a subinventory, but cannot be valued. Expense inventory items use an inventory destination type for the purchase order's distribution information. Expense inventory items can be delivered into both expense or asset subinventories.

When you receive to expense locations or receive expense inventory items the accounting entries are as follows:

Account	Debit	Credit
Subinventory Expense account @ PO cost	XX	-
Inventory A/P Accrual account @ PO cost	-	XX

When you receive into an expense subinventory or receive an expense (non-asset) inventory item, the system debits the subinventory expense account instead of the valuation accounts.

Entering Receiving Transactions, *Oracle Purchasing User's Guide*,

Defining Ledgers, *Oracle General Ledger User's Guide* and

Organization Parameters Window, *Oracle Inventory User's Guide*.

Purchase Order Receipt to Inventory

You can use the Receipts window to receive material directly from a supplier to inventory (destination type = inventory).

When you receive material from a supplier directly to inventory, a receipt and delivery transaction are performed in one step.

The accounting entries for the receipt portion of the transaction are as follows:

Account	Debit	Credit
Receiving Inspection account @ PO cost	XX	-
Inventory A/P Accrual account @ PO cost	-	XX

Account	Debit	Credit
Organization Material account @ PO cost	XX	-
Receiving Inspection account @ PO cost	-	XX

Material Overhead

If your item has material overhead(s), you earn material overhead on the delivery portion of the transaction. The accounting entries are as follows:

Account	Debit	Credit
Organization Material Overhead account	XX	-

Account	Debit	Credit
Material Overhead Absorption account	-	XX

Foreign Currencies

The average cost is recalculated using the transaction value of the purchase price converted to the inventory functional currency times the transaction quantity.

Delivery From Receiving Inspection to Inventory, page 5-35 and

Overview of Receipt Accounting, *Oracle Purchasing User's Guide*.

Invoice Variance Transfer

You can transfer variances between purchase order price and invoice price back to inventory, from your user-defined adjustment account, usually an IPV account.

The accounting entries for this transaction varies depending on which account goes negative:

Account	Debit	Credit
User-Defined Adjustment Account	XX	-
Organization Material Valuation Account	-	XX

or

Account	Debit	Credit
Organization Material Valuation Account	XX	-
User-Defined Adjustment Account	-	XX

Transferring Invoice Variance, page 5-20

Return To Supplier From Receiving

Use Receiving Returns and Receiving Corrections windows to return material from receiving inspection or from inventory to a supplier. If you use receiving inspection and you have delivered the material into inventory, you must first return the goods to receiving before you can return to the supplier. For a return from inspection, the application decreases the receiving inspection balance and reverses the accounting entry created for the original receipt. To decrease the inventory balance, the return to supplier transaction uses the purchase order cost, not the current average unit cost.

See: Entering Returns, *Oracle Purchasing User's Guide* and Outside Processing Charges, page 4-41

Return To Supplier From Inventory

When you do not use receiving inspection, the return to supplier transaction updates the same accounts as the direct receipt to inventory, with reverse transaction amounts. To decrease the inventory balance, the return to supplier transaction uses the purchase order cost.

Foreign Currencies

As with the purchase order receipts to inventory, if the purchase order uses a foreign currency, the purchase order cost is converted to the functional currency before the accounting entries are generated.

Entering Returns, *Oracle Purchasing User's Guide*.

Average Costing Inventory Transactions

This section shows accounting entries for average costing inventory transactions.

Miscellaneous Transactions

You can use the Miscellaneous Transaction window to issue itemsfrom a subinventory to a general ledger account (or account alias) and to receive items into a subinventory from an account / account alias. An account alias identifies another name for a general ledger account that you define.

> **Tip:** Use account aliases for account numbers you use frequently. For example, use the alias SCRAP for your general ledger scrap account.

The accounting entries for issuing material from a subinventory to a general ledger account or alias are as follows:

Note: The accounts in average costing inventory transactions are the default accounts when average costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Account	Debit	Credit
Entered G/L account @ current average cost	XX	-
Organization Valuation accounts @ current average cost	-	XX

The accounting entries for receiving material to a subinventory from an account or an alias are as follows:

Account	Debit	Credit
Organization Valuation accounts @ current average cost	XX	-
Entered G/L account @ current average cost	-	XX

Note: Under average costing, you can enter a unit cost which the system uses in place of the current average cost.

Expense Subinventories and Expense Items

When you receive into an expense location or receive an expense item, you have expensed the item. If you use the miscellaneous transaction to issue from an expense location, you can issue to an account or to an asset subinventory of the *INV:Allow Expense to Asset Transfer* profile option in Oracle Inventory is set to Yes. If issued to an account the system assumes the item is consumed at the expense location and moves the quantity without any associated value. If transferred to an asset subinventory, the item moves at its current cost.

When you receive an expense item to either an asset or expense subinventory, no accounting occurs. Since the account balance could involve different costs over time, the system assumes the cost of the expense item is unknown.

Transaction Unit Cost

Caution: Transaction unit costs can be entered when you perform a miscellaneous transaction in Inventory. However, entering a cost that is significantly different from the current average can cause large swings in the unit cost of remaining on-hand inventory. Oracle recommends you take the appropriate measures to control the ability to enter the transaction unit cost.

Subinventory Transfers

Use the Subinventory Transfer window to move material from one subinventory to another. If you specify the same subinventory as the From and To Subinventory, you can move material between locators within a subinventory.

In subinventory transfers, the debit and credit transactions occur for the same account because only one set of valuation accounts is maintained in an average costing organization. If you are using average costing in Oracle Warehouse Management or Oracle Projects organizations - you can maintain multiple cost groups with different sets of valuation accounts.

Expense Subinventories and Expense Items

You can issue from an asset to an expense subinventory, and you can issue from an expense subinventory if the Oracle Inventory *INV:Allow Expense to Asset Transfer* profile option is set to Yes. The system assumes the item is consumed at the expense location.

See: Transferring Between Subinventories, *Oracle Inventory User's Guide*.

Internal Requisitions

You can replenish your inventory using internal requisition. You can choose to source material from a supplier, a subinventory within your organization, or from another organization. Depending upon the source you choose, the accounting entries are similar to one of the proceeding scenarios. However, unlike inter-organization transfers internal requisitions do not support freight charges.

See: Overview of Internal Requisitions, *Oracle Purchasing User's Guide*,

Purchase Order Receipt To Inventory, page 4-29,

Inter-Organization Transfers, *Oracle Inventory User's Guide* and

Subinventory Transfers, page 4-33.

Cycle Count and Physical Inventory

You can use cycle counting and physical inventory to correct your inventory on-hand

balances.

If you physically count more than your on-hand balance, then the accounting entries are as follows:

Account	Debit	Credit
Organization Valuation accounts @ current average cost	XX	-
Adjustment account @ current average cost	-	XX

If you countless than your on-hand balance, then the accounting entries are as follows:

Account	Debit	Credit
Adjustment account @ current average cost	XX	-
Organization Valuation accounts @ current average cost	-	XX

The accounting entries for physical inventory adjustments are the same as those for cycle counts.

> **Tip:** Since the quantities, not the average cost, is kept when you freeze the physical inventory, you should not perform any transactions that might affect your average costs until you have adjusted your physical inventory.

Expense Subinventories and Expense Items

The system does not record accounting entries when physical inventory or cycle count adjustments involve expense subinventories or expense items. However, quantity balances in expense subinventories are corrected if the quantities in these subinventories are tracked.

See: Overview of Cycle Counting, *Oracle Inventory User's Guide*,

Entering Cycle Counts, *Oracle Inventory User's Guide*,

Overview of Physical Inventory, *Oracle Inventory User's Guide*, and

Processing Physical Inventory Adjustments, *Oracle Inventory User's Guide*.

Average Costing Order Management/Shipping Execution Transactions

This section shows accounting entries for average costing order management and shipping transactions.

> **Note:** The following accounts in average costing order management/shipping execution transactions are the default accounts when average costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Sales Order Shipments

Ship material on a sales order using Oracle Order Shipping Execution. The accounting entries for sales order shipments are as follows:

Account	Debit	Credit
Deferred Cost of Goods Sold account @ current average cost	XX	-
Organization Valuation accounts @ current average cost	-	XX

> **Important:** You do not create any accounting information when you ship from an expense subinventory or ship an expense inventory item.

See: Overview of Ship Confirm, *Oracle Order Management/Shipping User's Guide*.

RMA Receipts

You can receive items back from a customer using the RMA (return material authorization) Receipts window. There is no variance in average costing for RMA receipts. Non-referenced RMA's occur at the existing average cost (cost-derived). The accounting entries for an RMA receipt are as follows:

Account	Debit	Credit
Organization Valuation accounts @ current average cost	XX	-
Cost of Goods Sold account @ current average cost	-	XX
Deferred Cost of Goods Sold account @ current average cost	-	XX

Use the same account as the original cost of goods sold transaction.

> **Important:** You do not create any accounting entries for a return to an expense subinventory or return for an expense inventory item.

See: Return Material Authorizations, *Oracle Purchasing User's Guide*.

RMA Returns

You can return items received into inventory through an RMA back to the customer using RMA Returns window. For example, you can send back - "return" - an item that was returned by the customer to you for repair.

This transaction reverses an RMA receipt. It also mimics a sales order shipment and updates the same accounts as a sales order shipment.

The accounting entries for an RMA return are as follows:

Account	Debit	Credit
Cost of Goods Sold account @ current average cost	XX	-
Deferred Cost of Goods Sold account @ current average cost	XX	-
Organization Valuation accounts @ current average cost	-	XX

Important: You do not create any accounting entries when you return a customer RMA from an expense subinventory or for an expense inventory item.

See: Return Material Authorizations, *Oracle Purchasing User's Guide*.

Average Cost Update

You can view and update the average cost of an item by cost element and level (this level and previous level). You can update average costs using a percentage change, a new average cost, or a value change. A change made to the total unit cost of an item is spread to all cost elements and levels in the same proportion as they existed before the update.

The offset to the inventory revaluation in all cases above will be booked to the Average Cost Adjustment account(s) you specified at the time you perform the update.

Note: The average cost update feature is intended to be used sparingly to correct a transaction costing error affecting items in subinventory. If the cost error is in WIP, the impacted quantities will need to be returned to a subinventory, corrected there, then reissued to WIP after the update has been completed.

If the adjustment increases inventory, then the accounting entry is as follows:

Note: The following average cost update accounts are the default accounts when average costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Account	Debit	Credit
Inventory Valuation accounts @ current average cost	XX	-
Adjustment account @ current average cost	-	XX

If the adjustment decreases inventory, then the accounting entry is as follows:

Account	Debit	Credit
Adjustment account @ current average cost	XX	-
Inventory Valuation accounts @ current average cost	-	XX

Updating Average Costs, page 5-16

Manufacturing Average Cost Transactions

The following cost transactions can occur when Oracle Work in Process (WIP) is installed:

- Component Issue and Return Transactions
- Move Transactions
- Resource Charges
- Outside Processing Charges
- Overhead Charges
- Assembly Scrap Transactions
- Assembly Completion Transactions
- Assembly Returns
- Job Close Transactions
- Period Close Transactions

Component Issue and Return Transactions

You can perform the following transactions:

- Issue component items to jobs from inventory
- Return components from jobs back to inventory
- Issue or return directly by performing a WIP material transaction or by using the Inventory Transaction Interface

- Backflush components using the Move Transactions and Completion Transactions windows in WIP, the Receipts window in Purchasing (for outside processing), or by using the WIP Open Move Transaction Interface

Costing Issue and Return Transactions

Issue transactions increase the WIP valuation and decrease the inventory valuation. Components issued to or returned from jobs are valued at the inventory average cost in effect at the time of the transaction. Components issued to a job or returned from a job in several different transactions may have different unit costs for each transaction. If a component's unit cost is composed of more than one cost element, this elemental detail continues to be visible after it is charged to a job.

The accounting entries for issue transactions are as follows:

> **Note:** The following accounts are the default accounts when average costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Account	Debit	Credit
WIP accounting class valuation accounts	XX	-
Subinventory elemental accounts	-	XX

The accounting entries for return transactions are:

Account	Debit	Credit
Subinventory elemental accounts	XX	-
WIP accounting class valuation accounts	-	XX

See: Overview of Material Control, *Work in Process User's Guide*.

Move Transactions

A move transaction moves assemblies within an operation, such as from queue to run, or from one operation to the next. Move transactions can automatically launch

operation completion backflushing and charge resources and overheads.

If the supply type is Operation Pull, then the total quantity of a lot-based material required at an operation is issued at the first move transaction (scrap, to move, and the like) for the operation. If the supply type is Push, then there is no change. If the supply type is Assembly Pull, then the first completion triggers the required quantity of lot-based materials to be issued to the job (as it is completion, total required quantities of all lot-based components in the BOM are issued). For all other items, if the basis is Item, then the functionality is unchanged.

See the Oracle Work in Process User's Guide for additional details.

You can perform move transactions using the Move Transactions window, Open Move Transaction Interface, or the Receipts window in Purchasing.

Backflush Material Transactions

With backflushing, you issue component material used in an assembly or subassembly by exploding the bills of material, and then multiplying them by the number of assemblies produced.

Move transactions can create operation pull backflush material transactions that issue component material from designated WIP supply subinventories and locators to a job. For backflush components under lot or serial number control, assign the lot or serial numbers during the move transaction.

When you move backward in a routing, WIP automatically reverses operation pull backflush transactions. Here are the accounting entries for move transactions:

Account	Debit	Credit
WIP accounting class valuation accounts	XX	-
Organization valuation accounts	-	XX

Account	Debit	Credit
Organization valuation accounts	XX	-
WIP accounting class valuation accounts	-	XX

See: Overview of Material Control, *Oracle Work in Process User's Guide*.

Moved Based Resource Charging

As the assemblies you build pass through the operations on their routings, move transactions charge all pre-assigned resources with an auto-charge type of WIP Moveat their standard rate.

You can charge resources based upon a fixed amount per item moved in an operation (Item basis) or based upon a fixed lot charge per item moved in an operation (Lot basis). For resources with a basis of Lot, WIP automatically charges the lot cost upon completion of the first assembly in the operation.

You can also enter manual resource transactions associated with a move, or independent of any moves. You can manually charge resources to a job, provided it has a routing. You can also transact resources through the Open Resource Transaction Interface.

See: Overview of Resource Management, *Oracle Work in Process User's Guide*.

Resource Charges

WIP supports four resource autocharging methods: Manual,WIP Move,PO Move,and PO Receipt. You can charge resources at an actual rate. You can also charge resource overheads automatically as you charge resources.

WIP Move Resource Charges

You can automatically charge resources at a predefined rate to a job when you perform a move transaction using either the Move Transaction window or the Open Move Transaction Interface. When you move assemblies from the queue or run intraoperation steps forward to the to move, reject, or scrap intraoperation steps, or to the next operation, WIP charges all pre-assigned resources with an charge type of WIP Moveat their predefined rates.

For resources with a basis of item, WIP automatically charges the resource's usage rate or amount multiplied by the resource's predefined cost upon completion of each assembly in the operation. For resources with a basis of lot, WIP automatically charges the resource's usage rate or amount multiplied by the resource's predefined cost upon completion of the first assembly in the operation.

You can undo the WIP Move resource charges automatically by moving the assemblies from queue or run of your current operation to queue or run of any prior operation, or by moving the assemblies from the to move, reject, or scrap intraoperation steps backward to the queue or run intraoperation steps of the same operation, or to any intraoperation step of any prior operation.

Phantom Costing

Phantom assemblies can be costed fully in Release 12. To cost the routings of the phantom, you check these BOM parameters:

- Use phantom routings.
- Inherit phantom operation sequence.

The overhead and resources on the phantom routing will be charged at this level. Your parent assembly will be costed as if the operation contained the resources and overheads of the phantom routing.

Manual Resource Charges

You can charge manual resources associated with a move transaction or independently of any moves. Manual resource transactions require you to enter the actual resource units applied rather than autocharging the resource's usage rate or amount based on the move quantity. You can charge resources using that resource's unit of measure or any valid alternate. You can manually charge resources to a job, provided that the job has a routing.

If you use the Move Transactions window to perform moves and manual resource transactions at the same time, then WIP displays all pre-assigned manual resources with a charge type of Manual assigned to the operations completed in the move. If the resource is a person, then you can enter an employee number.

In addition to the resources displayed, you can manually charge any resource to a job, even if you have not previously assigned the resource to an operation in the job. You can also manually charge resources to an operation added ad hoc by entering any resource defined for the department associated with the operation.

You can correct or undo manual resource transactions by entering negative resource units worked.

Costing Resource Charges at Resource Standard

Resource charges increase WIP valuation. Here are the accounting entries for resource transactions:

Account	Debit	Credit
WIP accounting class resource valuation account	XX	-
Resource absorption account	-	XX

If Autocharge is set to WIP Move, then WIP and labor are charged at a predefined amount. There are no resource rate or efficiency variances.

Here are the accounting entries for negative Manual resource transactions and backward moves for WIP Move resources:

Account	Debit	Credit
Resource absorption account	XX	-
WIP accounting class resource valuation account	-	XX

Costing Labor Charges at Actual

You can charge labor charges at actual in two ways. You can enter an actual rate for the employee using the Open Resource Transaction Interface or when you define employee rates. For labor charges using an actual or employee rate for a resource for which charge standard rate is turned off, here are the accounting entries:

Account	Debit	Credit
WIP accounting class resource valuation account	XX	-
Resource absorption account	-	XX

If you enter an actual rate for a resource for which Charge Standard Rate is enabled, then WIP charges the job at a predefined amount. If Autocharge is set to Manual and actual rates and quantities are recorded, then a rate variance is recognized immediately for any rate difference. Here are the accounting entries for the actual labor charges:

Account	Debit	Credit
WIP accounting class resource valuation account	XX	-
Resource rate variance account (Debit when actual rate is greater than the standard rate. Credit when the actual rate is less than the standard rate.)	XX	XX
Resource absorption account	-	XX

PO Receipt and PO Move Transactions

You can receive purchased items associated with outside resources from an outside processing operation back into WIP in Oracle Purchasing. For these items, WIP creates resource transactions at the standard or actual rate for all outside resources with an autocharge type of PO receipt or PO move.

See: Overview of Resource Management, *Oracle Work in Process User's Guide*,

Managing Receipts, *Oracle Purchasing User's Guide*, and

Overview of Outside Processing, *Oracle Work in Process User's Guide*.

Outside Processing Charges

Using the Receipts window in Purchasing, WIP automatically creates resource transactions at the standard or actual rate for all outside processing resources with an charge type of PO Receipt or PO Move when you receive assemblies from an outside processing operation back into WIP. For outside processing resources with a charge type of PO Move, WIP also performs a move of the assemblies from the queue or run intraoperation step of your outside processing operation into the queue intraoperation step of your next operation or into the to move intraoperation step if the outside processing operation is the last operation on your routing.

If you assigned internal resources to an outside operation with an charge type of Manual, you use the Move Transactions window or the Open Resource Transaction Interface to charge these resources.

If you return assemblies to the supplier, the system automatically reverses the charges to all automatic resources associated with the operation. You must manually reverse all manual resource charges using the Move Transactions window. For outside processing resources with an charge type of PO Move, WIP automatically moves the assemblies from the queue intraoperation step of the operation immediately following the outside processing operation into the queue intraoperation step of your outside processing operation. If the outside processing operation is the last operation on your routing, WIP automatically moves the assemblies from the To move intraoperation step to the queue intraoperation step.

Costing Outside Processing Charges at a Predefined Rate

When you receive the assembly from the supplier, Purchasing sends the resource charges to WIP at either a predefined cost or actual purchase order price, depending upon how you specified the standard rate for the outside processing resource.

If you enabled Charge Standard Rate for the outside processing resource being charged, then Purchasing charges WIP at the standard rate. WIP creates a purchase price variance for the difference between the standard rate and the purchase order price. Here are the WIP accounting entries for outside processing items:

Account	Debit	Credit
WIP accounting class outside processing valuation account	XX	-
Purchase price variance account (Debit when the actual rate is greater than the standard rate. Credit when the actual rate is less than the standard rate.)	XX	XX
Organization Receiving account	-	XX

Any quantity or usage difference is recognized as an outside processing efficiency variance at period close. Here are the accounting entries for return to supplier for outside processing:

Account	Debit	Credit
Organization Receiving account	XX	-
Purchase price variance account (Debit when actual rate is less than the standard rate. Credit when the actual rate is greater than the standard rate.	XX	XX
WIP accounting class outside processing valuation account	-	XX

Costing Outside Processing Charges at Actual Purchase Order Price

If you disable Standard option for the outside processing resource being charged, Purchasing charges WIP the purchase order price and does not create a purchase price variance. Here are the accounting entries for outside processing charges at purchase order price:

Account	Debit	Credit
WIP accounting class outside processing valuation account	XX	-
Organization Receiving account	-	XX

See: Overview of Shop Floor Control, *Oracle Work in Process User's Guide*.

Overhead Charges

Move Based Overhead Charging

WIP automatically charges appropriate overhead costs as you move assemblies through the shop floor. You can charge overheads directly based on move transactions or based on resource charges. For overheads charged based on move transactions with a basis of item, WIP automatically charges overheads upon completion of each assembly in the operation. WIP automatically reverses these charges during a backward move transaction.

For overheads based on move transactions with a basis of lot, WIP automatically charges overheads upon completion of the first assembly in the operation. WIP automatically reverses these charges during a backward move transaction if the transaction results in zero net assemblies completed in the operation.

Resource Based Overhead Charging

WIP automatically charges appropriate overhead costs as you charge resources. You can charge overheads based on resource units or value. WIP automatically reverses overhead charges when you reverse the underlying resource charge.

Costing Overhead Charges

Overhead charges increase WIP valuation. Here are the accounting entries for overhead charges:

Account	Debit	Credit
WIP accounting class overhead account	XX	-
Overhead absorption account	-	XX

You can reverse overhead charges by entering negative Manual resource charges or performing backward moves for WIP Moveresources. Here are the accounting entries for reverse overhead charges:

Account	Debit	Credit
Overhead absorption account	XX	-
WIP accounting class overhead account	-	XX

Overview of Shop Floor Control, *Oracle Work in Process User's Guide*.

Assembly Scrap Transactions

If you move assemblies into the scrap intraoperation step of an operation and the WIP Require Scrap Account parameter is set, then you must enter a scrap account number or account alias. If you do not specify that a scrap account is required, then it is optional. If you do not provide a scrap account, then the cost of scrap remains in the job or schedule until job or period close. If the job is then completed using the final completion option in the Completion Transactions window, then the cost is included in the finished assembly cost. Otherwise, the cost is written off as a variance when the non-standard asset and standard discrete jobs are closed and at period close for non-standard expense jobs.

WIP considers assemblies that are moved into the scrap intraoperation step from the queue or run of the same operation as complete at that operation. Operation completion information is updated, components are backflushed, and resource and overhead costs are charged according to the elemental cost setup. See: Scrapping Assemblies, *Oracle Work in Process User's Guide*.

If a scrap account is entered, the cost of scrapped assemblies is determined using an algorithm that calculates the assembly costs through the operation at which the scrap occurred. The scrap account is debited and the job elemental accounts are credited. If you move assemblies out of a scrap operation step, therefore reversing the ordinal scrap transaction, then these accounting entries are reversed.

Here are the accounting entries for scrap transactions:

Account	Debit	Credit
Scrap account	XX	-

Account	Debit	Credit
WIP accounting class valuation accounts@ calculated scrap value	-	XX

The accounting entries for reverse scrap transactions are:

Account	Debit	Credit
WIP accounting class valuation accounts@calculated scrap value	XX	-
Scrap account	-	XX

Overview of Shop Floor Control, *Oracle Work in Process User's Guide*.

Assembly Completion Transactions

Use the Completion Transactions or the WIP Move window in WIP or the Inventory Transaction Interface to receive completed assemblies from WIP into asset subinventories. Completion transactions relieve the valuation account of the accounting class and charge the organization valuation accounts based upon the Cost Source.

Costing Assembly Completion Transactions

Completions decrease WIP valuation and increase inventory valuation. Here are the accounting entries for completion transactions:

Account	Debit	Credit
Inventory organization valuation accounts	XX	-
WIP accounting class valuation accounts	-	XX

Costing Assembly Completions Using Final Completion Option

When the final completion option is used for an assembly completion, no residual

balance, positive or negative, is left in the job. The accounting entries are different for positive and negative residual balances. Positive residual balances post to inventory and negative residual balances post to variance. The balances are held by element, by level, and are not summed. Therefore, transactions per given element may have balances going to inventory and variance for the same element, at different levels.

If there are positive residual balances at an assembly completion with the final completion option enabled, then here are the accounting entries:

Account	Debit	Credit
Inventory organization valuation accounts	XX	-
WIP accounting class valuation accounts	-	XX

Account	Debit	Credit
WIP accounting class variance accounts	XX	-
WIP accounting class valuation accounts	-	XX

Earning Assembly Material Overhead on Completion

You can assign overheads based on item, lot or total value basis. For standard discrete jobs, you can earn these overheads as you complete assemblies from WIP to inventory.

Use non-standard expense jobs for such activities as repair and maintenance. Use non-standard asset jobs to upgrade assemblies, for teardown, and to prototype production.

> **Note:** RE: average and standard costing. Unlike standard costing, in average costing, non-standard discrete jobs do earn overhead on completion.

Here are the accounting entries for material overhead on completion transactions for both standard and non-standard, asset and expense jobs:

Account	Debit	Credit
Subinventory material overhead account	XX	-
Inventory material overhead absorption account	-	XX

Do not complete the assembly if you want to:

- Expense all the rework cost
- Not add the cost to inventory
- Not earn material overhead

Instead, return the assembly, by component return, to inventory and then close the job.

See: Completing and Returning Assemblies, *Oracle Work in Process User's Guide*

Assembly Returns

The Completion Transactions window in WIP or the Inventory Transaction Interface are used to return completed assemblies from asset subinventories to WIP. The costing of resources, overhead, and outside processing on assembly returns differs depending on the completion cost source method: *system calculated* or *user-defined*.

Here is assembly return costing for the two completion methods:

User defined	at user-defined cost
System calculated	the weighted average of previous completions of that job.

Returns increase WIP valuation and decrease inventory valuation. Here are the accounting entries for assembly return transactions:

Account	Debit	Credit
WIP accounting class valuation accounts	XX	-

Account	Debit	Credit
Inventory organization valuation accounts	-	XX

Job Close Transactions

Until you close a job, or change the status of the job to Complete - No Charges, you can make material, resource, and scrap charges to the job. Closing a discrete job prevents any further activity on the job.

Costing Job Close Transactions

WIP recognizes variances when you close a job. The actual close date you specify determines the accounting period WIP to recognize variances. You can back date the close to a prior open period if desired.

The close process writes off the balances remaining in the WIP elemental valuation accounts to the elemental variance accounts you defined by accounting class, leaving a zero balance remaining in the closed job.

If there is a positive balance in the job at the end of the close, then here are the accounting entries for a job close:

Account	Debit	Credit
WIP accounting class variance accounts	XX	-
WIP accounting class valuation accounts	-	XX

Period Close Transactions - Average Costing

The period close process in Inventory recognizes variances for non-standard expense jobs. It also transfers the WIP period costs to the general ledger.

Costing Non-Standard Expense Job Period Close Transactions

You can close a discrete job and recognize variances for non-standard expense jobs at any time. In addition, the period close process automatically recognizes variances on all non-standard expense job charges incurred during the period. Therefore, open non-standard expense jobs have zero WIP accounting balances at the start of a new

period.

If there is a positive balance in the job at the end of the period, then here are the accounting entries for non-standard expense jobs at period close:

Account	Debit	Credit
WIP accounting class variance accounts	XX	-
WIP accounting class valuation accounts	-	XX

See: Overview of Period Close, page 10-1,

Closing Discrete Jobs, *Oracle Work in Process User's Guide* and

Defining WIP Parameters, *Oracle Work in Process User's Guide*.

6

FIFO and LIFO Costing

This chapter covers the following topics:

- Overview of FIFO and LIFO Costing (also known as Layer Costing)
- Describing the Major Features of FIFO/LIFO Costing
- Setting Up Layer Costing
- Layer Maintenance
- Setting Up Layer Costing for Manufacturing
- Layer Costing Flows
- Updating Layer Costs
- Layer Cost
- Viewing Layer Item Costs
- Layer Cost Valuation
- Cost Variances
- Layer Cost Transactions
- Layer Costing Purchasing Transactions
- Layer Costing Inventory Transactions
- Layer Costing Order Management/Shipping Execution Transactions
- Layer Cost Update
- Manufacturing Transactions

Overview of FIFO and LIFO Costing (also known as Layer Costing)

First In, First Out (FIFO) and Last In, First Out (LIFO) are two separate perpetual costing methods based on actual costs. These methods are also referred to as layer costing. A perpetual costing method is selected for each inventory organization

including Standard costing, Weighted Average costing, FIFO costing, or LIFO costing. Inventory balances and values are updated perpetually after each transaction is sequentially costed.

FIFO costing is based on the assumption that the first inventory units acquired are the first units used. LIFO costing is based on the assumption that the last inventory units acquired are the first units used. Layer costing methods are additional costing methods to complement the Standard and Weighted Average costing methods.

In layer costing, a layer is the quantity of an asset item received or grouped together in inventory and sharing the same costs. Available inventories are made of identifiable cost layers.

- Inventory layer

  On-hand inventory contains layers that are receipt-based (purchased items) or completion-based (manufactured items).

- Work in Process (WIP) layer

  Components issued to a WIP job are maintained in layers within the job itself. Each issue to WIP represents a separate layer within the job. In addition, each WIP layer consists of only one inventory layer initially consumed by the issue transaction. The costs of those inventory layers are held separately within the WIP layer.

Process Costs at Organizational Level Based on Purchase Order Prices

FIFO/LIFO costing is processed at the inventory organizational level. Under FIFO/LIFO cost systems, the unit cost of an item is the value of one receipt in one layer, selected by the FIFO or the LIFO rule. Each receipt of material to inventory has its own unit cost. Each receipt of material is valued at the purchase order price. Each receipt or assembly completion creates either a new layer for each organization.

Layer creation is minimized for item and organization combinations. Layer creation transactions following a transaction for the same type, cost, and cost group for the same organization. Do not create single layers as in previous versions of Oracle Cost Management. The item quantity is added to the last layer created. New layers are created when the next transaction is of a different type, cost, or cost group.

> **Note:** New layers are created for transactions where the cost is user-defined, rather than system calculated. This includes transactions that meet all the qualifying conditions and have an equal cost value.

Other features include:

- If an organization is defined as a FIFO costing organization, all inventories of the organization are valued at FIFO. You cannot specify that some inventory items are costed at FIFO, while others are costed at standard or weighted-average, for example.

- You can only specify only one cost flow assumption for an organization. All inventory items of an organization must be costed at FIFO or at LIFO. You cannot specify some items to be costed at FIFO and other items to be costed at LIFO.

- FIFO/LIFO costing is based on purchase order prices. Neither invoices nor acquisition costs are considered when costing a receipt from a supplier.

For purchased items, each receipt creates a layer cost. For manufactured items, each completion creates a layer. All assemblies in that layer have the same unit cost.

> **Note:** FIFO/LIFO costing cannot be applied to repetitively manufactured items. Therefore, you cannot define repetitive schedules in an organization that is defined as a manufacturing FIFO/LIFO cost organization.

This same FIFO/LIFO cost is used to value transactions. You can reconcile inventory and WIP balances to your accounting entries.

> **Note:** Under layer costing, you cannot share costs; FIFO/LIFO costs are maintained separately in each inventory organization.

Perpetually Value Inventory at FIFO Cost or at LIFO Cost

You can perpetually value inventory at a FIFO/LIFO cost. When an organization uses FIFO or LIFO costing methods, inventory costs are maintained in layers, each with its own costs. The cost flows of FIFO and LIFO are opposite.

- In FIFO valuation, the earliest-received stock is assumed to be used first; the latest-received stock is assumed to be still on hand.

- In LIFO valuation, the earliest-received stock is assumed to be still on hand; the latest-received stock is assumed to be used first.

FIFO/LIFO costing enables you to:

- Approximate actual material costs

- Value inventory and transact at layer cost

- Maintain layer costs

- Automatically interface with your general ledger

- Reconcile inventory balances with general ledger

- Analyze profit margins using an actual cost method

Layer Item Cost

The first layer cost is cost of the first layer with a positive quantity. The layer item cost is the unit cost shared by the layer quantity. It is the average unit cost of a layer.

Layer Item Cost = layer's acquisition cost / layer's quantity

FIFO Item Cost

FIFO item cost is the weighted–average of all inventory layer costs divided by the sum of layer quantities.

For example:

Layer 1 LQ1 = 20 ea.	LC1 = $2/each
Layer 2 LQ2 = 10 ea.	LC2 = $1.40/each

FIFO Item cost = ($2*20 + $1.40*10) / (20+10) = $1.80

Charge Resources to Work in Process at Actual Cost

You can charge WIP resources at an actual rate. You can charge the same resource at different rates over time. You can also charge outside processing costs to a job at the purchase order unit cost.

Inventory Valued at Layer Cost

Under layer costing, all asset purchased items in inventory are valued based on their purchase order cost. This results in item unit costs that reflect the layer of the purchase order unit costs for all quantity on-hand.

This Level/Previous Level Elemental Costs

Elemental costs for manufactured items are kept at two levels: this level and previous level. This level costs are those costs incurred in producing the part at the current bill of material level. Previous level costs are those incurred at lower levels. This level costs might include labor and overhead supplied to bring an assembly to a certain state of completion. Previous level costs might include material and labor, and outside processing costs incurred to bring a component or subassembly to its current state of completion. Totals costs for an item are calculated by summing the this level and previous level costs as shown in the following table.

Example of This Level and Previous Level Costs

Costs in Dollars	Material	Material Overhead	Resource	Outside Processing	Overhead
Previous Level	100	20	25	27	5
This Level	0	2	3	3	1
Total Costs	100	22	28	30	6

Cost Element Visibility

For tracking and analysis purposes, you can see cost details by cost element in two ways:

- For unit costs, as a breakout of the total unit cost into each of the five cost elements. From this detail, you can determine the value of labor, overhead, and material components in inventory.
- For WIP, as all job charges (including previous level subassemblies) and relief in cost element detail.

Layer Cost Updates

When you update layer costs, you update the layer regardless of the subinventory.

You can change costs by cost element and can choose one, several, or all cost elements at the same time. The offset to the change in inventory value resulting from a cost update is posted to the layer cost adjustment account that you specify. Items in WIP are not revalued by a layer cost update, nor are expense items or any item in an expense subinventory.

You can also perform a mass changes for multiple layers in a group for the cost, account number, and reason values.

Material Overhead Application

You can add costs (receiving, stocking, material movement, and handling) using material overhead. You can define as many material overheads as required and include that additional cost be included in the layer cost.

Material overheads are associated to items in a layer. As in standard costing and in average costing, you can define default material overheads to apply to selected categories of items or all items in your organization.

Specifically, you can charge material overhead when you perform any of the following

three transactions:

- Deliver purchased items to subinventory
- Complete assemblies from WIP to subinventory
- Receive items being transferred from another organization and deliver to subinventory

Material overhead is applied at the rate or amount in effect at the time of the transaction. On-hand balances are not revalued when the rate or amount of a material overhead is redefined.

Transfers Between Organizations

You can transfer items in inventory to a subinventory in a different organization. This is done using a direct transfer or through an intransit transfer, just as in standard costing and in average costing. Because item unit costs are held elementally, like standard costs, elemental detail is available for items being transferred whether they are in subinventory or in intransit.

When such an item is received into a layer costing organization and delivered to the destination subinventory, you can choose whether all of its cost elements from the shipping organization, plus freight, plus transfer charges, if any, are combined into the material cost element in the receiving organization or if they are to remain separate and elementally visible.

> **Note:** Combining all cost elements into the material cost element assures that the receiving organization does not have another organization's overhead (over which they have no control and for which they have no absorption) combined with their own.

You can earn material overhead on the delivery as stated above. That amount goes into the material overhead cost element.

Transaction and Cost Processing

The transaction processor, which affects current on-hand quantities of items, can be set up to run either periodically (in the background) or on line (quantities updated immediately). Oracle strongly recommends that you set up the transaction processor to run on line. The cost processor is always run in the background at user-defined intervals.

Transaction Backdating

You can backdate transactions. If you backdate transactions, the next time transactions are processed, the backdated transactions are processed first, before all other

unprocessed transactions. Previously processed transactions, however, are not rolled back and reprocessed.

Describing the Major Features of FIFO/LIFO Costing

- FIFO Costing is organization specific.
    - All items in inventory for an organization are valued at FIFO, when you specify FIFO as the primary costing method for the organization. You can still maintain other costing methods, such as standard or weighted-average for other inventory organizations. But each organization can have only one primary costing method.
    - You cannot share costs across organizations using FIFO costing.
    - You can specify the cost type that stores all your resource and overhead rates for FIFO costing as the rates cost type.
- Receipts are valued at purchase order prices.

  When you deliver a purchase order receipt to inventory, it is valued at the purchase order price. The costs to your inventory consist of the purchase order cost and any specified material overhead earned.
- Inventory is maintained in receipt-based layers only.
    - Layer creation: Receipts into inventory create new layers with their own quantity and cost.
    - Layer consumption: Issues consume earliest layers that still have quantity balance. Issue transactions are costed based on the cost of the consumed layers.

      You can specify the first inventory layer to be consumed, using the layer hook (client extension).

The return transactions (such as returns to vendor, WIP component returns, WIP assembly returns) are the exception to the FIFO flow.

> **Note:** Layers are maintained only for the seeded FIFO or LIFO cost types. User-defined cost types do not have layer costs.

- Layer creation is minimized for item and organization combinations.
    - Layer creation transactions following a transaction for the same type, cost, and cost group for the same organization - do not create a new layer as in previous versions of Oracle Cost Management. The item quantity is added to the last layer created. New layers are created when the next transaction is of a different

type, cost, or cost group. The qualifying transactions include:

- Return material authorizations
- Miscellaneous receipts
- Account receipt
- Account alias receipt

Note: New layers are created for transactions where the cost is defined by the user, rather than calculated by the application. This includes transactions that meet all the qualifying conditions and have an equal cost value.

- WIP components are held in layers within a job.

  Component issues are held in layers within each job. Each issue creates a WIP layer. In addition, component issued to a job will not lose their inventory layer identification and costs.

- Items are returned to inventory as new layers.
  - WIP component return

    A new inventory layer is created when a component is returned to inventory from WIP. The return transaction is valued at the latest WIP layer costs. The last layers issued to a job at a specified operation are the first layers returned to inventory.

  - RMA receipts

    A receipt of customer return also creates a new layer at the same cost as the original shipment. This new layer is created as a latest layer cost for LIFO without a sales order reference, an earliest positive layer cost for FIFO without a sales order reference, or an original sales order issue cost if the RMA has a sales order reference.

- Returns to vendor are returned from inventory at original layers and layer costs.

  Unlike most of the other issues from inventory, returns to vendor and assembly returns do not consume the earliest receipt layers. They are layer-identified transactions. In other words, they are issue transactions that have reference to specific layers.
  - Returns to vendor consume the layers created for the original receipts.
  - Assembly returns consume the layers created for the original completions.

- Layers are maintained at the cost group level in Project Manufacturing.

  Layers are maintained at the project cost group level within an inventory organization. Issues from a cost group consume the earliest layers within the cost group.

  Note: Cost layers are not held at subinventory level.

- Layer cost can be updated by the user.
  - At any given time during an open period, you can perform a cost update to revalue your inventory. You will have the option to update the costs of an item layer by a specified amount, a percent of the selected layer's costs, or user -entered layer costs by cost element and level.
  - The cost update process calculates the adjustment values for your inventory layer cost, and creates corresponding adjustment accounting entries.

    Note: Just as in average costing, you must specify the items to be updated. You cannot update all items or a range of items. You can update only a single receipt layer for any given item. You can update only one layer at a time.

- Both FIFO item costs and layer costs are maintained at elemental levels.
  - Both the FIFO item cost and the layer costs are maintained at elemental levels and by cost groups.
  - The FIFO item costs, which is the weighted average of layer item costs, is used for current inquiries and reports, such as inventory by sub-inventory, by category, and so on. Functionality (such as copy cost, mass edits, cost rollup) also uses FIFO item costs in its process.
  - The layer costs are used to value the unconsumed inventory layers and to cost transactions based on FIFO cost flow.

- Reports by layers are available.

  Most standard reports that are currently available for average costing are also available for FIFO costing. In addition, you have reports at the layer level.

Setting Up Layer Costing

The following steps are required when setting up perpetual layer costing. Additional steps follow in the next section for those also using BOM alone, or WIP and BOM

together.

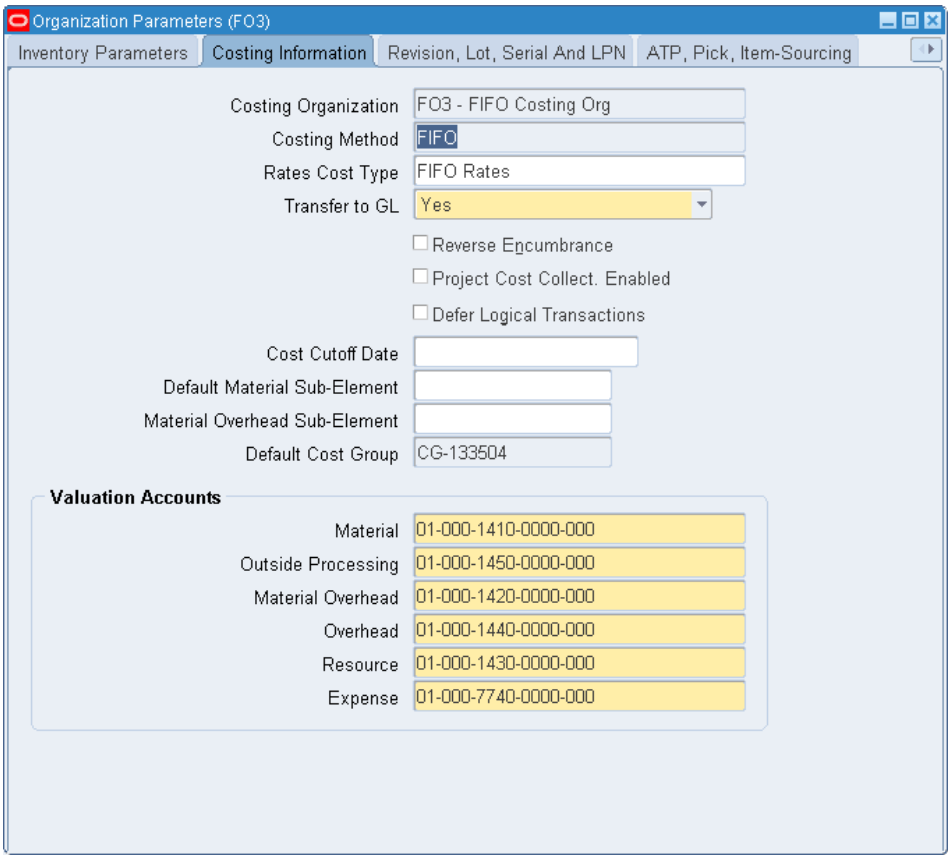
Prerequisites

- ❒ Create a cost type to hold rates for resources and overheads
- ❒ Define organization parameters. See: Organization Parameters Window, *Oracle Inventory User's Guide*
  - Set the costing method to FIFO Costing.
  - Set Transfer Detail to GL appropriately.
  - (Optional) Set the Default Material Subelement account.
  - Assign the user-defined cost type as the rates cost type.
- ❒ Define material overhead defaults.
- ❒ Define item, item costs, and establish item cost controls. See: Overview of Item Setup and Control, *Oracle Inventory User's Guide*
- ❒ Launch transaction managers.

Selecting FIFO Costing

To select FIFO costing, a perpetual cost method in Organization Parameters:

1. Navigate to the Organization Parameters window, and open the Costing Information tab.



2. Enter the Costing Organization.

3. Enter FIFO as the Costing Method from the List of Values and select OK.

4. Enter the Rates Cost Type, previously created.

5. Set Transfer Detail to GL appropriately.

6. Optionally, specify a Default Material Subelement account.

To set up layer costing:

1. Set the Control Level for your items to Organization. Layer cost cannot be shared between organizations.

2. Define, at minimum, one cost type to hold the layer rates or amounts for material overhead rates. Inventory valuation and transaction costing in a layer cost organization involve two cost types: Seeded: FIFO and User-Defined: Rates.

3. Assign the cost type defined above as the rates cost type in the Organization Parameters window in Oracle Inventory. See: Organization Parameters Window, *Oracle Inventory User's Guide* and Defining Costing Information, *Oracle Inventory User's Guide*.

4. Set the *TP: INV:Transaction Processing Mode* profile option in Oracle Inventory to On-line processing.

   When using layer costing, transactions must be properly sequenced to ensure that the correct costs are used to value transactions so that unit costs can be accurately calculated. Proper transaction sequencing can only be ensured if all transaction processing occurs on line. See: Inventory Profile Options, *Oracle Inventory User's Guide*.

Layer Maintenance

Transactions can be classified into two different types in the context of FIFO/LIFO costing:

- Layer-identified transactions

  These transactions identify specific layers. Identified layers can be new layers, like new purchase order receipt layers, or existing layers, like receipt layers specified for return to vendor transactions or for assembly returns. All receipt transactions are layer-identified transactions. Only a few issue transactions carry layer identification.

- Layer-derived transactions

  These transactions do not have layer identification. Most issues are layer-derived transactions; they do not consume layers created by specific transactions. Instead, they consume the oldest layers first for FIFO, and the most recent layers first for LIFO.

Inventory Layer Creation

- Receipts Into Inventory Create New Layers.

  For both FIFO and LIFO cost methods, each receipt into stores creates a new receipt layer which is costed as follows:

  - Purchase order receipts are valued at purchase order price
  - Assembly completions are valued at job completion cost
  - Miscellaneous receipts, account receipts and user-defined transactions are valued at user-entered transaction cost, or latest receipt layer cost

- Direct interorganization transfer and intransit receipt are valued at the transfer transaction cost
- WIP component returns are valued at the job's component costs
- Each positive cycle count adjustment and each positive physical inventory adjustment is valued at the latest layer's cost and creates a new layer
- Positive receipt corrections are valued at purchase order price
- Customer returns (RMA receive transaction) creates a new layer at the same cost as the original shipment. This new layer is created as a latest layer cost for LIFO without a sales order reference, an earliest positive layer cost for FIFO without a sales order reference, or an original sales order issue cost if the RMA has a sales order reference.

- Receipt Into Inventory Replenishes Negative Layers.

  If there are negative layers when the transaction is performed, then a receipt into inventory will also trigger the replenishment of the negative layers. Those layers will be replenished up to a zero balance, starting with the oldest negative layers for FIFO and the most recent layer first for LIFO.

Inventory Layer Consumption

- Inventory layers are consumed when items are:
  - Issued to jobs
  - Transferred out of inventory, project cost group, or organization
  - Sold
  - Considered a loss, such as in cycle count adjustments or in physical count adjustments

- Issues from inventory consume the oldest layers.

  Oldest layers with positive balances are consumed by issue transactions. However, layer-identified transactions consume the specified layer first, then the oldest layers with positive quantity balances if there is insufficient quantity to be consumed from the specified layers.

  Some of the layer-identified issue transactions are return to vendor, negative receipt correction, assembly return to WIP, and transactions using the layer hook (client extensions).

- Consumption may drive the latest layer negative when the transaction is

performed.

If there is insufficient quantity to consume, an issue transaction will drive the latest layer negative when the transaction is performed.

If the on-hand quantity is already negative, the latest layer is updated by the consumption quantity. There should be no layer with a positive quantity balance if negative layers exist for an item in a cost group.

- The cost of inventory layer consumed does not always match the transaction cost.

  Layer-identified transactions have their own transaction costs and consume the specified layer if it still has a positive quantity balance.

- Return to Vendor (RTV) transactions, receiving correction transactions are valued at the purchase order price associated with the original receipt transactions. The sequence of a RTV (or receiving correction) layer consumption is as follows:
  - Consume the initial receipt layer first.
  - If there is insufficient quantity, consume the oldest layers with quantity balance.
  - The latest layer at time of transaction can be driven negative by the consumption.

- Assembly Return to WIP transactions are valued at the job completion cost. (Also see WIP Layer Relief section.) The consumption sequence is similar to RTV transactions.

  When a layer-identified issue transaction cannot consume the specified layer(s) because the layer quantity has already been consumed by other transactions, it will have to consume other layers that do not necessarily have the same costs. In such case, the difference between the cost of the transaction and the value of the layer(s) actually consumed is debited or credited to a variance account.

  An under-costed transaction is an inventory transaction that incurs a negative variance. An over-costed transaction incurs a positive variance. You enter the variance account when defining costing information in organization parameters costing, or when defining cost groups.

WIP Layer Creation

- A WIP Component Issue transaction creates a WIP layer and a corresponding WIP layer ID. Because components are issued to WIP at specific operations, WIP layers are maintained at the job operation level.

- Each WIP layer consists of one inventory layer. Depending upon the number of inventory layers consumed by the issue transaction, the WIP layers are identified by

the combination of WIP layer ID and the inventory layer IDs.

- Quantity and costs are maintained separately for each inventory layer within a WIP layer.
- If there are no previous issues to the job and no backflush transactions, the relieved cost of a component is computed using the cost of the earliest inventory layer with positive quantity at the time of transaction.
- A WIP Component Return will move back to inventory the latest WIP layers at the specified operation. However, this transaction will create a new layer in inventory. It will not "unconsume" the inventory layer(s) previously consumed by the initial Component Issue transaction.

WIP Layer Relief

- At assembly completion, relieved material costs are computed using the earliest inventory layers' costs within a WIP layer that are still available to be relieved. WIP layers at each operation are relieved on the FIFO basis.
- A scrap transaction should relieve WIP layers in the FIFO manner as an assembly completion.
- An assembly return should trigger an adjustment to the WIP layer quantity, and the cost relieved should initially be the assembly completion.

> **Note:** The component cost computation for assembly completions uses the same algorithm as for average costing.

Setting Up Layer Costing for Manufacturing

Prerequisites

❒ Set the *INV:Transaction Date Validation* profile option to *Do not allow past date.* See: Inventory Profile Options, *Oracle Inventory User's Guide*.

❒ Define bills of material parameters. See: Defining Bills of Material Parameters, *Oracle Bills of Material User's Guide*.

Defining bills of material parameters ensures that bill and routing information (resource, outside processing, and overhead cost elements) is accessible when you define item costs and define overhead.

❒ Define resources. See: Defining a Resource, *Oracle Bills of Material User's Guide*.

Define resource subelements by creating resources, departments, bills, and routings with Bills of Material.

Resources can be costed or not costed. Because you can have multiple resources per operation, you can use a non-costed resource for scheduling and a costed resource for costing. The cost update process and accounting transaction processing ignore uncosted resources.

For each resource, the charge type determines whether the resource is for internal (labor, machine, and such) or outside processing. Use PO Move and PO Receipt charge types for outside processing. Each resource has its own absorption account and variance account.

- ❒ Define departments. See: Defining a Department, *Oracle Bills of Material User's Guide* .

- ❒ Assign resources to departments. See: Creating a Routing, *Oracle Bills of Material User's Guide*.

  For capacity planning and overhead assignment purposes, you must assign each resource to one or more departments. Once you assign a resource, you can select that resource when you define a routing.

- ❒ Define overheads and assign them to departments. See: Defining Overhead, page 2-22.

  The cost processor uses the assigned basis type to apply the overhead charge and assigns the activity to the calculated overhead cost. You can define pending rates and use the cost update process to specify the pending rates as the rates cost type.

- ❒ Review routing and bill structures. See: Overview of Bills of Material, *Oracle Bills of Material User's Guide* and Overview of Routings, *Oracle Bills of Material User's Guide*.

- ❒ Control overheads by resource.

  For overheads based on resource units or resource value, you must specify the resources on which the overhead is based. You can then charge multiple resources in the same department for the same operation, while still earning separate overhead for each resource. If you do not associate your overheads and resources, you do not apply overhead or charge resource-based overhead in WIP.

- ❒ Confirm that the WIP parameters, *Recognize Period Variance* and *Require Scrap Account,* are set as required.

- ❒ Confirm that your WIP accounting classes and their valuations and accounts are properly set up. See: WIP Accounting Classes, *Oracle Work in Process User's Guide*, Defining WIP Accounting Classes, *Oracle Work in Process User's Guide*, and Work in Process Valuation and Variances, *Oracle Work in Process User's Guide*.

  If you use the same account numbers for different valuation and variance accounts,

then Cost Management automatically maintains your inventory and WIP values by cost element. Even if you use the same cost element account for inventory or a WIP accounting class, Oracle recommends that you use different accounts for each and never share account numbers between subinventories and WIP accounting classes. If you do, you will have difficulty reconciling Inventory and Work in Process valuation reports to your account balances.

To set up layer costing with BOM and WIP:

1. In addition to setting the *TP: INV:Transaction Processing Mode* profile option in Oracle Inventory to On-line processing. See: Inventory Profile Options, *Oracle Inventory User's Guide*.

   You must also set the following WIP transaction processing profile options to On-line:

   - TP:WIP:Completion Transactions Form
   - TP:WIP:Material Transactions Form
   - TP:WIP:Move Transaction
   - TP:WIP:Operation Backflush Setup
   - TP:WIP:Shop Floor Material Processing

     See: Profile Options, *Oracle Work in Process User's Guide*.

2. Define rates for your resources and associate these resources and rates with the Rates cost type. See: Defining a Resource, *Oracle Bills of Material User's Guide*.

   Unlike under standard costing, charging a resource defined as a Standard rate resource does not create rate variances. For each resource the charge type determines whether the resource is for internal (labor, machine, etc.) or outside processing. Use PO Move and PO Receipt charge types for outside processing. Each resource has its own absorption account and variance account.

3. Define overheads and assign to departments. See: Defining Overhead, page 2-22.

   For each overhead subelement, define a rate of amount in the cost type you have specified as the rates cost type. Overheads with a basis type of Resource Units or Resource Value use the actual transaction resource amount or hours to calculate the overhead amount. The cost processor uses the assigned basis type to apply the overhead charge and assigns the activity to the calculated overhead cost. You can define pending rates and use the cost update process to specify the pending rate as the rates cost type.

4. Define WIP parameters. See: Defining WIP Parameters, *Oracle Work in Process User's Guide*.

You can use the *Require Scrap Account* parameter to determine whether a scrap account is mandatory when you move assemblies into a scrap intraoperation step. Requiring a scrap account relieves scrap from the job or schedule. Not requiring a scrap account leaves the cost of scrap in the job or schedule.

If the Require Scrap Account is set to *No*, scrap costs remain in the job. See: the following sections from *Oracle Work in Process User's Guide*: WIP Parameters, Assembly Scrap, and Scrapping Assemblies.

You must set the appropriate layer costing parameters - Default Completion Cost Source, Cost Type, Auto Compute Final Completion, and System Option - to determine how completions are charged.

How these parameters are applied is explained in the Assembly Completion Transaction and Resource Transaction sections.

5. Define WIP accounting classes. See: WIP Accounting Classes, *Oracle Work in Process User's Guide* and Defining WIP Accounting Classes, *Oracle Work in Process User's Guide*.

   Accounting classes determine which valuation and variance accounts are charged and when. You can define the following elemental accounts for WIP accounting classes that are used with layer costing: material, material overhead, resource, outside processing, overhead, material variance, resource variance, outside processing variance, overhead variance, bridging, and expense accounts. See: WIP Valuation and Variances, *Oracle Work in Process User's Guide*.

   > **Note:** If you use the same account numbers for different valuation and variance accounts, then Cost Management automatically maintains your inventory and WIP values by cost element even if you use the same cost element account in a given subinventory or WIP accounting class. Oracle recommends you use different accounts for each and never share account numbers between subinventories and WIP accounting classes. If you do, you will have difficulty reconciling Inventory and WIP valuation reports to your account balances.

6. Define subinventories and subinventory valuation accounts.

   The five Valuation accounts and the default Expense account are defined at the organization level. The valuation accounts apply to each subinventory and intransit within the organization. They cannot be changed at the subinventory level under layer costing. The expense account defaults to each subinventory within the organization and can be overridden. You can choose a different valuation account for each cost element, or use the same account for several or all elements.

   How you set up your accounts determines the level of elemental detail in the General Ledger and on Inventory valuation reports. See: Defining Subinventories,

Oracle Inventory User's Guide.

Layer Costing Flows

The following sections discuss transaction flows that occur when transacting jobs in a layer costing organization:

- Labor charges
- Overhead charges
- Component issues
- Material overhead charges
- Scrap charges
- Assembly completions
- Assembly returns
- Job closures and cancellations
- Layer cost update

Labor Charges to WIP

You can charge person-type resources to jobs either at a predefined labor rate or at the actual labor rate. If you choose to charge labor at the predefined rate, move transactions that complete an operation automatically charge WIP Move resources associated with that operation at the resource's rate, as defined as the rates cost type. Resource rates are associated with cost types when you define resources. If you choose to charge labor at an actual employee rate, you can enter an employee rate as you charge manual resources. You can charge labor at either an actual or a predefined rate if you choose to import resource transaction through the Open Resource Cost Interface.

You can charge a predetermined number of labor hours by adding a WIP Move resource to a routing operation, or you can charge the actual hours to a manual resource by either:

- Entering the actual hours as assemblies are moved
- Entering the actual hours as part of an independent resource transaction
- Importing resource transactions through the WIP Resource Cost Transaction Interface

Resource labor transactions are valued at the rate in effect at the time of the transaction.

As a result, when the same labor subelement or employee is charged to the same job at different times, different rates may be in effect.

Overhead Charges to WIP

For each overhead subelement, define a rate or amount in the cost type that you have specified as the rates cost type.Overheads with a basis type of resource units or resource value use the actual transaction resource amount or hours to calculate the overhead amount. See: Defining Overhead, page 2-22.

Components Issued to WIP

Component items can be defined as push or pull requirements on your jobs. Components issued to jobs are valued at the inventory layer cost in effect at the time of the transaction. Components issued to a job in several different transactions may have different unit costs for each transaction. If a component's unit cost is composed of more than one cost element, then this elemental detail continues to be visible after it is charged to a job. These costs are held and relieved as previous level costs.

Material Overhead Application

Define as many material overhead subelements as desired and base their charging in a variety of ways: by item, by activity or lot, or based on transaction value. See: Defining Overhead, page 2-22.

When defining item costs, you can associate material overhead(s) to items and define the rate / amount manually using the rates cost type. Once defined, the material overhead(s) are applied whenever the particular item is involved in an applicable transaction. You can change these overheads at any time. Making a change affects future transactions, but has no impact on the FIFO unit cost in inventory. See: Defining Item Costs, page 3-3.

For purchase order receipts and transfers between organizations, the material overhead amount earned is added to the purchase order cost / transfer cost of the item (but held as a separate cost element) when it is delivered to inventory. For assembly completions, the material overhead amount earned is added to the cost of the completion in inventory, but is never charged to the job.

Material Overhead Defaulting

For ease in assigning material overheads to items, you may choose to default them when an item is first defined rather than manually associating them item by item. You default material overhead in layer costing the same as in standard costing. You can create defaults to apply at the organization level or at an item category level. Within either of these, you can choose the default to apply to make or buy items only, or to all items.

If you define more than one rate or amount for the same material overhead subelement,

the order of priority is category level make or buy items, category level all items, organization level make or buy items, and organization level all items, with the higher priority rate/amount taking precedence and overriding any other. If you want to apply more than one material overhead, then you must use different subelements. When you change material overhead defaults, the change that you make applies only to items defined later; there is no impact to existing items. See: Defining Material Overhead Defaults, page 2-40.

Assembly Scrap

The WIP Require Scrap Account parameter determines how assembly scrap is handled. If you enter a scrap account as you move assemblies into scrap, then the transaction is costed by an algorithm that calculates the cost of each assembly through the operation at which the scrap occurred. The scrap account is debited, and the job elemental accounts are credited. If you do not enter a scrap account, the cost of scrap remains in the job. If the job is then completed using the final completion option in the Completion Transactions window, the cost is included in the finished assembly cost. Otherwise, the cost is written off as a variance when the nonstandard asset and standard discrete jobs are closed and when nonstandard expense jobs are closed for the period.

If you enter a scrap account as you move assemblies out of a scrap intraoperation step, the above accounting transactions are reversed.

Assembly Completions Out of WIP

When finished assemblies are completed from a job to inventory, they are costed in System Calculated - Actual Resources.

You set the default for the *Completion Cost Source* through the *Default Completion Cost Source* parameter in the WIP Parameters window.

These parameters are the defaults in the WIP Accounting Class window as you define standard and non-standard discrete accounting classes.

If you choose System Calculated, then you must choose the system option, *Use Actual Resources* because *Use Pre-defined Resources* is not available. The system option determines how the applicaton calculates costs.

If you choose User Defined, then you must choose a cost type.

If you choose System Calculated, then you can override the Default Completion Cost Source parameter.

If you choose System calculated, then select a system option. If you select Use Actual Resources, then the unit cost to be relieved from the job is calculated based on actual job charges and is charged to inventory as each unit is completed. This algorithm costs the completions using a prorated amount of actual resources charged to the job and material usages as defined on the assembly bill, multiplied by the layer costs in the job.

Note: For completions out of a nonstandard job having no routing, this algorithm selects the unit cost from the Layer cost type. This method works best for jobs that have resources charged in a timely manner.

Job assemblies completed in the same transaction have the same layer unit cost.

As part of a completion transaction, the unit cost of the assembly in inventory is recalculated when it is different from the unit cost used in the completion transaction.

Overcompletions

If you have overcompleted a job, then it is not necessary to change the job quantity.

Final Completion

The Final Completion option check box in the WIP Assembly Completion window allows an additional costing option for the assemblies currently being completed:

Enabled: Costs these assemblies by taking the current job balances and spreading them evenly over the assembly units being completed or taking them to variance.

Disabled : Costs these assemblies according the Completion Cost Source method set.

Final completions ensure that no positive or negative residual balances are left in the job after the current assembly has been completed.

Note: Use of the final completion option is unrelated to whether or not this is the last completion of the job.

The WIP Auto Compute Final Completion parameter setting determines whether the Final Completion option check box defaults to selected (enabled) or clear (disabled).

Note: When the last assembly in a job is a scrap, a residual balance may remain in the job, regardless of how you have chosen to deal with assembly scrap (see Assembly Scrap paragraph above), because the above routine for clearing the job balance is not invoked.

Assembly Returns

If you return completed assemblies back to a job, then the assemblies being returned are valued at the layer cost of all completions in this job (net of any prior completion reversals), if the completion cost source is *System Calculated* and the *Use Actual Resources* option. If the completion cost source is *User-defined*, then the assembly is returned at User-defined costs.

WIP Job Closures and Cancellations

Define variance accounts for each standard and non-standard discrete WIP accounting class. Any balance remaining in a job after it has been closed is written off elementally to these accounts.

Just prior to job closure, either all costs in the job have been relieved, leaving a zero balance, or a balance will be left in the job. If the job was completed, all units required were either completed or rejected / scrapped. If you used the Final Completion option, then the job balance is zero. The final units completed have absorbed all remaining job costs into their value.

However if the job balance is not zero, it is written off to the elemental variance accounts defined for the job's WIP accounting class. A residual job balance may remain under the following conditions:

- On the element by level, the job was over-relieved, resulting in a negative net activity for that element by level in the WIP Value Summary.
- All assemblies were completed, but the final completion was not used.
- A late transaction was posted after the completions.
- The job was cancelled and closed short (not all assemblies were completed / rejected).

The elemental account for the job's WIP accounting class should be different from the Cost Variance account.

Cost Variances

Define this account in organization parameters. All variances occurring in any subinventory within an organization are charged to the same account. This account is charged if you choose to allow negative quantities in inventory or a transaction results in a negative amount in inventory for one or more cost elements of an item.

Miscellaneous Issues

You can enter a transaction unit cost when performing a Miscellaneous Issue transaction. Because entering a cost that is significantly different from the layer can cause large swings in the unit cost of remaining on-hand inventory, you should not allow the cost to be entered.

Layer Cost Update

You can manually change the layer cost of an item by performing an Layer Cost Update transaction. The Update Layer Cost window is used to enter cost transaction

information for inventory layers. You first select to display the appropriate transaction records. You can perform a mass change for multiple layers in a group including cost, account number, and reason values.

> **Note:** You should perform layer cost updates only to correct transaction costing errors that affect items in subinventory. If the cost error originates from a WIP issue transaction, then the impacted quantities must be returned to a subinventory, corrected there, then reissued to WIP after the update is completed.

Updating Layer Costs

You can directly update each layer cost of an item to include additional costs such as freight, invoice price variances, or job variances. You can update cost elements individually, or you can update to the total cost. You can also perform a mass edit for multiple layers in a group. You can change costs by updating one of the following values in your record. These changes can be updated for a specific record, or for the total (which is proportioned across all cost elements and levels).

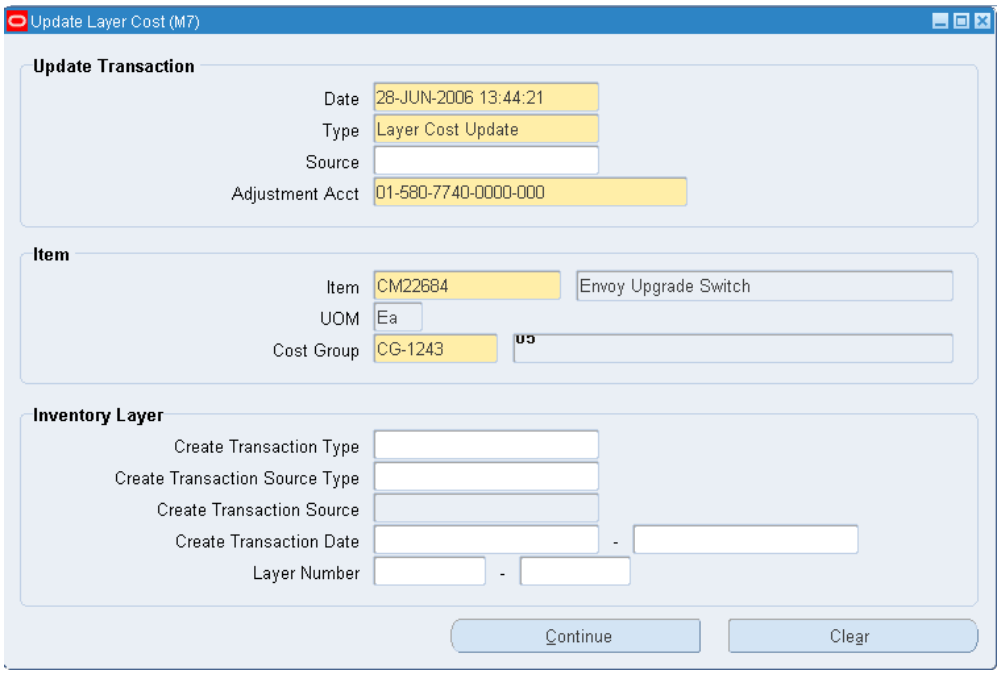
Layer cost update transactions are inserted into the Transaction Open Interface in Oracle Inventory. Transaction details are viewed in the Create Transaction tabbed region.

See: Oracle Inventory Open Interfaces, *Oracle Manufacturing, Distribution, Sales and Service Open Interfaces Manual.*

To search for records for layer cost updates:

1. Navigate to the Update Layer Cost window.

   The Update Layer Cost search window displays for entering criteria.



2. In the Update Transaction Region, select a transaction date within any open period.

3. Select Layer Cost Update in the Type field.

4. Optionally, you can enter a Source type to describe the origins for transactions.

5. Select an expense account in the Adjustment Acct field.

6. In the Item region, select the item for the layer cost update.

   The description, unit of measure, and cost group information defaults.

   If the Project References Enabled and Project Cost Collection Enabled parameters are set in the Organization Parameters window in Oracle Inventory, you can select a cost group. See: Organization Parameters Window, *Oracle Inventory User's Guide*. If these parameters are not set, the organization's default cost group is used.

7. Optionally, you can filter your search by selecting information in the Inventory Layer region. Select a value in the Create Transaction Type field for the transaction creating the inventory layer.

8. Select a value in the Transaction Source Type field for the type of transaction that created the inventory layer.

9. If you have a value in the Transaction Source Type field, then you can select a value in the Create Transaction Source field. This indicates the source of the transaction that created the inventory layer.

10. In the Create Transaction Date field, you can select a specific transaction date.

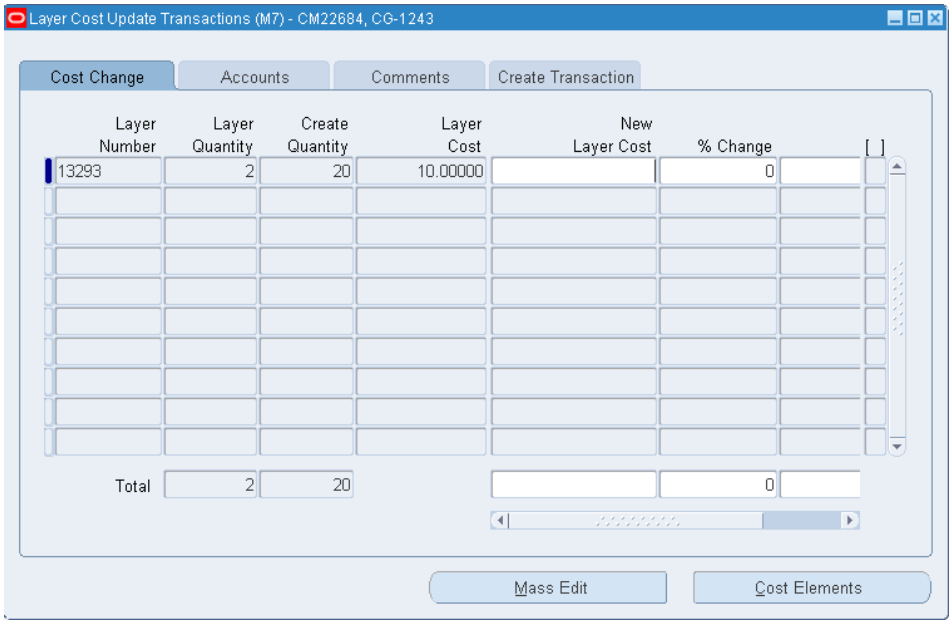
11. If you are searching for specific layers, then select a number or range of numbers in the Layer Number field.

    The layer number comes from a layer belonging to the cost group and having positive layer quantity balance.

12. Choose Continue to display the results of your search on the Layer Cost Update Transactions window. Or choose Clear to remove the data entry to perform a new search.

    The Layer Cost Update Transactions window has four tabbed regions for viewing and updating information:

    - Cost Change
    - Accounts
    - Comments
    - Create Transaction



To update a specific layer cost:

1. Select the Cost Change tabbed region.

   Information for your search results display in the Layer Number, Layer Quantity, Create Quantity, and Layer Cost fields.

2. Enter a value in one of the cost fields for that record.

   - New Layer Cost: Enter the new cost. The cost element and level, and the new total unit cost are automatically calculated when you save your work. Onhand inventory in all subinventories in the cost group is revalued.

     Note: If you are updating the cost of an item in common inventory, then the cost of that item intransit owned by the current organization is updated.

   - % Change: Enter a percentage change in this field as a whole value. The item cost is updated by this percentage value. The cost element and level, and the new total unit cost are automatically calculated when you save your work. Onhand inventory in all subinventories in the cost group is revalued.

   - Layer Value Change: Enter the amount to increase or decrease the current on–hand inventory value. To decrease the value, enter a negative amount.

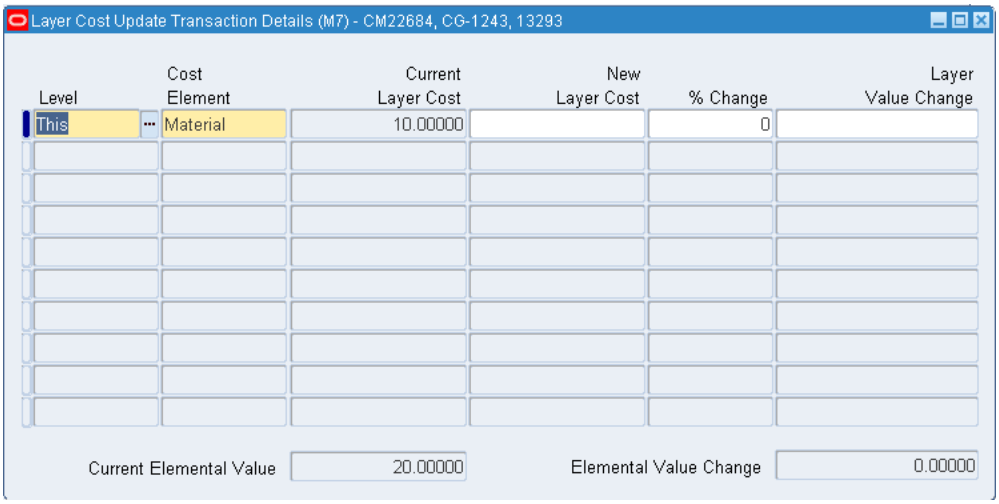
     Layer inventory is revalued by this amount, and the item's layer cost is recalculated by dividing the on–hand quantity into the new layer inventory value.

     To protect each element/level from becoming negative, the cost update reduces the value to zero and distributes the remainder to the cost variance account.

3. Update any changes in the other tabbed regions before saving your work. Save your work.

To update layer costs by element or level:

1. Choose Cost Elements to display the Layer Cost Update Transactions Details window.



2. In the Level field, select either This Level, or Previous Level.

3. Select a value in the Cost Element field. Your choices are Material, Material Overhead, Resource, Outside Processing, or Overhead.

4. For each level or element, enter a value in one of the cost fields.

   - New Layer Cost: Enter the new cost.
   - % Change: Enter a percentage change in this field as a whole value.
   - Layer Value Change: Enter the amount to increase or decrease the current on–hand inventory value. To decrease the value, enter a negative amount.

   For any of the values changed, the cost element, level, and total unit cost are automatically calculated when you save your work. Onhand inventory in all subinventories in the cost group is revalued.

   Layer inventory is revalued by this amount and the item's layer cost is recalculated by dividing the on–hand quantity into the new layer inventory value. You cannot change the layer cost value by this method unless the item has quantity on–hand.

5. Update any changes in the other tabbed regions before saving your work. Save your work.

To update layer cost by Total Cost and perform a mass change for your records:

1. Enter a value in one of the cost Total fields.

   - New Layer Cost Total: Enter the new total.

- % Change Total: Enter a percentage change in this field as a whole value. The total cost is updated by this percentage value.

- Layer Value Change Total: Enter the amount to increase or decrease the current on–hand inventory value. To decrease the value, enter a negative amount.

2. Update any changes in the other tabbed regions before saving your work.

3. Choose Mass Edit to update all your records displaying on this window.

   When you save your record, the new total cost and the amount of change is automatically proportioned across all cost elements and levels. Onhand inventory in all subinventories in the cost group is revalued.

To view and enter account information:

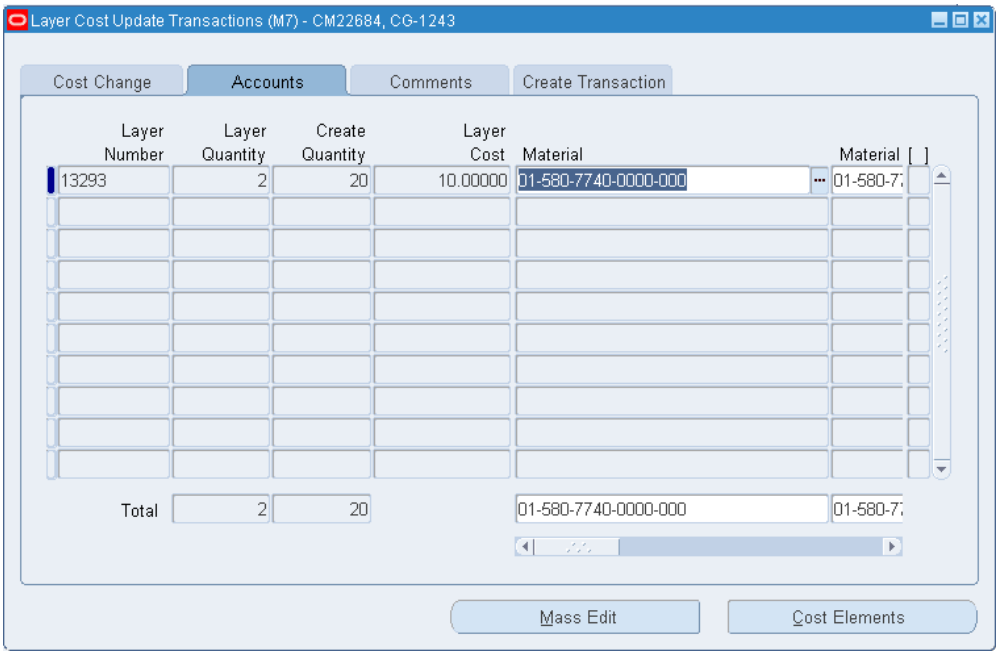
1. Select the Accounts tabbed region.

2. Enter values for the accounts you want to change.

   You can update information for the following accounts: Material, Material Overhead, Resource, Outside Processing, and Overhead.

   The offset to the inventory revaluation is applied to the layer cost adjustment account specified.

   You can update individual account records. You can also change all records displaying by entering an account value in the Total field.



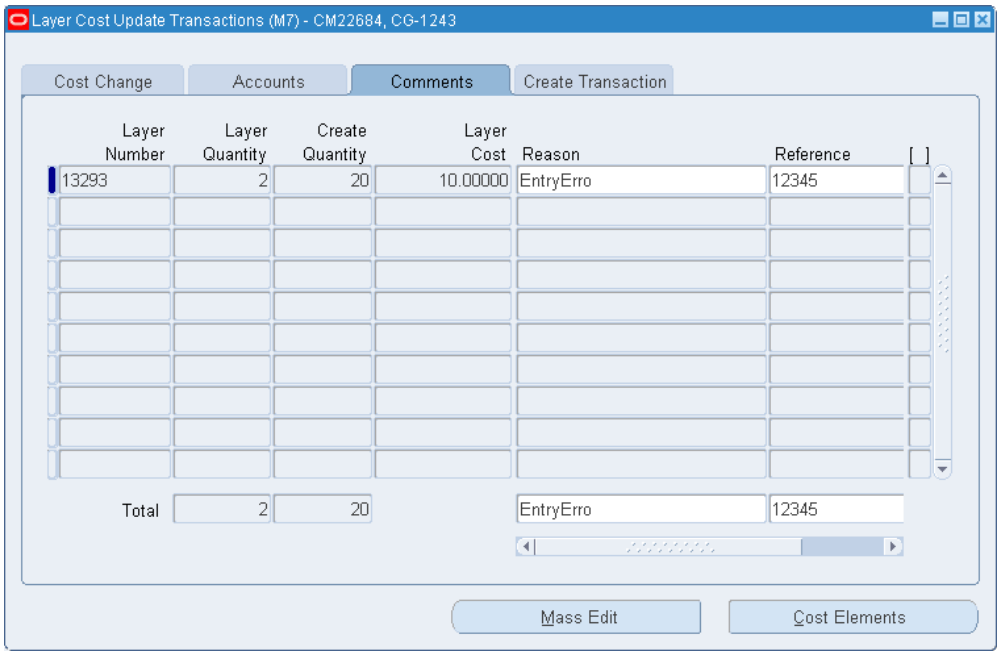
3. Update any changes in the other tabbed regions before saving your work.

4. Save your work. For mass changes, choose Mass Edit to update all displayed records.

To view or add reason and reference information for transactions:

1. Select the Comments tabbed region.

2. Select a reason code in the Reason field to classify or explain the transaction.



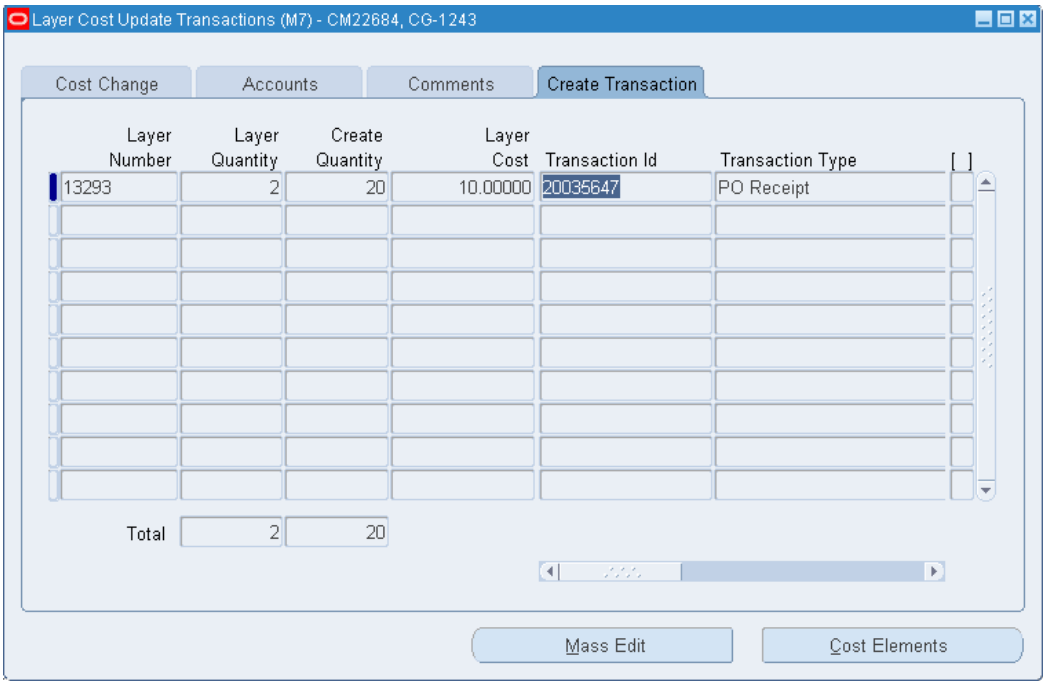
3. In the Reference field, you have the option to enter any descriptive text.

4. Update any changes in the other tabbed regions before saving your work.

5. Save your work. For mass changes, choose Mass Edit to update all displayed records.

To review all previous transactions for your search results:

Select the Create Transaction tabbed region. Layer number, cost, and quantity information display – along with the transaction identification number and type of transaction.



Layer Cost

This section discusses those transactions that create layer cost and those transactions that use layer cost.

Receipt to Inventory

This includes both purchase order receipts to inventory and deliveries to inventory from receiving inspection. This does *not* include receipts to receiving inspection, which do *not* update the layer cost. Inventory calculates the transaction value as follows:

Transaction value equals purchase order price times transaction quantity

If the purchase order uses a foreign currency, then inventory calculates the transaction value as follows:

Transaction value equals purchase order price converted to inventory ledger currency times transaction quantity

Inter-Organization Receipt

This includes material you receive directly from another organization and from intransit inventory. Inventory calculates the transaction value as follows:

Transaction value equals [(cost from sending organization times transaction quantity) plus freight charges plus transfer credit charges

For a direct receipt, the organization that receives the material does not perform a

transaction. The sending organization performs a ship transaction to the receiving organization. Inventory considers the transfer a receipt in the receiving organization and creates the layer and cost accordingly.

Receipt from Account

This refers to a miscellaneous receipt of material from a general ledger account or account alias. Inventory calculates the transaction value as follows:

Transaction value equals latest layer cost in inventory times transaction quantity

However, you can enter your own layer cost. This cost is spread elementally proportional to the average layer cost elements.

For example, if you enter a user-defined transaction cost of $20 for an item that has an average layer cost of $10 (distributed as shown in the following table), then the transaction elemental costs are distributed proportionally (also shown in the table):

Cost Element	Weighted Average Layer Cost	Distribution of Transaction Cost
Material	$5	$10
Material Overhead (MOH)	$2	$4
Resource	$1	$2
Overhead	$1	$2
Outside Processing	$1	$2
Total	$10	$20

See: Performing Miscellaneous Transactions, *Oracle Inventory User's Guide*.

Issue to Account

This refers to a miscellaneous issue of material to a general ledger account or account alias. Inventory calculates the transaction value as follows:

Transaction value equals first layer cost in inventory times transaction quantity

If you use the first layer's cost of the item, this transaction does not update the layer cost. For this type of transaction, you can override the defaulted first layer's cost with your own cost.

Warning: The difference between the prior layer's cost and the entered cost may greatly and adversely affect the layer cost of the layer consumed.

See: Performing Miscellaneous Transactions, *Oracle Inventory User's Guide*.

Return to Supplier

This includes both purchase order returns from inventory direct to the supplier and returns to receiving inspection. Inventory calculates the transaction value as follows:

Transaction value equals purchase order price times transaction quantity

If the purchase order uses a foreign currency, Inventory calculates the transaction value as follows:

Transaction value equals purchase order price converted to inventory ledger currency times transaction quantity

Material overhead is also reversed based on the current material overhead rate(s).

See: Managing Receipts, *Oracle Purchasing User's Guide* and Entering Receiving Transactions, *Oracle Purchasing User's Guide*.

Return from Customer (RMA Receipt)

Although this transaction is a receipt, it creates a new layer at the same cost as the original shipment. This new layer is created as a latest layer cost for LIFO without a sales order reference, an earliest positive layer cost for FIFO without a sales order reference, or an original sales order issue cost if the RMA has a sales order reference.

Tip: Use the layer cost update to revise this layer's cost.

Subinventory Transfer

This transaction uses the first layer's cost of the item to value the transfer. Since this cost is the same for all subinventories in a cost group, this transaction does *not* update the layer cost of the item in the receiving subinventory, if you transfer within the same cost group.

Negative Inventory Balances

When your on-hand inventory balance is negative, the transaction is split into three parts and costed as explained below:

1. The receipt creates a new layer.

2. Immediately that layer replenishes the layer(s) with negative quantity. The difference in costs between the layers creates an entry to the cost variance account.

3. The new layer is updated with the balance quantity.

Viewing Layer Item Costs

You can examine your FIFO/LIFO item costs to determine how and why they have changed.

The following windows can be used to assist you in this process:

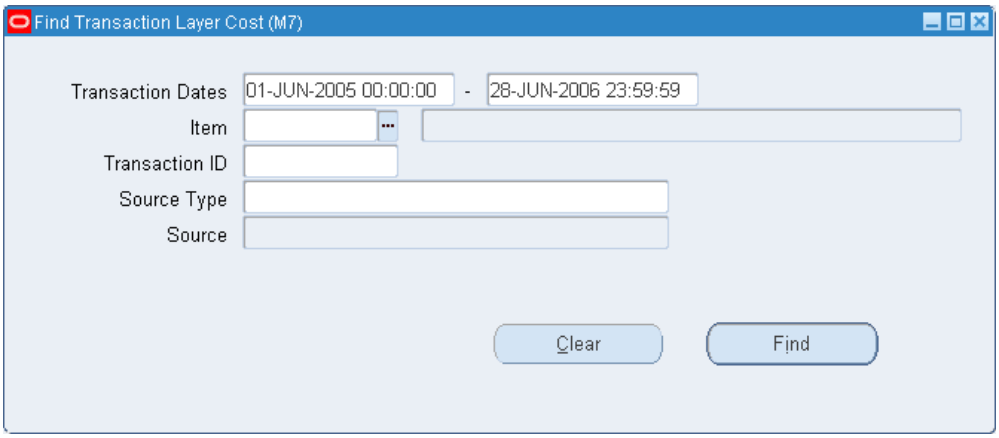
- **View Item Costs:** Displays item costs and their elemental cost components (Material, Material Overhead, Resource, Overhead, and Outside Processing) for FIFO/LIFO cost types. You cannot update layer costs here.

- **View Transaction Layer Costs:** Displays the cost of the consumed layer(s) for each inventory transaction and shows you how much quantity and at what cost the consumption is valued. Displays the receipt layer created or the negative layer, replenished for the receipt transactions. You can query by date/date range, specific item, transaction id, transaction source type/source.

- **View WIP Layer Costs:** For issue transactions, it displays all the WIP layers by item and by operation for a specified job. The inventory layers that make up the WIP layers and their elemental costs are also displayed.

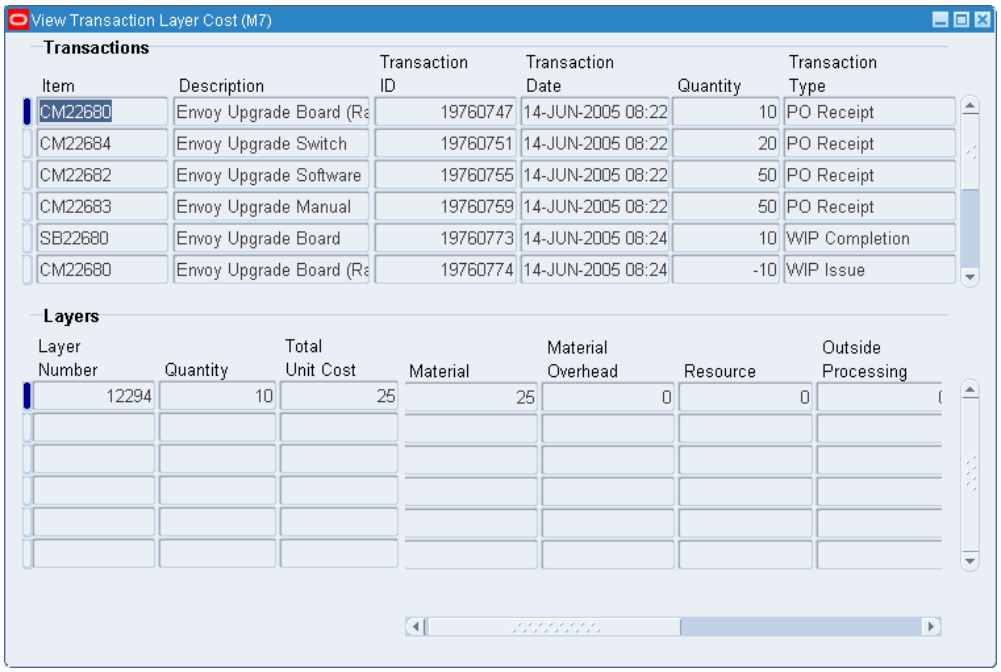
To view transaction layer costs:

1. Navigate to the View Transaction Layer Cost window. The Find Transaction Layer Cost window appears.

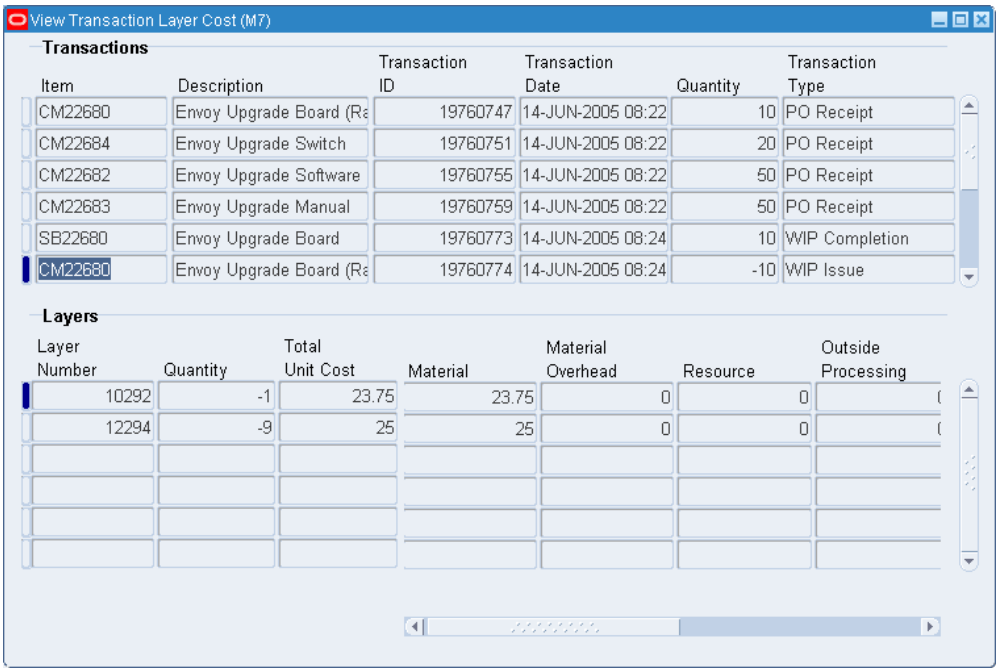


2. Enter your search criteria. You can search for items by the following search criteria:
   - Date/date range
   - Item (item description is only a display field)
   - Transaction ID
   - Source type and source (the source field will be enabled only after you choose a source type)

3. Choose the Find button. The results display in the View Transaction Layer Cost window.



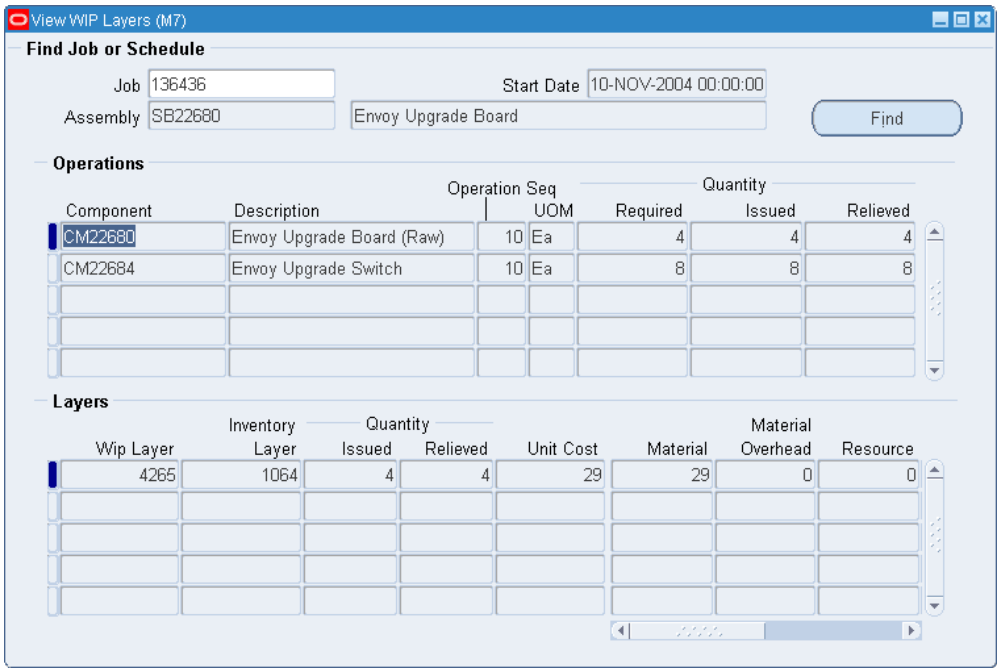
4. Select a transaction for an item displayed in the Transactions block of the View Transaction Layer Cost window.



For each transaction selected in the master block, you can view in the detail block all the layers created, consumed or replenished by the transaction. For each layer, you can view the elemental costs as well as the source type and the source of the transaction which creates the layer.

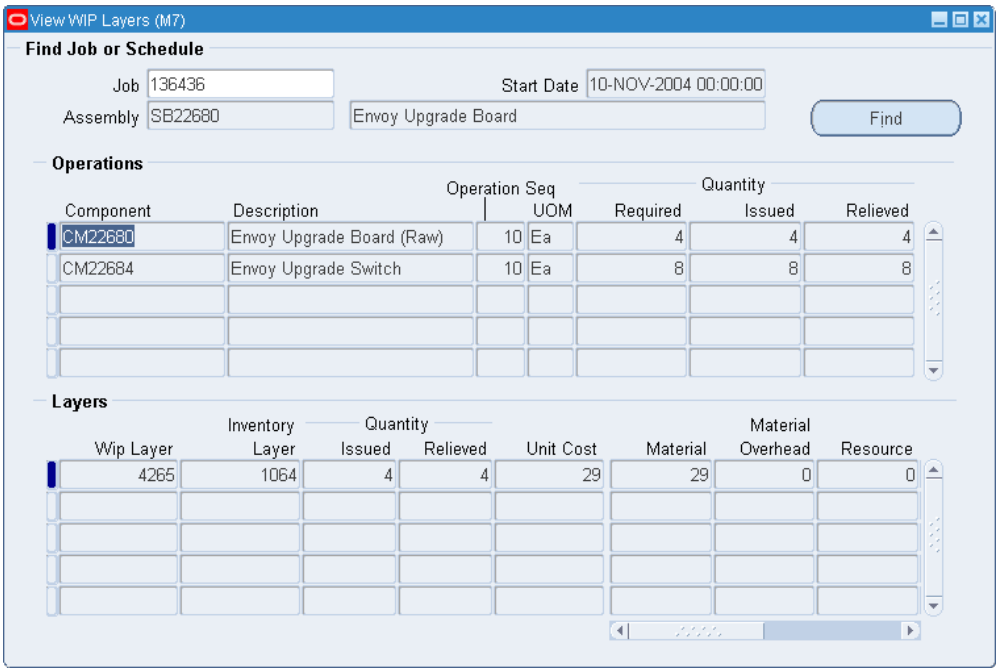
To view WIP layer costs:

1. Navigate to the WIP Layers window.



2. Select your job by entering a valid job number or choosing from the List of Values.

3. Choose the Find button. The results display in the detail block of the WIP Layers window.



For a specified job number, you can view all the material operation requirements by item, by operation. When you select a component which has been issued to the job, you can view WIP layers related to the issues with the quantity issued and relieved in the detail block. Quantity relieved represents the total of components reliefs due to assembly completions and scrap transactions.

Since an issue to WIP transaction can consume multiple inventory layers, you can also view those inventory layers with their elemental costs. You can view the ID of the transaction creating the WIP layers.

Layer Cost Valuation

Inventory continually maintains the value of inventory, updating it with each transaction. This means that you can report your inventory value quickly and accurately.

Unlimited Cost Types

You can define an unlimited number of cost types and use them with any inventory valuation and margin analysis reports. This allows you to compare simulation and budget cost types against your actual layer costs. You can also periodically save your layer costs into another cost type for year to year and other comparisons.

When you use Oracle Bills of Material with Inventory, you can specify the cost type in explosion reports and report these costs for simulation purposes.

Cost Variances

Under layer costing, variances are generated and handled as follows:

Cost Variance

Cost variances are generated if you issue additional material even though the inventory balances for that material are negative. Inventory balances can be driven negative if the *Allow Negative Balances* parameter is set in the Organization Parameters window in Oracle Inventory.

Return to Vendor (RTV) and Negative Delivery Adjustments can drive specified layers negative because they are layer-specified transactions. This can occur even if other layers have positive quantities.

If negative quantities are allowed, when a receipt (or transfer in) transaction occurs for an item with negative on-hand inventory, the following takes place:

- The negative layers are replenished in a FIFO or in a LIFO manner, up to the receipt quantity available. In addition, the new receipt layer is created with zero quantity.

- If the transaction quantity is greater than the absolute value of the negative on-hand quantity (that is, the on-hand quantity would be positive if the transaction were processed), then the negative layers are completely replenished in FIFO/LIFO and a new layer with the balance quantity is created.

  The difference between the units valued at the negative layer unit cost and those valued at the normal transaction unit cost is written to the cost variance account.

The Cost Variance account is also charged when a transaction results in a negative amount in inventory for one or more cost elements of an item.

> **Important:** If you develop a large balance in the Cost Variance account, adjust your layer costs.

Invoice Price Variance

Invoice price variance (IPV) is the difference between the purchase price and the invoice price paid for a purchase order receipt. IPVs are generated when the invoice is processed and matched to the purchase order line items. Upon invoice approval, Oracle Payables automatically records this variance to both the invoice price variance and the exchange rate variance accounts. IPV is determined and recorded the same under both standard and average costing.

Cycle Count and Physical Inventory

Inventory considers cycle count and physical inventory adjustments as variances.

Distribute these variances to the general ledger when you perform the general ledger transfer or period close.

Borrow Payback Variance

Under project manufacturing costing, borrow/payback variance accounts are set up in the Cost Group window to make it possible for one project to borrow from another and return (payback) in the original cost.

Layer Cost Transactions

The following types of cost transactions can occur:

- Layer Costing Purchasing Transactions, page 6-42
- Layer Costing Inventory Transactions, page 6-46
- Layer Costing Order Management/Shipping Transactions, page 6-49
- Layer Cost Update, page 6-51

> **Note:** Layer Cost Transactions use default accounts. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Layer Costing Purchasing Transactions

This section shows accounting entries for layer costing purchasing transactions.

> **Note:** The following accounts are the default accounts when layer costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Purchase Order Receipt to Receiving Inspection

You can use the Receipts window in Oracle Purchasing to receive material or outside processing items from a supplier into a receiving location (destination type equals receiving). You can also use this window to receive material directly to inventory.

When you receive material or outside processing items from a supplier into receiving

inspection, the Receiving Inspection account is debited and the Inventory A/P Accrual account is credited based on the quantity received and the purchase order price.

Account	Debit	Credit
Receiving Inspection account at PO cost	XX	-
Inventory A/P Accrual account at PO cost	-	XX

Important: If a purchase order line item lacks a defined price, the system uses zero to value the transaction.

Delivery From Receiving Inspection to Inventory

You can use the Receiving Transactions window to move material from receiving inspection to inventory. The system uses the quantity and the purchase order price of the delivered item to update the receiving inspection account and quantity. The system uses the layer cost. Here are the accounting entries:

Account	Debit	Credit
Organization Material account at PO cost	XX	-
Receiving Inspection account at PO cost	-	XX

A new layer is created at PO price.

Material Overhead

If your item has material overhead(s), you earn material overhead on deliveries from receiving inspection. Here are the accounting entries:

Account	Debit	Credit
Subinventory accounts	XX	-

Account	Debit	Credit
Material Overhead Absorption account	-	XX

Foreign Currencies

If the purchase order uses a foreign currency, the purchase order cost is converted to the ledger currency before the accounting entries are generated. This converted value is used for receiving accounting purposes.

The layer cost is recalculated using the transaction value of the purchase price converted to the inventory ledger currency times the transaction quantity.

Expense Subinventories and Expense Inventory Items

With Oracle Purchasing and Inventory, there are two types of expense items. Purchasing has non-inventory purchases, such as office supplies or capital equipment. These items use an expense destination type for the purchase order's distribution information. You can inspect these purchasing items in receiving, but you cannot deliver these items into inventory.

However, expense inventory itemscan be stocked in a subinventory, but cannot be valued. Expense inventory items use an inventory destination type for the purchase order's distribution information. Expense inventory items can be delivered into both expense or asset subinventories.

When you receive to expense locations or receive expense inventory items, here are the accounting entries:

Account	Debit	Credit
Subinventory Expense account at PO cost	XX	-
Inventory A/P Accrual account at PO cost	-	XX

When you receive into an expense subinventory or receive an expense (non-asset) inventory item, the system debits the subinventory expense account instead of the valuation accounts.

See: Entering Receiving Transactions, *Oracle Purchasing User's Guide*, Defining Ledgers, *Oracle General Ledger User's Guide* and Organization Parameters Window, *Oracle Inventory User's Guide*

Purchase Order Receipt to Inventory

You can use the Receipts window to receive material directly from a supplier to inventory (destination type equals inventory).

When you receive material from a supplier directly to inventory, a receipt and delivery transaction are performed in one step.

Here are the accounting entries for the receipt portion of the transaction:

Account	Debit	Credit
Receiving Inspection account at PO cost	XX	-
Inventory A/P Accrual account at PO cost	-	XX

Here are the accounting entries for the delivery portion of the transaction:

Account	Debit	Credit
Organization Material account at PO cost	XX	-
Receiving Inspection account at PO cost	-	XX

Material Overhead

If your item has material overhead(s), you earn material overhead on the delivery portion of the transaction. Here are the accounting entries:

Account	Debit	Credit
Organization Material Overhead account	XX	-
Material Overhead Absorption account	-	XX

Foreign Currencies

The layer cost is recalculated using the transaction value of the purchase price converted to the inventory ledger currency times the transaction quantity.

Return To Supplier From Receiving

Use Receiving Returns and Receiving Corrections windows to return material from receiving inspection or from inventory to a supplier. If you use receiving inspection and you have delivered the material into inventory, then you must first return the goods to receiving before you can return to the supplier. For a return from inspection, the system decreases the receiving inspection balance and reverses the accounting entry created for the original receipt. To decrease the inventory balance, the return to supplier transaction uses the purchase order cost.

Entering Returns, *Oracle Purchasing User's Guide*.

Return To Supplier From Inventory

When you do not use receiving inspection, the return to supplier transaction updates the same accounts as the direct receipt to inventory, with reverse transaction amounts. To decrease the inventory balance, the return to supplier transaction uses the purchase order cost.

Foreign Currencies

As with the purchase order receipts to inventory, if the purchase order uses a foreign currency, the purchase order cost is converted to the ledger currency before the accounting entries are generated.

See: Entering Returns, *Oracle Purchasing User's Guide*.

Layer Costing Inventory Transactions

This section describes the accounting entries for layer costing inventory transactions.

> **Note:** The following accounts are the default accounts when layer costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Miscellaneous Transactions

You can use the Miscellaneous Transaction window to issue itemsfrom a subinventory to a general ledger account (or account alias) and to receive items into a subinventory from an account / account alias. An account alias identifies another name for a general ledger account that you define.

Tip: Use account aliases for account numbers you use frequently. For example, use the alias SCRAP for your general ledger scrap account.

Here are the accounting entries for issuing material from a subinventory to a general ledger account or alias:

Account	Debit	Credit
Entered G/L account at layer cost	XX	-
Inventory Valuation accounts at layer cost	-	XX

Here are the accounting entries for receiving material to a subinventory from an account or an alias:

Account	Debit	Credit
Inventory Valuation accounts at layer cost	XX	-
Entered G/L account at layer cost	-	XX

Note: Under layer costing, you can enter a unit cost which the system uses in place of the layer cost.

Performing Miscellaneous Transactions, *Oracle Inventory User's Guide*.

Expense Subinventories and Expense Items

When you receive into an expense location or receive an expense item, you have expensed the item. If you use the miscellaneous transaction to issue from an expense location, you can issue to an account or to an asset subinventory of the *INV:Allow Expense to Asset Transfer* profile option in Oracle Inventory is set to Yes. If issued to an account the system assumes the item is consumed at the expense location and moves the quantity without any associated value. If transferred to an asset subinventory, the item moves at its current cost.

When you receive an expense item to either an asset or expense subinventory, no accounting occurs. Since the account balance could involve different costs over time, the

system assumes the cost of the expense item is unknown.

Transaction Unit Cost

Caution: Transaction unit costs can be entered when you perform a miscellaneous transaction in Inventory. However, entering a cost that is significantly different from the layer can cause large swings in the unit cost of remaining on-hand inventory. Oracle recommends you take the appropriate measures to control the ability to enter the transaction unit cost.

Subinventory Transfers

Use the Subinventory Transfer window to move material from one subinventory to another. If you specify the same subinventory as the From and To Subinventory, you can move material between locators within a subinventory.

Since you use the same valuation accounts for your subinventories (the organization inventory valuation accounts), this transaction has no net effect on overall inventory value, and no accounting entries are generated.

Expense Subinventories and Expense Items

You can issue from an asset to an expense subinventory, and you can issue from an expense subinventory if the Oracle Inventory *INV:Allow Expense to Asset Transfer* profile option is set to Yes. The application assumes the item is consumed at the expense location.

See: Transferring Between Subinventories, *Oracle Inventory User's Guide*.

Cycle Count and Physical Inventory

You can use cycle counting and physical inventory to correct your inventory on-hand balances.

If you physically count more than your on-hand balance, then here are the accounting entries:

Account	Debit	Credit
Inventory Valuation accounts at layer cost	XX	-
Adjustment account at layer cost	-	XX

If you countless than your on-hand balance, then here are the accounting entries:

Account	Debit	Credit
Adjustment account at layer cost	XX	-
Inventory Valuation accounts at layer cost	-	XX

The accounting entries for physical inventory adjustments are the same as those for cycle counts.

> **Tip:** Since the quantities, not the layer cost, is kept when you freeze the physical inventory, you should not perform any transactions that might affect your layer costs until you have adjusted your physical inventory.

Expense Subinventories and Expense Items

The system does not record accounting entries when physical inventory or cycle count adjustments involve expense subinventories or expense items. However, quantity balances in expense subinventories are corrected if the quantities in these subinventories are tracked.

Related Topics

Overview of Cycle Counting, *Oracle Inventory User's Guide*,

Entering Cycle Counts, *Oracle Inventory User's Guide*,

Overview of Physical Inventory, *Oracle Inventory User's Guide*, and

Processing Physical Inventory Adjustments, *Oracle Inventory User's Guide*.

Layer Costing Order Management/Shipping Execution Transactions

This section shows accounting entries for layer costing order management and shipping transactions.

> **Note:** The following accounts are the default accounts when layer costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Sales Order Shipments

You ship material on a sales order using Oracle Order Shipping Execution. Here are the accounting entries for sales order shipments:

Account	Debit	Credit
Deferred Cost of Goods Sold account at layer cost	XX	-
Inventory Valuation accounts at layer cost	-	XX

Important: You do not create any accounting information when you ship from an expense subinventory or ship an expense inventory item.

RMA Receipts

You can receive items back from a customer using the RMA (return material authorization) Receipts window. Non-referenced RMA receipts are made at the earliest or latest layer cost, depending on whether it is FIFO or LIFO respectively.

Here are the accounting entries for an RMA receipt:

Account	Debit	Credit
Inventory Valuation accounts at latest cost	XX	-
Cost of Goods Sold account at latest cost	-	XX
Deferred Cost of Goods Sold account at latest cost	-	XX

You use the same account as the original cost of goods sold transaction.

Important: You do not create any accounting entries for a return to an expense subinventory or return for an expense inventory item.

See: Return Material Authorizations, *Oracle Purchasing User's Guide*.

RMA Returns

You can return items received into inventory through an RMA back to the customer using the RMA Returns window. For example, you can send back - "return" - an item that was returned by the customer to you for repair.

This transaction reverses an RMA receipt. It also mimics a sales order shipment and updates the same accounts as a sales order shipment.

Here are the accounting entries for an RMA return:

Account	Debit	Credit
Cost of Goods Sold account at layer cost	XX	-
Deferred Cost of Goods Sold account at layer cost	-	-
Inventory Valuation accounts at layer cost	-	XX

> **Important:** You do not create any accounting entries when you return a customer RMA from an expense subinventory or for an expense inventory item.

See: Return Material Authorizations, *Oracle Purchasing User's Guide*.

Layer Cost Update

You can view and update the layer cost of an item by cost element and level (this level and previous level). You can update layer costs using a percentage change, a new layer cost, or a value change. A change made to the total unit cost of an item is spread to all cost elements and levels in the same proportion as they existed before the update.

The offset to the inventory revaluation in all cases above will be booked to the Layer Cost Adjustment account(s) you specified at the time you perform the update.

> **Note:** The layer cost update feature is intended to be used sparingly to correct a transaction costing error affecting items in subinventory. If the cost error is in WIP, the impacted quantities will need to be returned to a subinventory, corrected there, then reissued to WIP after the update has been completed.

If the adjustment increases inventory, then here are the accounting entries:

> **Note:** The following accounts are the default accounts when layer costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Account	Debit	Credit
Inventory Valuation accounts	XX	-
Adjustment account	-	XX

If the adjustment decreases inventory, then here are the accounting entries:

Account	Debit	Credit
Adjustment account	XX	-
Inventory Valuation accounts	-	XX

Related Topics

Updating Layer Costs, page 6-24

Manufacturing Transactions

The following cost transactions can occur when Oracle Work in Process is installed:

- Component Issue and Return Transactions
- Move Transactions
- Resource Charges
- Outside Processing Charges
- Overhead Charges
- Assembly Scrap Transactions
- Assembly Completion Transactions

- Assembly Returns
- Job Close Transactions
- Period Close Transactions

Component Issue and Return Transactions in Layers

You can perform the following transactions:

- Issue component items to jobs from an inventory layer
- Return components from jobs back to inventory, creating a layer
- Issue or return directly by performing a WIP material transaction or by using the Inventory Transaction Interface
- Backflush components using the Move Transactions and Completion Transactions windows in WIP, the Receipts window in Purchasing (for outside processing), or by using the WIP Open Move Transaction Interface

Costing Issue and Return Transactions

Issue transactions increase the WIP valuation and decrease the inventory valuation. Components issued to or returned from jobs are valued at the inventory layer cost in effect at the time of the transaction. Components issued to a job or returned from a job in several different transactions may have different unit costs for each transaction. If a component's unit cost is composed of more than one cost element, this elemental detail continues to be visible after it is charged to a job.

Here are the accounting entries for issue transactions:

> **Note:** The following accounts are the default accounts when layer costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Account	Debit	Credit
WIP accounting class valuation accounts	XX	-
Subinventory elemental accounts	-	XX

Here are the accounting entries for return transactions:

Account	Debit	Credit
Subinventory elemental accounts	XX	-
WIP accounting class valuation accounts	-	XX

See: Overview of Material Control, *Oracle Work in Process User's Guide*.

Move Transactions

A move transaction moves assemblies within an operation, such as from Queue to Run, or from one operation to the next. Move transactions can automatically launch operation completion backflushing and charge resources and overheads.

The total quantity required at an operation is issued at the first move transaction (scrap, to move, etc.) for the operation.

You can perform move transactions using the Move Transactions window, Open Move Transaction Interface, or the Receipts window in Purchasing.

Backflush Material Transactions Come From Layers and Create Layers

With backflushing, you issue component material used in an assembly or subassembly by exploding the bills of material, and then multiplying by the number of assemblies produced.

Move transactions can create operation pull backflush material transactions that issue component material from Inventory layers into WIP layers. For backflush components under lot or serial number control, you assign the lot or serial numbers during the move transaction.

When you move backward in a routing, WIP automatically reverses operation pull backflush transactions. Here are the accounting entries for move transactions:

Account	Debit	Credit
WIP accounting class valuation accounts	XX	-
Inventory Valuation accounts	-	XX

Here are the accounting entries for return transactions:

Account	Debit	Credit
Inventory Valuation accounts	XX	-
WIP accounting class valuation accounts	-	XX

See: Overview of Material Control, *Oracle Work inProcess User's Guide*.

Moved Based Resource Charging

As the assemblies you build pass through the operations on their routings, move transactions charge all pre-assigned resources with an auto-charge type of WIP Moveat their standard rate.

You can charge resources based upon a fixed amount per item moved in an operation (Item basis) or based upon a fixed lot charge per item moved in an operation (Lot basis). For resources with a basis of Lot, WIP automatically charges the lot cost upon completion of the first assembly in the operation.

You can also enter manual resource transactions associated with a move, or independent of any moves. You can manually charge resources to a job, provided it has a routing. You can also transact resources through the Open Resource Transaction Interface.

See: Overview of Resource Management, *Oracle Work in Process User' Guide*.

Resource Charges

WIP supports four resource auto-charging methods: Manual, WIP Move, PO Move, and PO Receipt. You can charge resources at an actual rate. You can also charge resource overheads automatically as you charge resources.

WIP Move Resource Charges

You can automatically charge resources at predefined rates to a job when you perform a move transaction using either the Move Transaction window or the Open Move Transaction Interface. When you move assemblies from the queue or run intraoperation steps forward to the to move, reject, or scrap intraoperation steps, or to the next operation, WIP charges all pre-assigned resources with an charge type of WIP Moveat their predefined rate.

For resources with a basis of item, WIP automatically charges the resource's usage rate or amount multiplied by the resource's predefined cost upon completion of each assembly in the operation. For resources with a basis of lot, WIP automatically charges the resource's usage rate or amount multiplied by the resource's predefined cost upon completion of the first assembly in the operation.

You can undo the WIP Move resource charges automatically in these ways:

- By moving the assemblies from queue or run of your current operation to queue or run of any prior operation
- By moving the assemblies from the to move, reject, or scrap intraoperation steps backward to the queue or run intraoperation steps of the same operation, or to any intraoperation step of any prior operation

Phantom Costing

Phantom assemblies can be costed fully in Release 12. To cost the routings of the phantom, you check these BOM parameters:

- Use Phantom Routings
- Inherit Phantom Operation Sequence

The overhead and resources on the phantom routing are charged at this level. Your parent assembly is costed as if the operation contained the resources and overheads of the phantom routing.

Manual Resource Charges

You can charge manual resources associated with a move transaction or independently of any moves. Manual resource transactions require you to enter the actual resource units applied rather than autocharging the resource's usage rate or amount based on the move quantity. You can charge resources using that resource's unit of measure or any valid alternate. You can manually charge resources to a job, provided that it has a routing.

If you use the Move Transactions window to perform moves and manual resource transactions at the same time, WIP displays all pre-assigned manual resources with a charge type of manual assigned to the operations completed in the move. If the resource is a person, you can enter an employee number.

In addition to the resources that appear, you can manually charge any resource to a job, even if you have not previously assigned the resource to an operation in the job. You can also manually charge resources to an operation added ad hoc by entering any resource defined for the department associated with the operation.

You can correct or undo manual resource transactions by entering negative resource units worked.

Costing Labor Charges at Actual

You can charge labor charges at actual in two ways. You can enter an actual rate for the employee using the Open Resource Transaction Interface or when you define employee rates. For labor charges using an actual or employee rate for a resource for which charge standard rate is turned off, here are the accounting entries:

Account	Debit	Credit
WIP accounting class resource valuation account	XX	-
Resource absorption account	-	XX

If you enter an actual rate for a resource for which Charge Standard Rate is enabled, WIP charges the job at a predefined amount. If Autocharge is set to manual and actual rates and quantities are recorded, then a rate variance is recognized immediately for any rate difference. Here are the accounting entries for the actual labor charges:

Account	Debit	Credit
WIP accounting class resource valuation account	XX	-
Resource rate variance account (Debit when actual rate is greater than the standard rate. Credit when the actual rate is less than the standard rate.)	XX	XX
Resource absorption account	-	XX

PO Receipt and PO Move Transactions

You can receive purchased items associated with outside resources from an outside processing operation back into WIP in Oracle Purchasing. For these items, WIP creates resource transactions at the standard or actual rate for all outside resources with an autocharge type of PO receipt or PO move.

See: Overview of Resource Management, *Oracle Work in Process User's Guide* , Managing Receipts, *Oracle Purchasing User's Guide* and Overview of Outside Processing, *Oracle Work in Process User's Guide*.

Outside Processing Charges

WIP automatically creates resource transactions at the standard or actual rate for all outside processing resources with an charge type of PO Receipt or PO Move when you use the Receipts window in Purchasing to receive assemblies from an outside processing operation back into WIP. For outside processing resources with a charge

type of PO Move, WIP also performs a move of the assemblies from the queue or run intraoperation step of your outside processing operation into the queue intraoperation step of your next operation or into the to move intraoperation step if the outside processing operation is the last operation on your routing.

If you assigned internal resources to an outside operation with an charge type of manual, you use the Move Transactions window or the Open Resource Transaction Interface to charge these resources.

If you return assemblies to the supplier, the system automatically reverses the charges to all automatic resources associated with the operation. You must manually reverse all manual resource charges using the Move Transactions window. For outside processing resources with an charge type of PO Move, WIP automatically moves the assemblies from the queue intraoperation step of the operation immediately following the outside processing operation into the queue intraoperation step of your outside processing operation. If the outside processing operation is the last operation on your routing, WIP automatically moves the assemblies from the to move intraoperation step to the queue intraoperation step.

Costing Outside Processing Charges at a Predefined Rate

When you receive the assembly from the supplier, Purchasing sends the resource charges to WIP at either a predefined cost or actual purchase order price, depending upon how you specified the standard rate for the outside processing resource.

If you enabled Charge Standard Rate for the outside processing resource being charged, then Purchasing charges WIP at the standard rate. WIP then creates a purchase price variance for the difference between the standard rate and the purchase order price. Here are the WIP accounting entries for outside processing items:

Account	Debit	Credit
WIP accounting class outside processing valuation account	XX	-
Purchase price variance account (Debit when the actual rate is greater than the standard rate. Credit when the actual rate is less than the standard rate.)	XX	XX
Organization Receiving account	-	XX

Any quantity or usage difference is recognized as an outside processing efficiency variance at period close.

Here are the accounting entries for return to supplier for outside processing:

Account	Debit	Credit
Organization Receiving account	XX	-
Purchase price variance account (Debit when actual rate is less than the standard rate. Credit when the actual rate is greater than the standard rate.	XX	XX
WIP accounting class outside processing valuation account	-	XX

Costing Outside Processing Charges at Actual Purchase Order Price

If you disable standard option for the outside processing resource being charged, purchasing charges WIP the purchase order price and does not create a purchase price variance.

Here are the accounting transactions for outside processing charges at purchase order price:

Account	Debit	Credit
WIP accounting class outside processing valuation account	XX	-
Organization Receiving account	-	XX

See: Overview of Shop Floor Control, *Oracle Work in Process User's Guide*

Overhead Charges

Moved Based Overhead Charging

WIP automatically charges appropriate overhead costs as you move assemblies through the shop floor. You can charge overheads directly based on move transactions or based on resource charges. For overhead charges based on move transactions with a basis of

item, WIP automatically charges overheads upon completion of each assembly in the operation. WIP automatically reverses these charges during a backward move transaction.

For overheads based on move transactions with a basis of lot, WIP automatically charges overheads upon completion of the first assembly in the operation. WIP automatically reverses these charges during a backward move transaction if it results in zero net assemblies completed in the operation.

Resource Based Overhead Charging

WIP automatically charges appropriate overhead costs as you charge resources. You can charge overheads based on resource units or values. WIP automatically reverses overhead charges when you reverse the underlying resource charge.

Costing Overhead Charges

Overhead charges increase WIP valuation. Here are the accounting entries for overhead charges:

Account	Debit	Credit
WIP accounting class overhead account	XX	-
Overhead absorption account	-	XX

You can reverse overhead charges by entering negative manual resource charges or performing backward moves for WIP moveresources.

Here are the accounting entries for reverse overhead charges:

Account	Debit	Credit
Overhead absorption account	XX	-
WIP accounting class overhead account	-	XX

See: Overview of Shop Floor Control, *Oracle Work in Process User's Guide*

Assembly Scrap Transactions

The cost of components in the assembly comes from FIFO/LIFO rules.

If you move assemblies into the scrap intraoperation step of an operation and the WIP Require Scrap Account parameter is set, you must enter a scrap account number or account alias. If you do not specify that a scrap account is required, then it is optional. If you do not provide a scrap account, then the cost of scrap remains in the job or schedule until job or period close. If the job is then completed using the final completion option in the Completion Transactions window, then the cost is included in the finished assembly cost. Otherwise, the cost is written off as a variance when the non-standard asset and standard discrete jobs are closed and at period close for non-standard expense jobs.

WIP considers assemblies that are moved into the scrap intraoperation step from the queue or run of the same operation as complete at that operation. Operation completion information is updated, components are backflushed, and resource and overhead costs are charged according to the elemental cost setup. See: Scrapping Assemblies, *Oracle Work in Process User's Guide*.

If a scrap account is entered, then the cost of scrapped assemblies is determined using an algorithm that calculates the assembly costs through the operation at which the scrap occurred. The scrap account is then debited; the job elemental accounts are credited. The scrap calculation uses jog requirements, rather than cost incurred. If you move assemblies out of a scrap operation step, therefore reversing the ordinal scrap transaction, these accounting entries are reversed.

Here are the accounting entries for scrap transactions:

Account	Debit	Credit
Scrap account	XX	-
WIP accounting class valuation accounts at calculated scrap value	-	XX

Here are the accounting entries for reverse scrap transactions:

Account	Debit	Credit
WIP accounting class valuation accounts at calculated scrap value	XX	-
Scrap account	-	XX

See: Overview of Shop Floor Control, *Oracle Work in Process User's Guide*.

Assembly Completion Transactions

Use the Completion Transactions or the WIP Move window in WIP or the Inventory Transaction Interface to receive completed assemblies from WIP into asset subinventories. Completion transactions relieve the valuation account of the accounting class and charge the Inventory Valuation accounts based upon the Cost Source.

Completions are in layers. Resources, overhead, and outside processing are held at job average.

Costing Assembly Completion Transactions

Completions decrease WIP valuation and increase inventory valuation. Here are the accounting entries for completion transactions:

Account	Debit	Credit
Inventory Inventory Valuation accounts	XX	-
WIP accounting class valuation accounts	-	XX

Costing Assembly Completions Using Final Completion Option

When the final completion option is used for an assembly completion, no residual balance, positive or negative, is left in the job. The accounting entries are different for positive and negative residual balances. Positive residual balances post to inventory and negative residual balances post to variance. The balances are held by element, by level and are not summed. Therefore, transactions per given element may have balances going to inventory and variance for the same element, at different levels.

If there are positive residual balances at an assembly completion with the final completion option enabled, then here are the accounting entries:

Account	Debit	Credit
Inventory Inventory Valuation accounts	XX	-
WIP accounting class valuation accounts	-	XX

If there are negative residual balances at an assembly completion with the final

completion option enabled, then here are the accounting entries:

Account	Debit	Credit
WIP accounting class variance accounts	XX	-
WIP accounting class valuation accounts	-	XX

Earning Assembly Material Overhead on Completion

You can assign overheads based on Item, Lot or Total Value basis. For standard discrete jobs, you can earn these overheads as you complete assemblies from WIP to inventory.

Use non-standard expense jobs for such activities as repair and maintenance. Use non-standard asset jobs to upgrade assemblies, for teardown, and to prototype production.

> **Note:** Unlike standard costing, in layer costing, non-standard discrete jobs earn overhead on completion.

Here are the accounting entries for material overhead on completion transactions for both standard and non-standard, asset and expense jobs:

Account	Debit	Credit
Subinventory material overhead account	XX	-
Inventory material overhead absorption account	-	XX

> **Note:** Do not complete the assembly if you want to:
>
> - Expense all the rework cost
> - Not add the cost to inventory
> - Not earn material overhead
>
>   Instead, return the assembly, by component return, to inventory and then close the job.

See: Completing and Returning Assemblies, *Oracle Work in Process User's Guide*.

Assembly Returns

The Completion Transactions window in WIP or the Inventory Transaction Interface is used to return completed assemblies from asset subinventories to WIP. The costing of resources, overhead, and outside processing on assembly returns differs depending on the completion cost source method: *system calculated* or *user-defined*.

The layer cost worker uses the FIFO rule to select the appropriate inventory layer from the specified job to determine the amount to credit inventory. The same cost worker calculates the debit to the WIP valuation accounts as a reversal to the latest (most recent) completion(s). The difference is captured in the Cost Variance account.

Assembly return costing is as follows for the two completion methods:

- **User defined** - At user-defined cost
- **System calculated** - The weighted layer of previous completions of that job.

Returns increase WIP valuation and decrease inventory valuation. Here are the accounting entries for assembly return transactions:

Account	Debit	Credit
WIP accounting class valuation accounts	XX	-
Inventory Valuation accounts	-	XX
Cost Variance account	XX	XX

Job Close Transactions

Until you close a job, or change the status of the job to Complete - No Charges, you can make material, resource, and scrap charges to the job. Closing a discrete job prevents any further activity on the job.

The completion method has no bearing on the Cost Variance that is generated.

Costing Job Close Transactions

WIP recognizes variances when you close a job. The actual close date that you specify determines the accounting period WIP uses to recognize variances. You can back date the close to a prior open period if desired.

The close process writes off the balances remaining in the WIP elemental valuation

accounts to the elemental variance accounts that you defined by accounting class, leaving a zero balance remaining in the closed job.

If there is a positive balance in the job at the end of the close, then here are the accounting entries for a job close:

Account	Debit	Credit
WIP accounting class variance accounts	XX	-
WIP accounting class valuation accounts	-	XX

Period Close Transactions - Layer Costing

The period close process in Inventory recognizes variances for non-standard expense jobs. It also transfers the WIP period costs to the general ledger.

Costing Nonstandard Expense Job Period Close Transactions

You can close a discrete job and recognize variances for non-standard expense jobs at any time. In addition, the period close process automatically recognizes variances on all non-standard expense job charges incurred during the period. Therefore, open non-standard expense jobs have zero WIP accounting balances at the start of a new period.

If there is a positive balance in the job at the end of the period, then here are the accounting entries for non-standard expense jobs at period close:

Account	Debit	Credit
WIP accounting class variance accounts	XX	-
WIP accounting class valuation accounts	-	XX

See: Overview of Period Close, page 10-1, Closing Discrete Jobs, *Oracle Work in Process User's Guide* and Defining WIP Parameters, *Oracle Work in Process User's Guide*.

7

Revenue and COGS Matching

This chapter covers the following topics:

- Overview of Revenue / COGS Matching
- Revenue / COGS Recognition Methodology
- COGS Recognition and Concurrent Processes
- Supported Business Scenarios

Overview of Revenue / COGS Matching

Financial accounting has two important generally accepted accounting principles (GAAP) that guide the statement of financial earnings:

- Revenue recognition principle
- Cost matching principle

The revenue recognition principle requires revenues to be recognized when a firm has performed all, or a substantial portion of services to be provided, and cash receipt is reasonably certain. The matching principle requires that cash outlays associated directly with revenues are expensed in the period in which the firm recognizes the revenue.

The Oracle e-Business Suite supports this matching principle by synchronizing the recognition of cost of goods sold (COGS) with the revenue recognized in Oracle Receivables for shipments made in Oracle Order Management, or other order fulfillment systems. With this feature, sales order revenue and the associated COGS are recognized in the same period. In addition, when sales order revenue is only partially recognized, the associated COGS is recognized in the same proportion.

Revenue / COGS Recognition Process Flow

When you ship confirm one or more order lines in Oracle Order Management and then run the applicable Cost Management cost and accounting processes, the cost of goods

sold associated with the sales order line is immediately debited to a Deferred COGS account pending the invoicing and recognition of the sales order revenue in Oracle Receivables. When Oracle Receivables recognizes all or part of the sales revenue associated with a sales order line, you run a cost process that calculates the percentage of total billed revenue recognized. Oracle Inventory then creates a cost recognition transaction that adjusts the Deferred COGS and regular COGS amount for the order line. The proportion of total shipment cost that is recognized as COGS will always match the proportion of total billable quantity that is recognized as revenue.

Related Topics

Recognizing Revenue, *Oracle Receivables User's Guide*

Revenue / COGS Recognition Methodology

The following describes how Oracle Cost Management synchronizes the recognition of earned COGS to earned sales order revenue in a variety of business scenarios.

1. Revenue / COGS recognition main business flow

    - At sales order shipment, order lines are costed and booked to a Deferred Cost of Goods Sold (COGS) account. This account is subsequently adjusted for any change in the percentage of earned or recognized revenue associated with the sales order lines. This is done to ensure that amount of earned COGS is recognized proportionately as the amount of earned revenue.

    - You run a set of concurrent processes to record sales order and revenue recognition transactions and to create and cost COGS recognition transactions. These COGS recognition transactions adjust deferred and earned COGS in an amount that synchronizes the % of earned COGS to earned revenue on sales order shipment lines.

        1. *Record Order Management Transactions*: records new sales order transaction activity such as shipments and RMA returns in Oracle Order Management.

        2. *Collect Revenue Recognition Information*: determines the percentage of recognized or earned revenue related to invoiced sales order shipment lines in Oracle Receivables.

        3. *Generate COGS Recognition Events*: creates and costs COGS recognition events for new sales order shipments/returns and changes in revenue recognition and credits for invoiced sales order shipment lines.

    - COGS recognition events are created for:

        1. Invoiceable and shippable order lines

2. Configured items: invoiceable (parent) line if it has any shippable but not invoiceable children.

3. A shippable non-invoiceable line that has no invoiceable parent.

- A COGS recognition event generates a COGS recognition transaction whose date and time stamp is the end of day as specified in the inventory organization's legal entity time zone.

- A rejected acceptance-enabled sales order line will not interface with Oracle Receivables and Oracle Order Management.

- An RMA receipt will result in a credit to total COGS (split appropriately between deferred COGS and COGS if necessary) with a debit to inventory.

2. Customer acceptance only affects Costing indirectly, in that:

   - It is a revenue recognition contingency for an order line.

   - A rejected sales order line means all shipped quantities for that line will never be invoiced in A/R. When you close this order line, Order Management flags this as an uninvoiced line. When this occurs, Cost Management moves the balance of the sales order line from deferred COGS to COGS.

3. There is no accounting when a sales order line is rejected. Costing only creates accounting when the rejected items are received and then either delivered to a regular or a scrap asset subinventory.

4. In customer drop ship scenarios with advanced accounting, revenue / COGS matching occurs only in the customer-facing organization. If advanced accounting is not enabled, revenue and COGS matching does not occur. Costing books the entire sales order shipment amount to COGS.

COGS Recognition and Concurrent Processes

The matching and synchronization of the earned and deferred components of sales order revenue and COGS is accomplished by running the following COGS recognition concurrent processes at user-defined intervals:

- Record Order Management Transactions

- Collect Revenue Recognition Information

- Generate COGS Recognition Events

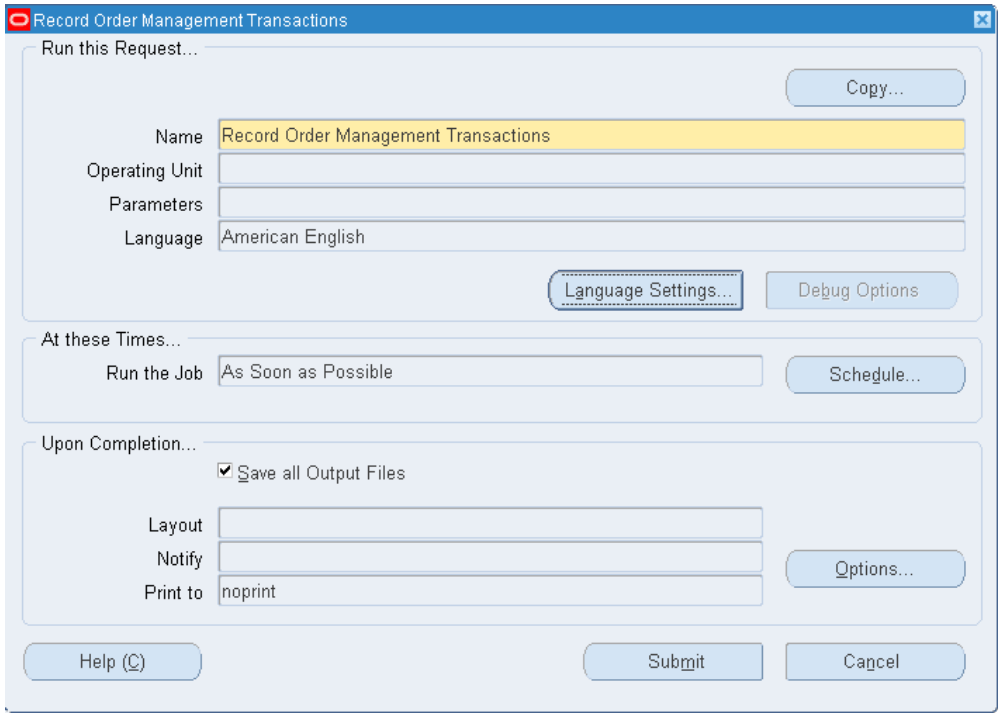
Record Order Management Transactions

The Record Order Management Transactions concurrent process picks up and costs all uncosted sales order issue and RMA return transactions and creates a record for each new order line in the costing COGS recognition matching table. This process is not mandatory. If you don't run this process, then the cost processor will select and cost the uncosted sales order issues and insert them in the COGS matching table. This process can be used if you need to process the COGS recognition transactions at shorter intervals than the cost processor.

Note: This concurrent request has no parameters.

To record order management transactions:

1. Navigate to the Record Order Management Transactions window.



2. Choose Submit to run the request.

Collect Revenue Recognition Information

The Collect Revenue Recognition Information concurrent process calls an Oracle Receivables API to retrieve the latest revenue recognition percentage of all invoiced sales order lines in Oracle receivables whose activity date is within a user-specified date

range. This process must be run before the Generate COGS recognition Event concurrent process.

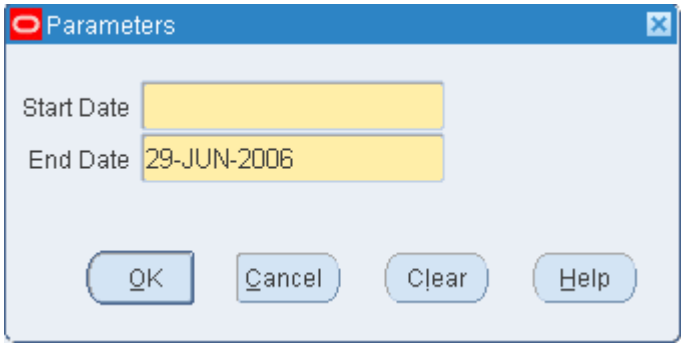
To collect revenue recognition information:

1. Navigate to the Collect Revenue Recognition Information window. The Parameters window appears.

   This concurrent request has two date parameters that allow you to restrict processing of revenue recognition events to a range of dates:

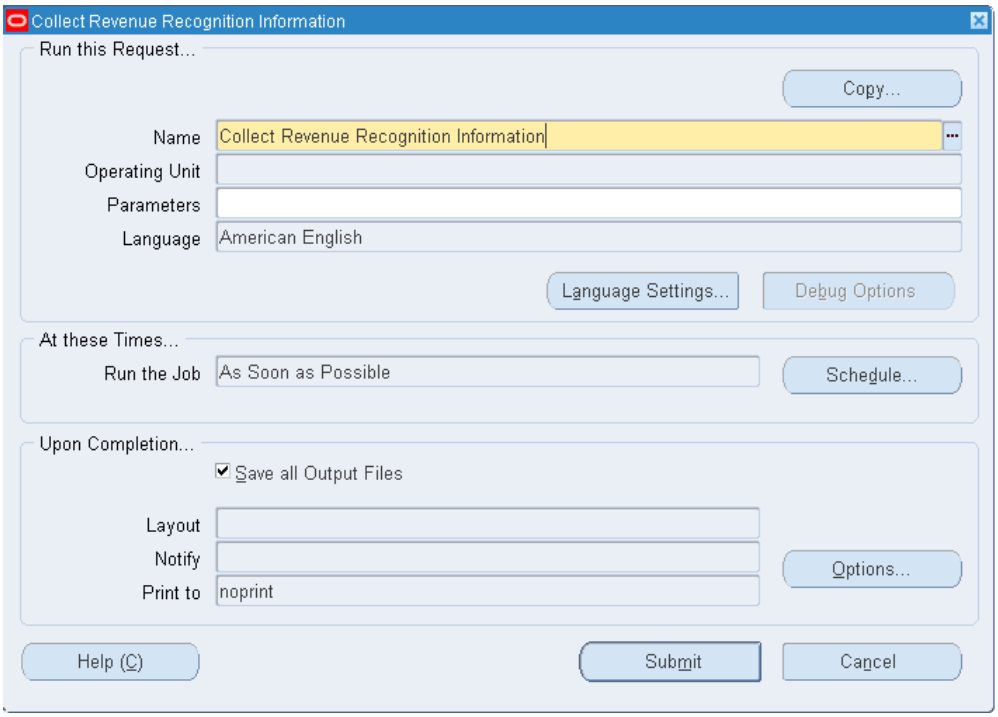
   Start Date: Transactions prior to this date are not selected. The default value is the date of the last successful run of the concurrent request.

   End Date: Transactions after this date are not selected.



2. Choose OK.

3. Choose Submit to run the request.



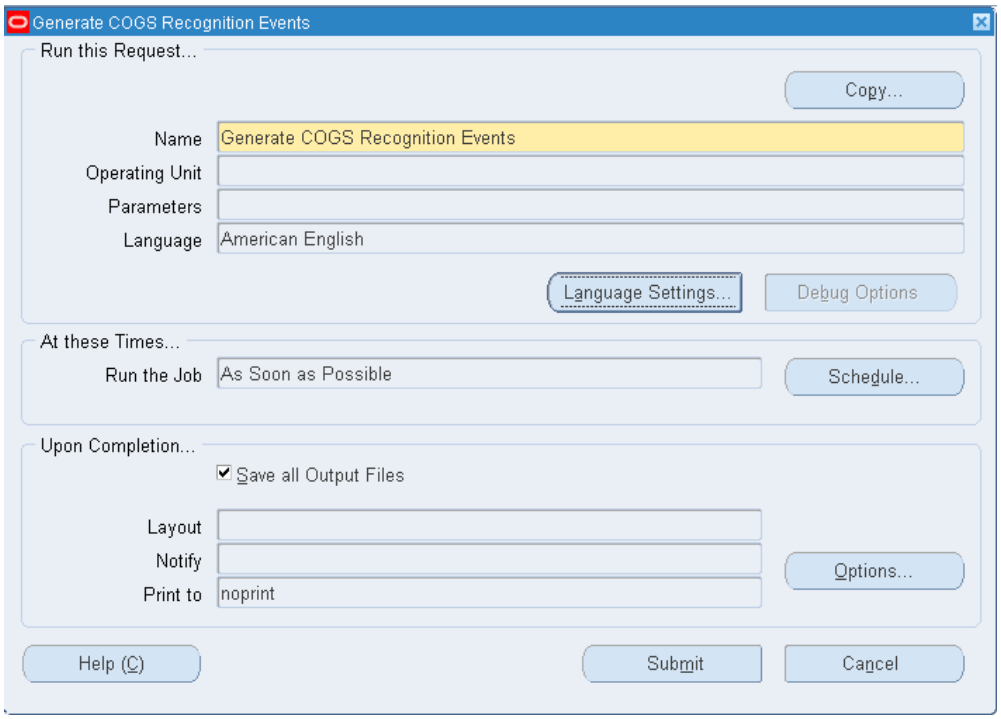
Generate COGS Recognition Events

The Generate COGS Recognition Events concurrent request compares the COGS recognition percentage for each sales order line and accounting period combination to the current earned revenue percentage. When the compared percentages are different, the process raises a COGS recognition event and creates a COGS recognition transaction in Oracle Inventory that adjusts the ratio of earned and deferred COGS to match that of earned and deferred revenue. You must run this process after completion of the Collect Revenue Recognition Information concurrent process.

Note: This concurrent request has no parameters.

To generate COGS recognition events:

1. Navigate to the Generate COGS Recognition Events window.



2. Choose Submit to run the request.

Period Close Considerations

- Ensure that there are open GL period in each ledger for the periods in which you run the concurrent process.
- In perpetual costing organizations, you can create backdated COGS recognition events and transactions in open and closed inventory periods.
- In periodic costing organizations, only events and transactions that are within the current periodic period's start and end dates will be processed.
- The inventory period close process must be synchronized with Oracle Receivables period close to ensure proper recognition of revenue and COGS in an accounting period.
- In periodic costing organizations, you cannot close the accounting period if Oracle Receivables has not soft closed its accounting period. Attempting to do so generates an error message. This condition ensures that all backdated revenue recognition transactions in Oracle Receivables are processed in costing prior to period close.
- In periodic costing organizations, run the Generate COGS Recognition Events concurrent process after the close of an inventory accounting period to ensure that

all COGS recognition events have been processed and costed. Rerun the Periodic Cost Processor and Periodic Distribution Processor. Costing performs a validation to ensure that all organizations in a Periodic Average Costing (PAC) cost group have no mismatched revenue and COGS order lines, and generates an error message if unmatched lines are found.

Supported Business Scenarios

Revenue / COGS matching is supported for the following sales order business scenarios:

- Sales orders: no customer acceptance
- Sales orders: customer acceptance enabled
- Sales orders: configured items - ATO / PTO

Sales Orders: No Customer Acceptance

The following scenarios illustrate Revenue / COGS matching for sales orders where customer acceptance is not in the business process flow. The underlying assumption in this set of scenarios is that ownership is transferred at the time of shipment. They apply when customer acceptance is not enabled in Oracle Order Management. Scenarios include:

1. Scenario 1: Sales order/invoicing, RMA, and credit memo
2. Scenario 2: Alternate revenue allocation in credit memo
3. Scenario 3: Credit memo before RMA
4. Scenario 4: RMA following full revenue recognition
5. Scenario 5: Sales order, multiple RMA's, revenue recognition, credit memos
6. Scenario 6: RMA not tied to sales order
7. Scenario 7: Uninvoiced sales order

Scenario 1: Sales order/invoicing, RMA, and credit memo

Time 1 – Sales order issue: Qty = 10, Cost = $50, Price = $100

Account	Debit	Credit
Deferred COGS	500	-
Inventory	-	500
COGS	-	-
Deferred Revenue	-	1000
Receivables	1000	-
Revenue	-	-

Time 2 – Revenue recognized at 50% in A/R

Account	Debit	Credit
Deferred Revenue	500	-
Revenue	-	500

COGS accounting distributions are adjusted based on the total shipped quantity. A/R flags that 50 percent of the revenue for the 10 invoiced units has been recognized. Costing applies the same percentage to the regular and deferred COGS accounts.

COGS = 500 * .50 = $250

Account	Debit	Credit
COGS	250	-
Deferred COGS	-	250

Time 3 – RMA for 2 units received into inventory

The A/R earned revenue percentage remains at 50 percent. When accounting for the RMA receipt, costing reduces the total COGS balance so that the proportion of deferred to earned is maintained. The value of the RMA is 2 x $50 = $100. Costing adjusts the earned and deferred COGS accounts as follows:

Account	Debit	Credit
Inventory	100	-
COGS	-	50
Deferred COGS	-	50

At this point in time, the COGS account balance is (500-100) x .50 or $200, and the Deferred COGS account balance is (500-100) x .50 or $200

Time 4 – Credit memo created in AR related to the RMA for 2 units

A/R elects to debit the entire amount of the credit memo in the deferred revenue account and nothing in the earned revenue account. This can occur when there is an outstanding contingency on the returned units and it's assumed that the revenue on the returned units had previously not been recognized.

Account	Debit	Credit
Deferred Revenue	200	-
Receivables	-	200

After this transaction, total expected revenue is reduced from $1000 to $800. The earned/unearned revenue proportion has changed and costing needs to create a COGS recognition event to keep the ratio of earned/deferred COGS the same as the ratio of earned/unearned revenue.

New earned revenue percentage: $500 / ($500 + $300) = 62.5 percent

Required earned/deferred COGS percentages: 62.5 percent / 37.5 percent

Total expected COGS balance before RMA/credit memo: $400

Allocated as follows: $400 x .50 = $200 earned, $400 x .50 = $200 deferred

Total expected COGS balance after RMA/credit memo: $400

Allocated as follows: 400 x .625 = $250 earned, 400 x .375 = $150 deferred

COGS recognition transaction: $50 adjustment from deferred to earned COGS

Account	Debit	Credit
COGS	50	-
Deferred COGS	-	50

As the credit memo accounting distribution in A/R altered the ratio of earned to deferred revenue, costing will generate a COGS recognition adjustment transaction that keeps the associated earned/deferred COGS ratio the same as the revenue ratio.

Scenario 2 - Alternate Revenue Allocation in Credit Memo

Note: Time 1 to Time 3 transactions are the same as those in scenario 1.

Time 4 - Credit memo created in A/R related to the RMA for these 2 units

Instead of applying the entire credit memo amount to deferred revenue, A/R elects to apply it equally to the earned and deferred revenue accounts.

Account	Debit	Credit
Deferred Revenue	100	-
Revenue	100	-
Receivables	-	200

After the credit memo is applied, costing will not create a COGS recognition transaction as the proportion of earned/deferred COGS is still equal to the proportion of earned/deferred revenue.

New earned revenue percentage: $400 / ($400 + $400) = 50.0 percent

Required earned/deferred COGS percentages: 50.0 percent / 50.0 percent

Previous earned/deferred COGS percentages: 50.0 percent / 50.0 percent

Total expected COGS balance before RMA/credit memo: $400

Allocated as follows: $400 x .50 = $200 earned, $400 x .50 = $200 deferred

Total expected COGS balance RMA/after credit memo: $400

Allocated as follows: 400 x .50 = $200 earned, 400 x .50 = $200 deferred

COGS recognition transaction: none

Scenario 3: Credit Memo Before RMA

Note: Time 1 to time 2 transactions are the same as those in scenario 1.

Time 3 – Credit memo pegged to originating sales order created in A/R for $200

Account	Debit	Credit
Deferred Revenue	100	-
Revenue	100	-
Receivables	-	200

Costing will not need to create a COGS recognition adjustment transaction as the credit memo accounting distribution does not change the ratio of earned/deferred revenue.

Scenario 4: RMA After Full Revenue Recognition

Time 1 – Sales order issue, full revenue recognition: Qty = 10, Cost = $50, Price = $100

When the items are shipped, the full value of the shipment is booked to the deferred COGS account.

Account	Debit	Credit
Deferred COGS	500	-
Inventory	-	500

In A/R, the sales order line is billed and all of the revenue is recognized.

Account	Debit	Credit
Receivables	1000	-
Revenue	-	1000

Costing creates a COGS adjustment event to recognize the full amount of COGS as earned.

Account	Debit	Credit
COGS	500	-
Deferred COGS	-	500

Time 2 – RMA for 2 units received into inventory

Since the current ratio of earned to unearned revenue is 1/0 (earned/unearned), costing applies the entire amount of the RMA to the earned COGS account.

Account	Debit	Credit
Inventory	100	-
COGS	-	100

This RMA could have been created to replace a defective product. As a result, no credit memo is expected and replacement units are expected to be shipped at a later date. The expected COGS is temporarily reduced to $400 pending the shipment of the replacements.

Scenario 5: Sales Order, Multiple RMA's, Revenue Recognition, Credit Memos

Time 1 – Sales order issue, full revenue recognition: Qty = 10, Cost = $50, Price = $100

When the items are shipped, the full value of the shipment is booked to the deferred COGS account.

Account	Debit	Credit
Deferred COGS	500	-
Inventory	-	500

In A/R, the sales order line is invoiced and all of the revenue is deferred.

Account	Debit	Credit
Receivables	1000	-

Account	Debit	Credit
Deferred Revenue	-	1000

Time 2 – RMA receipt for 2 units and credit memo

An RMA for 2 units pegged to the originating sales order is received into inventory and costing books the full amount of the RMA into deferred COGS.

Account	Debit	Credit
Inventory	100	-
Deferred COGS	-	100

Time 3 – Credit memo for RMA created in A/R

A/R creates a credit memo to reduce the expected revenue and customer receivable due to the returned units.

Account	Debit	Credit
Deferred Revenue	200	-
Receivables	-	200

As the credit memo does not change the ratio of earned/unearned revenue, no COGS recognition adjustment transaction is needed as a result of the credit memo.

Time 4 – RMA no receipt for 3 units and credit memo

An RMA with no associated receipt does not generate any accounting.

After the RMA no receipt is created, A/R creates a credit memo. As no revenue on the associated sales order has yet been recognized in this scenario, the full amount of the credit memo is a debit to the deferred revenue account.

> **Note:** The non-receipt of RMA items may result in the understatement of COGS. For further information, see the Special Case section near the end of this chapter.

Account	Debit	Credit
Deferred Revenue	300	-
Receivables	-	300

Time 5 – Revenue recognition at 40 percent on remaining 5 units

The original sales order shipped 10 units to the customer, an RMA - with receipt and credit returned 2 units into inventory, and an RMA - no receipt but with credit for 3 units (presumably scrapped) yields an expected revenue/receivable on only 5 units. A/R recognizes 40 percent of the expected revenue on these 5 units, therefore $500 x .40 or $200 of earned revenue must be booked.

Account	Debit	Credit
Deferred Revenue	200	-
Revenue	-	200

Assuming the scrap transaction alternative in Time 4 is not performed, the total expected COGS for these 5 units is $400 ($500 minus $100 for the RMA – with receipt). Costing creates a COGS recognition transaction to recognize 40 percent of the cost on these units, which is $400 x .40, or $160.

Account	Debit	Credit
COGS	160	-
Deferred COGS	-	160

To revisit the topic introduced at Time 5, COGS may be understated if you expected the RMA in step Time 5 to be a scrap event. However, as explained, you should create an explicit scrap by receiving the RMA into a scrap subinventory.

Time 6 – RMA no receipt for 1 unit and credit memo

An RMA with no associated receipt into inventory does not generate any accounting.

An additional RMA no receipt with credit memo is created. After the RMA no receipt is created, A/R creates a credit memo and allocates the amount entirely to the unearned (Deferred) revenue accounts.

Note: The non-receipt of RMA items may result in the understatement of COGS. For further information, see the Special Case section near the end of this chapter.

Account	Debit	Credit
Deferred Revenue	100	-
Receivables	-	100

An additional RMA no receipt with credit memo is created. A/R creates a credit memo for the RMA and allocates the amount equally between the earned and unearned revenue accounts.

At this point in time, total expected revenue is $400 ($1000 less $600 for three RMA's) of which $200 or 50 percent has been earned and recognized. As the credit memo changes the ratio of earned/deferred revenue, costing creates a COGS recognition transaction to align earned/deferred COGS and revenue.

Current earned revenue percentage: $200 / ($200 + $200) = 50.0 percent.

Required earned/deferred COGS percentages: 50 percent/50 percent

Total expected COGS balance before credit memo: $400

Total expected COGS balance after credit memo: $400

COGS recognition transaction: $40 adjustment from deferred to earned COGS

Account	Debit	Credit
COGS	40	-
Deferred COGS	-	40

As this scenario demonstrates, when you create an RMA with credit and do no receive the RMA units into inventory, then earned COGS will be understated (and deferred COGS overstated) by the amount of the unreceived RMA units. This under/overstatement applies from the time the RMA credit is processed to the time revenue and COGS are fully recognized and earned.

For example, in Time 4, the credit memo reduces the total expected revenue by $300 from $800 to $500 with the entire amount in deferred revenue. Had the 3 RMA units been received into inventory, total COGS would have been reduced by $150 from $400 to $250 with the entire amount in deferred COGS. However, the RMA units were not

received into inventory and were presumably scrapped by the customer. As a result the deferred COGS account is overstated by $150 at Time 4.

For further details, see the Special Case section near the end of this chapter.

Scenario 6: RMA Not Tied to Sales Order

When you process an RMA that is not tied or pegged to an originating sales order, A/R cannot associate the returned items to any particular shipment or customer invoice. As a result, previously earned or deferred revenue on the returned items is not changed. In this scenario, costing assumes that all of the revenue associated with the return was previously recognized and credits the entire amount of the RMA in the earned COGS account.

Account	Debit	Credit
Inventory	500	-
COGS	-	500

Scenario 7: Uninvoiced Sales Order

Time 1 – New sales order is created to ship 10 units, no invoicing created

When customers return goods, it is common practice to exchange returned units with new ones with no credit memo for the returned units, and no customer invoice for the replacement units. When the replacement units are shipped to the customer, a sales order is created. However, no invoice will be created for it. When the replacement sales order ships, costing does not know that the order will not be billed and accounts for the transaction as a regular that is to be invoiced as a sales order shipment.

Account	Debit	Credit
Deferred COGS	500	-
Inventory	-	500

Time 2 – Order is closed

No invoice will be created for the shipment, and the accounted amount will remain in the deferred COGS account until the sales order line is closed in Oracle Order Management. The closing of a sales order line with uninvoiced items creates an assumption that revenue has been recognized outside of the normal process, or that revenue will never be recognized. In either case, costing moves the uninvoiced amount from the Deferred COGS account to COGS.

Account	Debit	Credit
COGS	500	-
Deferred COGS	-	500

Sales Orders: Customer Acceptance Enabled

The following scenarios illustrate Revenue / COGS Matching for sales orders where customer acceptance is in the business process flow. The underlying assumption in this set of scenarios is that ownership is transferred at the time of shipment. They apply when customer acceptance is not enabled in Oracle Order Management. Scenarios include:

- Scenario 1 - Sales order, acceptance, invoicing, revenue recognition, RMA, credit memo
- Scenario 2 - Sales order, RMA replacement, acceptance, invoicing, pre-invoicing acceptance
- Scenario 3 - Sales order, invoicing, RMA receipt with credit, rejection, RMA no receipt with credit, post-invoicing acceptance
- Scenario 4 - Sales order, rejection
- Scenario 5 - Uninvoiced sales order

Scenario 1 - Sales Order, Acceptance, Invoicing, Revenue Recognition, RMA, Credit Memo

Time 1 – Sales order issue: Qty = 10, Cost = $50, Price = $100

When customer acceptance is enabled for a sales order in Oracle Order Management, revenue recognition must be deferred until the acceptance is received and recorded.

Account	Debit	Credit
Deferred COGS	500	-
Inventory	-	500

Time 2 – Customer accepts the entire shipment

No accounting

Time 3 – Customer billed for the entire quantity

Once customer acceptance is received and recorded, A/R creates a customer invoice and the pending receivable.

Account	Debit	Credit
Receivables	1000	-
Deferred Revenue	-	1000

Time 4 – Revenue recognition of 50 percent

Revenue on the customer acceptance sales order is 50 percent recognized. This can occur when contract contingencies or other revenue recognition rules require partial recognition.

Account	Debit	Credit
Deferred Revenue	500	-
Revenue	-	500

With the 50 percent recognition of sales order revenue, costing creates a COGS recognition transaction that moves 50 percent of the sales order shipment cost from the deferred to earned COGS account.

Account	Debit	Credit
COGS	250	-
Deferred COGS	-	250

Time 5 – RMA for 2 units received into Inventory

The customer returns 2 units that are received into inventory. The RMA references the originating sales order lines on which 50 percent of the revenue has been recognized. Costing allocates the RMA amount equally between the deferred and earned COGS accounts.

Account	Debit	Credit
Inventory	100	-
Deferred COGS	-	50
COGS	-	50

Time 6 – Credit memo created for RMA for 2 units

A/R elects to debit the entire RMA amount in the deferred revenue account. Contract contingencies or other revenue recognition rules determine whether RMA/credit memos for shipments whose revenue has not been fully recognized will reduce earned or deferred revenue.

Account	Debit	Credit
Deferred Revenue	200	-
Receivables	-	200

The allocation of the credit memo amount to the deferred revenue account changes the prior ratio of earned/deferred revenue. As a result, costing creates a COGS recognition transaction to realign the earned/deferred portions of COGS and revenue.

New earned revenue percentage: $500 / ($500 + $300) = 62.5 percent

Required earned/deferred COGS percentages: 62.5 percent / 37.5 percent

Previous earned/deferred COGS percentages: 50.0 percent / 50.0 percent

Total expected COGS balance before RMA/credit memo: $500

Allocated as follows: $500 x .50 = $250 earned, $500 x .50 = $250 deferred

Total expected COGS balance after RMA/credit memo: $400

Allocated as follows: 400 x .50 = $200 earned, 400 x .500 = $200 deferred

COGS allocation required: 400 x .625 = $250 earned, 400 x .375 = $150 deferred

COGS recognition transaction: $50 adjustment from deferred to earned COGS

Account	Debit	Credit
COGS	50	-

Account	Debit	Credit
Deferred COGS	-	50

Scenario 2 - Sales Order, RMA Replacement, Acceptance, Invoicing, Pre-invoicing Acceptance

Time 1 – Sales order issue Order #1: Qty = 10, Cost = $50, Price = $100

Sales Order 1 is shipped to a customer subject to customer acceptance.

Account	Debit	Credit
Deferred COGS	500	-
Inventory	-	500

Time 2 – RMA for 4 units on Sales Order 1

Customer returns 4 units of sales order and these are received into inventory.

Account	Debit	Credit
Inventory	200	-
Deferred COGS	-	200

Time 3 – Sales order shipment of replacements units on Sales Order 2

Sales Order 2 is created and replacement items are shipped to customer.

Account	Debit	Credit
Deferred COGS	200	-
Inventory	-	200

Time 4 – Sales Order 2 is closed

This sales order was created to ship replacement items to the customer. Sales order lines will not be invoiced as replacements are provided to the customer at no cost as a gesture of good will. When the sales order is closed, costing moves the cost of the

shipped items from the deferred to earned COGS account.

Account	Debit	Credit
COGS	200	-
Deferred COGS	-	200

Time 5 – Acceptance and invoicing of 10 units on Sales Order 1

The customer sends a customer acceptance notification for the 10 units in sales order 1, and A/R invoices the customer for these units.

Account	Debit	Credit
Receivables	1000	-
Deferred Revenue	-	1000

At this point in time, the proportion of earned/deferred in revenue and COGS are no longer the same. The transaction flow generated $1000 in deferred revenue and only $300 in deferred COGS. The closing of Sales Order 2 in the previous step reduced the deferred account by $200 and booked this amount to earned COGS.

> **Note:** In order to keep the COGS accounts properly synchronized with the revenue accounts when the transactions span multiple accounting periods, a manual journal entry may be needed that reverses the accounting generated by the replacement order (Sales Order 2). This adjustment increases the Deferred COGS account balance to $500 and reduces the earned COGS account balance to zero which exactly synchronizes with the revenue accounts.

Account	Debit	Credit
Deferred COGS	200	-
COGS	-	200

Time 6 – Revenue recognition of 50 percent - Sales Order 1

A/R recognizes 50 percent of the $1000 revenue for Sales Order 1.

Account	Debit	Credit
Deferred Revenue	500	-
Revenue	-	500

With the 50 percent recognition of sales order revenue, costing creates a COGS recognition transaction that moves 50 percent of the $300 cost of Sales Order 1 from the deferred to the earned COGS account.

Account	Debit	Credit
COGS	150	-
Deferred COGS	-	150

At this point in time, the proportion of earned/deferred in revenue and COGS is no longer the same. The transaction flow generated $500/$500 or 50 percent in earned/deferred revenue, and the earned/deferred COGS account balances for the combined orders are $150/$350

> **Important:** In order to keep the COGS accounts properly synchronized with the revenue accounts when the transactions span multiple accounting periods, a manual GL journal entry is needed to increase the earned COGS for the combined orders to $250.

Account	Debit	Credit
COGS	100	-
Deferred COGS	-	100

This adjustment results in earned/deferred COGS account balances of $100/$100 or 50 percent for Sales Order 2 to $100, and $250/$250 or 50 percent for the combined orders.

This procedure is required if you want to synchronize revenue/COGS matching across an originating sales order with an RMA, and an associated unbilled replacement sales order whose cost is recognized when the order is closed.

If the accounting impact is not material or the transaction flow does not cross accounting periods, an alternative accounting approach is to forego the manual GL

journal entries. This will result in the early recognition of COGS for unbilled replacement orders and a reduced recognition of COGS in subsequent periods on the originating sales order.

Scenario 3: Sales Order, Invoicing, RMA Receipt With Credit, Rejection, RMA no Receipt With Credit

Time 1 – Sales order issue: Qty = 10, Cost = $50, Price = $100

A sales order is shipped to customer subject to customer acceptance.

Account	Debit	Credit
Deferred COGS	500	-
Inventory	-	500

Time 2 – Customer billed for the entire quantity

A/R creates an invoice that bills the customer for the sales order shipment.

Account	Debit	Credit
Receivables	1000	-
Deferred Revenue	-	1000

Time 3 – Revenue recognition of 50 percent

When customer acceptance is enabled for a sales order in Oracle Order Management, revenue recognition must be deferred until the acceptance is received and recorded. The attempt to recognize revenue fails.

Time 4 – RMA receipt with credit for 2 units, received into inventory

The customer returns 2 units for credit that are received into inventory.

Account	Debit	Credit
Inventory	100	-
Deferred COGS	-	100

Time 5 – Credit memo created for RMA for 2 units

A/R creates a credit memo and the entire amount is allocated to deferred revenue

because no revenue has been recognized.

Account	Debit	Credit
Deferred Revenue	200	-
Receivables	-	200

Note: No COGS recognition transaction is needed because there is no change in proportion of earned/deferred revenue.

Time 6 – Sales order shipment is rejected by customer

No accounting.

Time 7 – RMA for 4 units into scrap subinventory

An RMA for 4 units is received into a scrap asset subinventory for inspection and subsequent disposal.

Account	Debit	Credit
Expense Subinventory	200	-
Deferred COGS	-	200

Note: You must set up a scrap asset subinventory so that a specified scrap expense account is charged upon RMA receipt.

Scenario 4: Sales Order Rejection

Time 1 – Sales order issue: Qty = 10, Cost = $50, Price = $100

A sales order is shipped to the customer and is subject to customer acceptance.

Account	Debit	Credit
Deferred COGS	500	-
Inventory	-	500

Time 2 – Customer rejects the sales order shipment

The customer rejects the sales order shipment and does not return the rejected items because these will be scrapped at the customer site. The sales order line is closed and costing creates a COGS recognition transaction to record the earned cost.

Account	Debit	Credit
COGS	500	-
Deferred COGS	-	500

Scenario 5: Uninvoiced Sales Order

On orders where customer acceptance has been enabled, you cannot close a sales order line until the line is accepted. Once the sales order line is accepted, the transaction flow and accounting is the same as sales orders where customer acceptance has not been enabled. See: Uninvoiced Sales Order, page 7-17.

Sales Orders: Configured Items – PTO / ATO

Oracle Cost Management supports the allocation of item cost between earned and deferred COGS for Assemble to Order (ATO) and Pick to Order (PTO) items. Revenue/COGS synchronization for configured items is achieved by matching a shipped, costed line to the invoiceable line that it most closely relates to. If the shipped line is invoiced, then the revenue recognition schedule for that line drives COGS recognition. If the shipped line is not invoiced, then COGS for that line will be driven by the revenue recognition for the nearest invoiced line that it rolls up to.

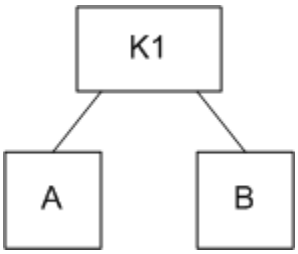
You can synchronize revenue/COGS for the following types of configured items:

- Kit (PTO without options)
- ATO model
- PTO model
- PTO model with imbedded ATO model

Scenario 1: Kit (Pick To Order Item Without Options)

A kit is a grouped set of items that are sold together as a unit and in which there are no optional items. A BOM is used to define the kit's components. In the Oracle e-Business Suite, sales orders, price lists, and invoices are created and managed at the kit level. However, order shipments and shipment costs are managed at the included item level. The following example illustrates how revenue and COGS are synchronized after the shipment of a kit.

Kit item K1 is composed of two included items, A and B. Items A and B are shipped but only K1 is invoiceable.



Ship Model Complete

When a kit is shipped with all of its included items, a deferred COGS transaction is created for each of the shippable, costed items. In this example, these are items A and B. When A/R invoices and recognizes revenue for kit K1, costing first performs a check to determine whether all of the kit's items have been shipped. In this example, if the kit is ship model complete, costing creates a COGS transaction for item A and item B which results in the recognition of earned COGS for A and B that is proportional to the earned revenue for kit K1.

Non-ship Model Complete

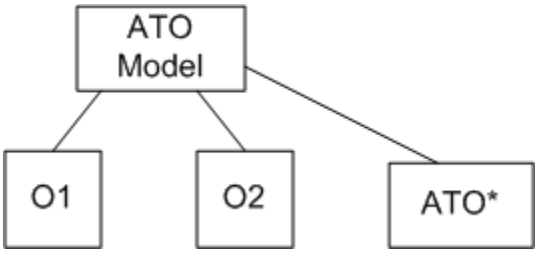
Non-ship model complete occurs when you invoice the kit, but ship only part of the included items that make up the kit. For example, item A is shipped and the model is invoiced before B is shipped. When revenue is recognized, costing only creates a COGS recognition transaction for the shipment line with item A. Only when item B is subsequently shipped will costing apply the earned revenue percentage it.

Scenario 2: Assemble To Order (ATO) Model

An Assemble to Order (ATO) model is a configuration that is manufactured or assembled in response to a customer order that includes both mandatory and optional items. The ATO model is created using a model bill of material with included and optional items and option selection rules. It is configured during the entry of a customer order and may be shipped to the customer complete or in staged shipments.

In the Oracle e-Business Suite, it's the ATO model and its optional items that are ordered, priced, and invoiced. However, it's the configured item (star item) that gets shipped and costed.

The following diagram illustrates an ATO model that is defined by a bill of material and routing that produces a model with a rolled-up cost, and optional items O1 and O2. During sales order configuration, the ATO model is a mandatory order line selection while one or both of the optional items (O1 and O2) can be selected. The configured item ATO* is shipped. However, it's the ATO model (and its included items) O1 and O2 that are invoiced.



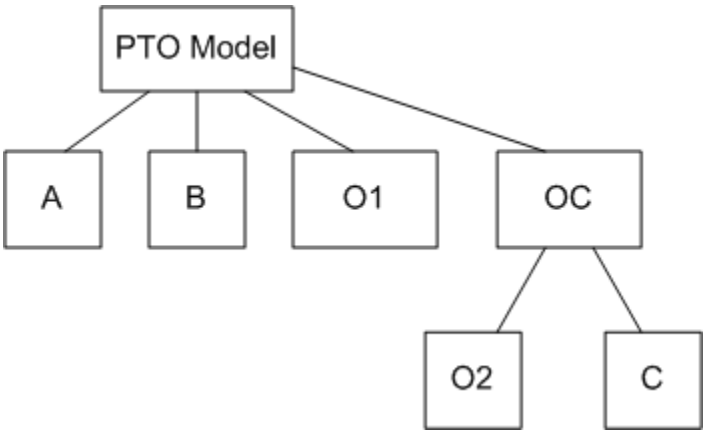
Scenario 3: Pick To Order (PTO) Model

A Pick to Order (PTO) model is a configuration that is fulfilled in the warehouse in response to a customer order that includes both mandatory and optional items. The PTO model is created using a model bill of material with included and optional items, and option selection rules. It is configured during the entry of a customer order, picked and fulfilled in the warehouse, and may be shipped to the customer complete or in staged shipments.

In the Oracle e-Business Suite, it's the PTO model and its optional items that are ordered, priced, and invoiced. However, any combination of the model line, included items, and optional items can be shipped and costed.

The following diagram illustrates a PTO model item that is composed of included items A and B, optional item O1, and option class OC with included item C and optional item O2. PTO models can be shipped complete or in stages with multiple shipments, depending on the availability of the model's specified items.

For example, all of the model's items (PTO Model, A, B, O1, and O2) are shipped (option classes are not shippable or costing-enabled). When A/R invoices the customer for the configured model, only three of the items are invoiced (PTO Model, O1 and O2). Items A and B are included items in the model and are not priced or invoiced separately. Model option C has no price and is not invoiceable. All items except option class OC are costed.

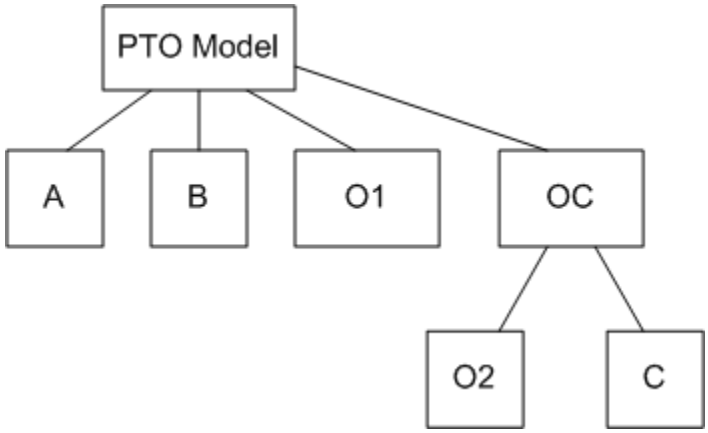


When the six sales order lines are ship confirmed, costing raises a COGS recognition event for each shipment line and books the item cost into a deferred COGS account.

When A/R invoices and recognizes revenue for PTO Model and options O1 and O2, costing applies the revenue recognition percentage to the costed items and records earned COGS for those items. In cases where a model item is not invoiceable, the revenue recognition percentage of the nearest parent item is used.

Scenario 4: PTO Model With Embedded ATO Model

A PTO model may have one or more ATO models defined in its Bill of Material. For example, PTO Model 2 is composed of included items A and B and optional items ATO2 and C2. In this example, PTO2, A, B, ATO2* and C2 are shipped, but PTO2, ATO2 and its options and C2 are invoiced.

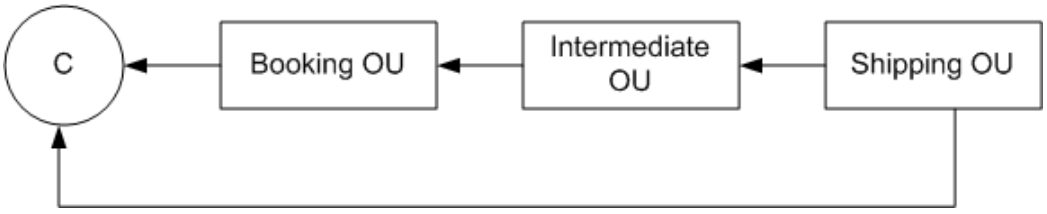


This is no different than the previous example. The ATO is just another shippable line that must have the percentage applied when it is passed from AR for the top model.

Drop Shipments and Intercompany Accounting

For internal drop shipments to customers, Cost Management only synchronizes revenue and COGS in the customer facing Operating Unit (OU) when advanced accounting is enabled. Revenue/COGS synchronization is not performed in the non-customer facing operating units.

For a sales order issue out of the shipping operating unit and other intermediate operating units, the intercompany COGS is not deferred. The application applies the entire cost of the shipment in all of the non-booking operating units to Intercompany COGS and intercompany revenue.



Time 1 – Sales order issue in Booking OU from Ship OU: Qty = 10, Cost = $50, Price =

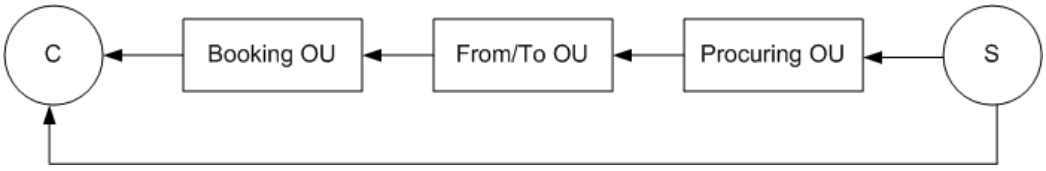
$75

An internal order is created in the booking OU (customer facing OU) and shipped directly to the customer from the shipping OU. An intermediate operating unit is part of the transaction flow. The internal transfer price is $75 in all operating units.

Account	Debit	Credit
Intercompany COGS (Shipping OU)	500	-
Inventory (Shipping OU)	-	500
Deferred COGS (Booking OU)	750	-
Inventory (Booking OU)	-	750

External Drop Shipment (from Supplier to Customer)

In external drop shipment scenarios where shipments are made directly from the supplier to the customer, intercompany revenue and COGS are fully recognized. The revenue and COGS deferrals take place only in the customer-facing booking operating unit.



A Special Case – RMA with no Receipt

If you need to immediately recognize the scrapping of physically non-received RMA items, Oracle recommends that you create an RMA with receipt, and then perform a virtual receipt of the unreceived into an asset subinventory designated as a scrap inventory. The valuation account for this subinventory can be set up to point to a scrap valuation or expense account so the RMA receipt is immediately recognized as either an impaired asset or a realized scrap expense.

If your business needs mandate that you process the unreceived RMA items as an RMA – no receipt, then the deferred COGS associated with the originating sales order shipment will be overstated and the scrapping or disposal of returned units will not be booked to a scrap or other designated expense account. Once revenue/COGS are fully recognized, the earned COGS account for the sales order shipment will include the cost of the rejected, unreceived RMA units.

If this cost needs to be reclassified as a scrap/loss/disposal expense, then you can create

a manual GL journal entry to transfer RMA no receipt amounts from deferred COGS to a designated expense account.

Other Special Cases

Cash and Carry

The physical flow for cash and carry sales orders typically includes picking, staging, and shipment activities. Goods can be picked up in a warehouse or show room by the customer, and paid in cash. However, the sales order lines are ship confirmed and a sales order issue transaction is created in the same way as a non-cash sales order. Cash and carry sales orders are interfaced with Oracle Receivables that invoices the sales order and recognizes revenue as earned.

When the sales order issue transaction is created, the accounting flow is the same as that of regular non-cash sales orders. The sales order issue amount is charged to the deferred COGS account and transferred to earned COGS when a revenue recognition event is received from Oracle Receivables.

RMA Receipt after Standard Cost Update

When you perform an RMA receipt for an item which references the originating sales order, Oracle Cost Management looks up the cost of the item at the time of shipment and credits the COGS account for that amount. If the order is shipped from a standard costing method organization and you have performed a standard cost update on the item after the item shipped, but prior to the RMA receipt, then the difference between shipped and updated cost is credited to the deferred COGS account debited at shipment.

For example, an item is shipped at a cost of $100, a standard cost update changes the cost to $110, and an RMA receipt is performed. Revenue on this item has not been recognized. In this scenario, the accounting entries are as follows:

Accounting when the item ships:

Account	Debit	Credit
Deferred COGS	100	-
Inventory	-	100

Then an RMA receipt is performed:

Account	Debit	Credit
Inventory	110	-

Account	Debit	Credit
Deferred COGS	-	100
Standard Cost Update Adjustment	-	10

Note: The COGS account defined in the Organization Parameters window will be used for the Standard Cost Update Adjustment account.

8

Project Manufacturing Costing

This chapter covers the following topics:

- Overview of Project Manufacturing
- Setting Up Project Manufacturing Costing
- Cost Elements, Subelements, and Expenditure Types
- Project Manufacturing Valuations and Variances
- Project Manufacturing Costing Transactions
- Material Overhead Application
- Material Overhead Defaulting
- Project Cost Collector
- Applying Overhead Rate by Oracle Projects
- Work in Process Resource Employee Transactions

Overview of Project Manufacturing

You can cost all project-related manufacturing transactions, then capture these costs and transfer them to Oracle Projects. You can associate items and manufacturing business processes with specific projects, and optionally tasks, to track quantity and cost information through these business processes. Project Manufacturing costing enables you to process and cost material, labor, and associated overheads against a specific project or a group of projects for a specific customer.

Work Breakdown Structure: Project and Tasks

Define projects and tasks in Oracle Projects. Project tasks make up the Work Breakdown Structure of a project. Projects and tasks can be referenced throughout Oracle Manufacturing Applications.

See: Work Breakdown Structure, *Oracle Projects User's Guide* and Overview of Projects

and Tasks, *Oracle Projects User's Guide*.

Cost Collector

You can use the Cost Collector to pass project-related costs from Oracle Manufacturing Applications to the Transaction Import Interface table in Oracle Projects. These transactions can then be imported from the interface table into Oracle Projects.

The Cost Collector collects costs by project, task, expenditure type, expenditure organization, and expenditure date. See: Project Cost Collector, page 8-17.

Task Auto Assignment

Task auto assignment assures that each project transaction has a task, if one has not already been assigned. Task Auto Assignment enables you to manage your manufacturing activities by project and collect manufacturing costs by different tasks.

See: Task Auto Assignment Process, *Oracle Project Manufacturing User's Guide*.

Common Project

The cost collection manager updates the transaction information with a specified project, if required. See: Common Project Assignment, *Oracle Project Management User's Guide*.

Reports

Project Manufacturing makes use of all Cost Management reports.

However, if there is more than one cost group in a Project Manufacturing average organization, you should not use the following valuation reports for reconciliation purposes:

- Transaction Historical Summary Report
- Receiving Value Report
- All Inventories Value Report/ Inventory Value Report
- Elemental Inventory Value Report
- Subinventory Account Value Report
- Item Cost Report (also Item Cost window)

Costing Methods

The four perpetual costing methods - Standard, Average, FIFO, and LIFO - are

supported for Project Manufacturing. The cost group for all perpetual costing methods determines the inventory valuation accounts. Item unit costs are held at the cost group level for Average, FIFO, and LIFO methods. However, standard costs are held at the inventory organization level.

Project and Non-Project Manufacturing

You can cost both project referenced and non-project referenced (common) transactions in the same organization. For example, you can define and transact both non-project or 'common' discrete jobs as well as project jobs.

For a listing of project-referenced transactions, see: Project Manufacturing Costing Transactions, page 8-7

Project Inventory

You can perform the following type of inventory transactions for project-referenced inventory:

- Miscellaneous Issue
- Miscellaneous Receipt
- Project Transfer
- Borrow and Payback Transfers
- Inter-organization Transfer (Direct)
- Inter-Org Internal Orders (Instransit)
- Cycle Count Adjustment
- Physical Inventory Adjustment

Transactions between expense subinventories are not eligible for project cost collection.

Project Jobs

You can create project jobs by assigning project and task references to jobs in the Discrete Jobs window in Oracle Work in Process. You can also implement project jobs planned in Master Scheduling/MRP and Supply Chain Planning.

You can define both standard and non-standard project jobs. You can assign different WIP accounting classes to project jobs. You can also define WIP accounting classes to be valid only for a specific cost group if you have associated the WIP class to the project cost group. Doing so makes it possible to keep the WIP costs of projects belonging to the same cost group in specific general ledger accounts. You can also track WIP resource and material transactions to the project job.

Project Purchasing and Receiving

You can create project purchase requisitions and project purchase orders directly in Oracle Purchasing. You can implement project purchase orders that are planned in Master Scheduling/MRP and Supply Chain Planning. You can receive items on project purchase orders, or inspect them, and deliver them to project inventory. You can also track the status of all purchase requisitions and purchase orders for a project.

Cost Elements and Subelements in Average, FIFO, and LIFO Organizations

Purchasing-related transactions are the only Project Manufacturing transactions that can capture project material costs at the cost subelement level. Resource and associated overheads charged to WIP are captured at the subelement level. All other material transactions are held at the cost element level.

Cost subelement delineation makes it possible to analyze performance within labor, overhead, material, or other direct costs.

See:

Setting Up Project Manufacturing Costing, page 8-4

Cost Elements, Subelements, and Expenditure Types, page 8-5

Project Manufacturing Transactions, page 8-7

Project Manufacturing Inventory Valuation, page 8-6

Project Manufacturing Cost Variances, page 8-7

Borrow Payback

You can borrow material from one project and return it using the Project Borrow Payback transaction. The applicable unit cost is moved from the lending project to the borrowing project. Repayment is made to the lending project at the original (borrowed) cost when a replenishment order is received by the borrowing project. The borrowing project absorbs any cost difference between the original and replenished materials.

See: Borrow Payback, *Oracle Project Manufacturing User's Guide*.

Setting Up Project Manufacturing Costing

Prerequisites

❒ Check the *Project Cost Collection Enabled* parameter in the Organization Parameters window in Oracle Inventory.

Note: This check box can be enabled if only Oracle Projects is

installed. It has no relation to the *Project Reference Enabled* check box, and it does not depend on installation of Project Management.

To set up Project Manufacturing costing:

1. Associate Expenditure Types with Cost Subelements. See: Associating Expenditure Types with Cost Elements, page 2-68.

   See: Overview of Expenditure Classifications, *Oracle Projects User's Guide*.

2. Associate expenditure types with cost subelements. See: Defining Material Subelements, page 2-20 and Defining Overhead, page 2-22 and Resources window in BOM.

3. Define project cost groups and associate WIP accounting classes with each project cost group. Repeat for all new projects See: Defining Project Cost Groups, page 2-75.

Cost Elements, Subelements, and Expenditure Types

Some Project Manufacturing transactions can capture project cost only at the cost element level. Other transactions support an unlimited number of user-defined cost subelements costs at the subelement level. Cost subelement delineation is required so that you can analyze performance in terms of labor, overhead, material, or other direct costs.

The Cost Collector collects costs by project, task, and expenditure type. Associating expenditure types with cost subelements ensures that Project Manufacturing costs can be collected and transferred to Oracle Projects.

Subelement Correspondence to Expenditure Type

There is a many-to-one relationship between subelements in Manufacturing and expenditure types in Projects; you define these relationships at the organization level. As a result, for any resource, material, or other subelement that you use on multiple projects, the expenditure type is the same across projects. The same is true within the same project, so a resource or purchased item with two different uses in different tasks, for example, would carry the same expenditure type in both tasks. However, you may specify a different expenditure type for each subelement.

To pass detailed data from Manufacturing to Projects, each cost subelement in Manufacturing must correspond to an expenditure type in Projects. This relationship is defined at the organization level on the Resource, Overhead, and Material Subelements windows in Cost Management, and is mandatory if you selected the *Project Cost Collection Enabled* parameter for this organization. When you define a cost subelement, you must associate it with an expenditure type. The Cost Collector uses this expenditure type to pass the subelement's transaction cost to the appropriate project

and task in transactions that cross a project and task boundary.

Cost visibility and reporting, down to the expenditure type level of detail, is available using Oracle Projects.

Elemental Cost Visibility in the General Ledger

You can charge cost elements of an item in a project job or locator either to different valuation accounts or all to the same account in Manufacturing. Because Manufacturing passes accounting entries to General Ledger, the account detail that you define determines the level of elemental detail that you are able to see in your General Ledger. Either way, elemental cost visibility is maintained in Manufacturing and that detail is passed to Projects using expenditure types.

Cost Element Correspondence to Expenditure Type

If project cost collection is enabled in your Inventory Organization parameters, a prerequisite to running the Cost Collector, each of the five cost elements must have two expenditure types linked to it. Users create these links in the Expenditure Types for Cost Elements window within Cost Management. These expenditure types are used when passing costs to Projects when any material transactions, except those related to purchasing, occur in Manufacturing.

Of the two expenditure types for each cost element, one is used to hold the value of transfers out of projects, the other to hold the value of transfers into projects. Because expenditure types are for a specific use, you may want to choose those types types that are not associated with any cost subelement.

Related Topics

Defining Material Subelements, page 2-20

Defining Overhead, page 2-22

Associating Expenditure Types with Cost Elements, page 2-68

Defining Cost Types, page 2-13

Defining Item Costs, page 3-3

Project Manufacturing Valuations and Variances

Project Manufacturing Inventory Valuation

Inventory under Project Manufacturing costing is valued based on the organization's costing method.

For further information about project cost groups and their function, see: Project Cost Groups, page 2-74 and Defining Project Cost Groups, page 2-75.

Project Manufacturing Cost Variances

Average Cost Variances

Under Project Manufacturing costing, cost variances are generated in a similar fashion to costing for non-project related transactions. See: Average Cost Variances, page 5-31.

There are, however, a couple of important differences. quantity in the specified inventory organization is driven negative. Under Project Mnufacturing costing, cost variances are generated when the total item quantity across all subinventories in a project cost group is driven negative.

Another difference - cost variances generated in non-Project Manufacturing organizations, the organization level Cost Variance account is used. Under Project Manufacturing costing, variances occurring in any project within a cost group are charged to a Cost Variance account defined for that cost group.

Borrow Payback Variance

Borrow payback variance accounts are set up in the Cost Group window to record variances generated by borrow payback transactions.

See: Borrow Payback, *Oracle Project Manufacturing User's Guide*.

Invoice Price Variance (IPV)

Invoice price variance is the difference between the purchase price and the invoice price paid for a purchase order receipt. Invoice price variances are generated when the invoice is processed and matched to the PO line items. Upon invoice approval, Oracle Payables automatically records this variance to both the invoice price variance and exchange rate variance accounts. IPV is determined and recorded the same under project and non-project costing.

Related Topics

Overview of Period Close, page 10-1

Inventory Average Cost Transactions, page 5-32

Project Manufacturing Costing Transactions

In Oracle Project Manufacturing, you can have organizations which concurrently manufacture for projects and non-project customer orders. For proper management control purposes, item costs and charges for non-project orders are maintained and tracked distinctly separate from projects. Standard cost organizations have one item cost.

Project Cost Groups

Using Project Manufacturing, you can have many projects active at any one time. You can also have items in common (non-project) inventory at the same time. Using project cost groups, an item may have a different cost in different projects as well as a cost in common inventory, all within the same organization. Item costs can apply to a single project if each project belongs to a distinct cost group or apply to a group of projects assigned to the same cost group. Items in common inventory belong to the organization's default cost group. Items in the organization's default cost group are costed separately from items in projects.

Intransit Shipping

When internal order intransit shipments and internal requisition intransit receipts are performed, items are transferred using the cost from the sending cost group, not the organization's default cost group.

Transfer to Projects

The Project Cost Collector transfers the costs to the Transaction Import Interface table in Oracle Projects, for import into Oracle Projects when material transactions:

- Cross a project boundary (i.e. from project to non-project, from non-project to project, and between two different projects)

or

- Cross the task boundary of the same project

See: Project Cost Collector, page 8-17

For transactions within the same project, if no specific task is entered, it is assumed to be a transaction within the same task, and hence transfer to Projects is not required.

Upon transfer by the Project Cost Collector, Projects either:

- Increments project cost when material is moved into a project-related entity from a non-project-related entity (e.g. locator, work order, etc.)

- Decrements project cost when material is moved out of a project-related entity into a non-project-related entity

- Decrements the From project and task and increments the To project and task when a transaction moves material between two projects or tasks

The following table summarizes some important transactions, whether they are or are not transferred to Oracle Projects, their respective debits and credits, and the cost used in the transaction:

Unless otherwise stated, the cost specified for the debit side of the transaction applies also to the credit side.

> **Note:** MOH stands for material overhead. For information on material overhead charges, see Material Overhead Application, page 8-16.

The following tables present Purchasing, Inventory, or Order Management Project Referenced Transactions.

> **Note:** The following accounts are the default accounts for Project Manufacturing Costing. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

Purchase Order Receipt to Receiving Inspection

Account and Cost	Debit	Credit
Receiving Inspection at PO Cost	XX	-
Inventory A/P Accrual	-	XX

Delivery From Receiving Inspection To Inventory

Cost Group Material at PO Cost	XX	-
Receiving Inspection	-	XX

Purchase Order Receipt To Inventory

Receiving Inspection at PO Cost	XX	-
Inventory A/P Accrual	-	XX

Cost Group Material at PO Cost	XX	-
Receiving Inspection	-	XX

Sales Order Shipments

Deferred Cost of Goods Sold at Current Cost (in Cost Group)	XX	-
Cost Group Valuation	-	XX

Miscellaneous Transactions

Receipt into Project Locator		
Cost Group Valuation at Current (in Project Cost Group) or User-specified Cost	XX	-
User-specified account	-	XX

Receipt from Project Locator		
User Specified account at Current (in Project Cost Group) or User-specified Cost	XX	-
Cost Group Valuation	-	XX

Project Transfer: Expense to Expense Subinventory, from or to same or different Project

No entries	-	-

Project Transfer: Different Project or Task, Asset to Asset Locator

Cost Group Valuation (in Receiving Project) at Current Average Cost (in Cost Group of Sending Project)	XX	-
Cost Group Valuation or Expense (in Sending Project)	-	XX

Project Transfer: Different Project or Task, Asset to Expense Subinventory or vice versa

Cost Group Valuation or Expense (in Receiving Project) at Current Cost in Cost Group (of Sending Project)	XX	-
Cost Group Valuation (in Sending Project)	-	XX

Project Transfer: Project to Non-project, Asset to Asset Subinventory

Organization Valuation at Current Cost (in Project Cost Group)	XX	-
Cost Group Valuation (in Sending Project)	-	XX

Project Transfer: Non-project to Project, Asset to Asset Locator

Cost Group Valuation (in Sending Project) at Current Cost in default Cost Group	XX	-
Organization Valuation	-	XX

Cycle Count and Physical Inventory: Count < On hand

Inventory Adjustment at Current Cost in Cost Group	XX	-
Cost Group Valuation	-	XX

Cycle Count and Physical Inventory: Count > On hand

Cost Group Valuation at Current Cost in Cost Group	XX	-
Inventory Adjustment	-	XX

Cost Update

Cost Group Valuation at User-Defined Cost Increase/Decrease	XX	-
Inventory Adjustment	-	XX

Project Referenced Manufacturing Transaction

Component Issue and Return Transaction: Issue Project Expense Job from Project Expense Locator

Account and Cost	Debit	Credit
No entries	-	-

Note: Notify Projects: No

Component Issue and Return Transaction: Issue (other than Expense to Expense) to Project Job from Project Locator; same Project or Task

WIP Inventory at Current Cost (in Project Cost Group)	XX	-
Cost Group Valuation or Expense	-	XX

Note: Notify Projects: No

Component Issue and Return Transaction: Issue (other than Expense to Expense) to Project Job from Project Locator; same Project different Task

WIP Inventory at Current Cost (in Project Cost Group)	XX	-
Cost Group Valuation or Expense	-	XX

Note: Notify Projects: Yes

Component Issue and Return Transaction: Issue (other than Expense to Expense) to Project Job from Common Subinventory

Cost Group Valuation at Cost	XX	-

Organization Valuation	-	XX
WIP Inventory at Current Cost (in Project Cost Group)	XX	-
Cost Group Valuation	-	XX

Note: Notify Projects: Yes

Resource Charges: Charge Labor Resource to Project Job

WIP Resource at Actual Employee Rate or User-Defined Cost	XX	-
Resource Absorption	-	XX

Note: Notify Projects: Yes

Resource Charges: Charge Non-labor Resource to Job

WIP Resource at User-Defined Cost	XX	-
Resource Absorption	-	XX

Note: Notify Projects: Yes

Overhead Charges

WIP Overhead Valuation at User-Defined Cost or Rate	XX	-

Overhead Absorption	-	XX

Note: Notify Projects: Yes

Outside Processing Charges

WIP Outside Processing at Purchase Order Cost	XX	-
Outside Processing Absorption	-	XX

Note: Notify Projects: Yes

Assembly Scrap Transaction: Scrap

Scrap at Calculated Scrap Value	XX	-
WIP Accounting Class Valuation	-	XX

Note: Notify Projects: No

Assembly Scrap Transaction: Reverse Scrap

WIP Accounting Class Valuation	XX	-
Scrap at Calculated Scrap Value	-	XX

Note: Notify Projects: No

Assembly Completion Transaction: Complete Assemblies from Project Job into Asset Project Locator

Cost Group Valuation at User-Defined or System Calculated + MOH	XX	-
WIP Accounting Class Valuation	-	XX
Material Overhead Absorption	-	XX

Note: Notify Projects: Yes (for MOH amount only)

Job Close Transactions

WIP Accounting Class Variance	XX	-
WIP Accounting Class Valuation	-	XX

Note: Notify Projects: No

Material Overhead Application

Material overhead application is essentially the same for Project Manufacturing, with one difference in the accounting transaction. The account debited is for the project cost group, rather than the organization, as in non-project average costing.

The accounting entry that follows applies to:

- Material overhead on deliveries from receiving inspection
- Complete assemblies from WIP

- Receipt from Intransit (Standard or Project Org) into Project Org (FOB Receipt)

Account	Debit	Credit
Cost group MOH account @ MOH cost	XX	-
Material overhead absorption account	-	XX

Defining Material Overhead Subelements

Define material overhead subelements for projects in the same way as in non-project cost organizations. You can define as many material overhead subelements as desired and base their charging in a variety of ways: by item, activity, or lot, or based on total value.

Related Topics

Defining Material Overhead Defaults, page 2-40

Defining Item Costs, page 3-3

Material Overhead Defaulting

You can define material overhead defaults without charge. Defaults may be created to apply at the organization level or at an item category level.

Project Cost Collector

The Project Cost Collector collects the costs of project-related organization's default cost group transactions, then passes these costs by project, task, and expenditure type to the Transaction Import Interface table in Oracle Projects. These transactions can then be imported into Oracle Projects.

You can view and resubmit project transactions that fail to transfer using the Cost function View Material Transactions window.

Prerequisites

❒ Enable Project Manufacturing costing. See: Setting Up Project Manufacturing Costing, page 8-4.

Perform project-related cost transactions. See: Project Manufacturing Costing

Transactions, page 8-7.

Currency Support:

When there is a separate reporting ledger, the Cost Collector collects both functional and reporting currency information. This information is passed to Projects and made available for reporting. A transaction (such as PO, Direct IO) created in a currency other than the functional currency of the organization, is transferred to Projects using the functional currency. For inventory and WIP transactions, the accounting currency is the same as the functional currency.

Transferring Project Costs:

The Cost Collector collects all Project Manufacturing-related costs and inserts them into the Transaction Import Interface Table of Oracle Projects. Each of these records includes the project, task, and expenditure type reference required by Oracle Projects.

The Cost Collector derives the accounting information from the manufacturing subledger unless the accounting extension is used to customize project accounts. See: Client Extensions, page C-1.

> **Note:** If you perform Inventory or other manufacturing transactions for a project owned by an operating unit other than the operating unit of the Inventory organization, then you must run the Cost Collector from a responsibility that has the profile option (MO: Operating Unit profile), set to the project owning operating unit.

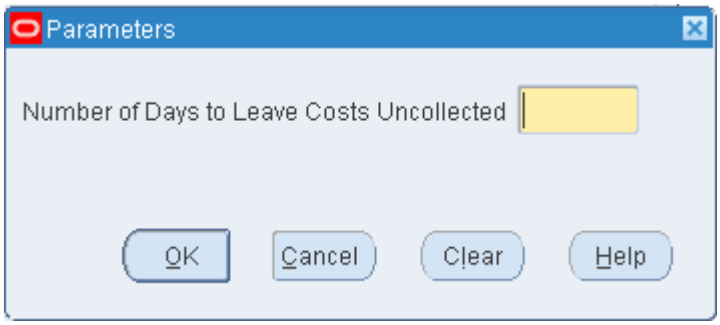
If *Cost Element to Expenditure Type Association* is not set up, and the profile option *Project Miscellellaneous Transaction Expenditure Type* is user defined, then cost collection will take place only for Project Miscellaneous transactions.

Cost collection errors out for any organization that has the cost collection feature turned off. You can turn on Cost Collection if Oracle Projects is installed.

Records in the Transaction Import Interface Table can then be imported into Oracle Projects using Transaction Import in Oracle Projects. See: Transaction Import, *Oracle Projects User's Guide*.

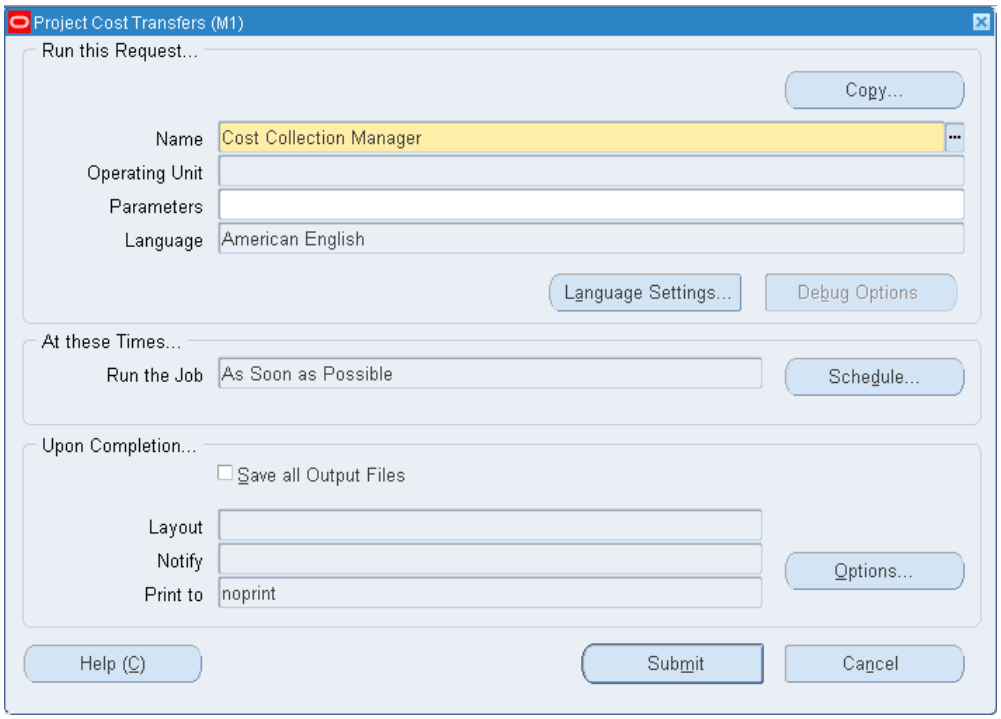
To collect project related cost:

1. Navigate to the Project Cost Transfer window. Submit a request for the Cost Collection Manager. The Parameters window appears.



2. Specify the project cost collection time fence, the Number of Days to Leave Costs Uncollected, by entering a whole number of days.

   For example, suppose today is Thursday and project costs were collected up through Friday of the previous week. If you enter 4 as the Number of Days, costs will be collected for Saturday and Sunday.



   If there are uncosted transaction records in the MTL_MATERIAL_TRANSACTIONS table within the specified time fence, then project costs for these transactions are not collected. You can check to see if transactions are uncosted, as indicated by the costed indicator, through the Material Transactions window. See: Viewing Material Transactions, *Oracle Inventory User's Guide*.

   Uncosted transactions and transactions that lack complete information are flagged *Error*.

3. Choose Submit to run the request.

Related Topics

Transaction Import, *Oracle Projects User's Guide*.

Applying Overhead Rate by Oracle Projects

You have the option, at the Inventory organization level, to post Project Manufacturing transactions to Oracle General Ledger, either from Oracle Manufacturing or from Oracle Projects. When you select the option to post the General Ledger in Oracle Projects, you can use Projects Burden Schedules to apply overhead to Project Manufacturing transactions. If you select this option, and continue to apply overhead in Manufacturing, then the overhead amount is imported into Projects as raw (not burden) cost.

If you select the option to post the GL from Projects, then only the transactions that are cost collected are posted to the General Ledger. Transactions that are not cost collected include:

- Sales order issues
- Work in Process component issues from the same project/task as the project/task on the WIP job
- Assembly completions
- Average and standard cost updates
- Job close and average cost variances
- Scrap transactions

Setting Up

This feature is enabled at the Inventory organization level by setting parameters in the Project Manufacturing Parameters window in the Costing tabbed region. You can select these options for an existing Project Manufacturing organization if there are no cost transactions for the open period. Select one of the options for each parameter:

GL Posting Option

- Manufacturing: Transactions are transferred to Oracle Projects as GL accounted and burdened. Non-manufacturing transactions are posted to General Ledger from Oracle Projects.

- Projects: All Project Manufacturing and non-manufacturing project transactions are posted to General Ledger from Oracle Projects.

Account Option

- Use AutoAccounting: All accounts are derived using the Accounting Rules Engine in Oracle Projects. Inventory transactions are transferred to Projects as Inventory with No Accounts. Work in Process transactions are transferred as WIP with No Accounts.

- Send Accounts to PA: Cost Group and WIP Accounting Class valuation accounts are transferred to Projects. Inventory transactions are transferred to Projects as Inventory with Accounts. Work in Process transactions are transferred as WIP with Accounts.

Work in Process Resource Employee Transactions

You have the option at the Inventory organization level, to transfer WIP Resource employee transactions to Oracle Projects as WIP Straight Time. If you select this option, you can include WIP Straight Time hours in Oracle Projects summarization of hours for billing calculations.

Setting Up

You set up this feature at the Inventory organization level in the Project Manufacturing Parameters window in the Costing tabbed region. Enable this feature by checking the parameter box for:

WIP Person Resource as Straight Time

Additionally, if the Account Option parameter is set to one of the selections, the transaction source type has one of the following values:

- Use AutoAccounting: WIP Resource transactions with employee name and number are transferred to Oracle Projects as WIP Straight Time with No Accounts.

- Send Accounts to PA: WIP Resource transactions with employee name and number are transferred to Oracle Projects as WIP Straight Time with Accounts.

9

Periodic Costing

This chapter covers the following topics:

- Overview of Periodic Costing
- Periodic Costing Methods
- Periodic Cost Setup
- Periodic Cost Processing
- Periodic Incremental LIFO Business Examples
- Reports

Overview of Periodic Costing

As an option to the mandatory perpetual costing system, which uses either the standard or average or FIFO (first-in first-out) or LIFO (first-in first-out) costing methods, Cost Management provides support for two methods of Periodic Costing:

- Periodic Average Costing (PAC)
- Periodic Incremental LIFO (Last-In First-Out)

Periodic Costing is an option that enables you to value inventory on a periodic basis. There are three principal objectives of Periodic Costing:

- To capture actual acquisition costs based on supplier invoiced amounts plus other direct procurement charges required by national legislation or company policy
- To capture actual transaction costs using fully absorbed resource and overhead rates
- To average inventory costs over a prescribed period, rather than on a transactional basis

You must set up a perpetual costing method (standard or average or FIFO or LIFO) for

each inventory organization that you establish in Oracle Inventory. In addition, you have the option to use Periodic Costing.

You can choose to create Periodic Costing distributions and send them to the General ledger after a Periodic Costing run. You can also disable the perpetual costing General Ledger transfer, electing instead to produce accounting entries only after a Periodic Costing run.

Prior to Release 12, the Periodic Cost Processor computed the assembly unit cost based on actual quantities issued to the job, and not Bills of Material (BOM) requirements. You now have the option to adopt BOM requirements in PAC costing. With the functionality for defining an item as lot-based made available in BOM, the Periodic Cost Processor supports lot-based components.

Oracle maintains the perpetual system and the periodic system (if one is enabled) separately and produces separate reports.

Uses

You may want to use Periodic Costing if:

- You want to incorporate acquisition costs in your inventory valuation, possibly to set standards or update perpetual standard costs.
- You are in a country with a fiscal requirement to transact and/or report on inventory costs using one or both Periodic Costing methods.

Major Features

Periodic Costing lets you cost items from one or more inventory organizations on a periodic basis. This cost is based on invoice price if the invoice is available; otherwise, the purchase price is used for purchased items. For manufactured items, Periodic Costing is the sum of the actual cost of resources and materials consumed.

Acquisition Costing: The Periodic Costing processor uses acquisition costs (including additional charges such as freight, customs, and insurance) to value receipts and returns. If no invoice is matched to the receipt at the time the cost processor is run, the PO price is used. You can view receipts that use PO Cost and make any corrections necessary.

Full Absorption: Using periodic rates cost types, you can create rates that fully absorb resource and overhead costs. The Periodic Cost processor uses these rates to cost Inventory and Work in Process (WIP) transactions.

Shared Periodic Costs: You can share Periodic Costs across a group of inventory organizations within a Legal Entity. Perpetual cost methods for the individual organizations in the legal entity can be a mixture of standard cost and average cost.

Reports: In addition to inventory valuation reports, you can run reports to see the detailed cost of receipts and identify receipts that used the PO price instead of the

invoice price.

Flexible use of Cost Methods: You can use either or both Periodic Incremental LIFO and Periodic Average Costing to cost the inventory transactions of a period. You can view the results and produce inventory valuation reports using either method.

Periodic Costing Distributions: You can choose to post periodic distributions or perpetual costing distributions to the General Ledger. While it is not recommended, you could also post both distributions to the General Ledger.

Full absorption of material and resource cost into the final assembly cost: Periodic Costing relieves the remaining job balance into the final assembly cost.

Relieve material charges using predefined (BOM) quantity or actual quantity: Customers can choose to relieve component charges using the quantity defined in the job's bill, or using the actual quantity of components issued to the job.

Scrap Absorption: For Scrap Absorption there are two solutions as follows:

1. If you choose to have the completion cost derived based on the job's bill (standard quantity completion algorithm), then you can use the final completion flag to relieve the additional scrap value out of the job.

2. If you choose to have the completion cost derived based on actual material usage, then the scrap value will be automatically absorbed by completions performed after the scraps.

Support for Material Overhead Absorption Rules for PAC: You can define Material Overhead Absorption Rules for controlling material overhead absorption. See: To define material overhead absorption rules, page 2-26. These rules are respected in PAC as well.

eAM Support in PAC: You can associate eAM-enabled organizations to be included in the cost group setups so that you can use PAC.

Periodic Cost Updates

You can manually change the periodic cost of an item by performing a periodic cost update.

Periodic Costing provides similar features to perpetual average costing, but with certain restrictions. See Updating Periodic Costs., page 9-39

Requirements

In order to use Periodic Costing, the following requirements must be met:

- Only one master item organization exists for each organization cost group. Only one master item organization is recommended per database instance.

- An organization cost group must be assigned to a single legal entity. A legal entity

can contain several organization cost groups.

- An inventory organization can be associated with only one organization cost group.
- Frozen and average cost types cannot be used for Periodic Costing.
- Cost types used for Periodic Costing must be multiorg and non-updatable.
- Periodic Rates cost types must be multiorg and updatable.
- Cost types used for Periodic Costing cannot be disabled.
- Organization cost groups cannot be disabled.
- The Actual Cost extension is not allowed for cost derived transactions, WIP Assembly Completion, and WIP Assembly return.
- Oracle Bills of Material must be installed.

Terms

Cost Owned Transactions

Cost owned transactions are transactions that carry their own costs and are used to compute an average unit cost, which is applied to cost derived transactions.

Examples:

- PO receipt transactions
- WIP completion transactions
- Interorg transfers between cost groups
- WIP labor/resource transactions

Cost-Derived Transactions

Cost-derived transactions are transactions that are transacted at the newly computed average unit cost of the period.

Examples:

- Material issues
- Issues to WIP
- Returns to WIP

- Returns from customer

  Note: Returns from customer are only cost derived if they have no reference to sales orders. If they do reference sales orders, then they are costed at the original sales order issue cost.

Periodic Rates Cost Type

A periodic rates cost type is the cost type that stores the material overhead, resource, outside processing, and overhead rates for a specific legal entity/cost type association. This is similar to the Average Rates cost type in perpetual average costing.

The periodic rates cost type is defined in cost setup like any other cost type. It is associated with a legal entity/cost type using the Org Cost Group/Cost Type Associations window. You can update the periodic rates cost type field. For example, you can update the periodic rates each period. Each legal entity/cost type combination can have its own periodic rates cost type or share a periodic rates cost type. See: Defining Cost Types, page 2-13.

Period End Cost Layers (Periodic Incremental LIFO only)

Period end cost layers contain the recorded weighted average cost of all items purchased and produced in a period. Layers will remain in the system permanently.

Delta Quantity (Periodic Incremental LIFO Only)

Delta quantity refers to the net quantity of a year's production. For example, if 10 items were produced, 5 bought and 12 issued, the delta quantity is 3.

Periodic Costing Methods

Cost Management provides two Periodic Costing methods:

- Periodic Average Costing
- Periodic Incremental LIFO Costing.

Determine your Periodic Costing methods in setting up. See: Choosing Periodic Cost Method, page 9-10

Oracle Cost Management requires that you use one of the perpetual accounting methods. However, you can choose to post either periodic distributions or perpetual costing distributions to the General Ledger. While it is not recommended, you can also post both distributions to the General Ledger. See: Processing Periodic Cost Distribution, page 9-24

Average Cost

For both Periodic Costing methods, (weighted) average costs are calculated in the following manner:

On a per item basis, within a period, cost owned transactions are costed first. Then the cost-derived transactions are calculated by averaging the accumulated amount and units for the period. This usually means that the system processes receipts into inventory before costing cost-derived transactions such as issues to jobs.

Periodic Average Costing

In Periodic Average Costing, the weighted average calculation adds the opening Inventory Value amounts and units to the current period's cost-owned transactions before calculating the cost-derived transaction costs.

Cost-derived transactions change quantities but not item unit costs.

The derived cost and the ending Inventory Value are used as the beginning Inventory Value of the next period.

Calculating Periodic Item Cost

Periodic item cost is not calculated for each cost-owned inventory transaction. It is calculated only after processing all the cost-owned transactions, which results in posting a variance once, not for every transaction. The application posts a variance only when quantity is zero or the cost is negative (when the Inventory Value is > 0 and Quantity is <0, or vice versa) after processing all cost-owned transactions. Variance absorbs remaining inventory value, and the inventory value becomes 0.

No variance generated:

- PO Receipt of 5 units @ $5 each
- RTV of 4 units @ $6
- Miscellaneous receipt of 10 units without cost

PO receipt 5@ $5	Inventory Value 25, Quantity 5
RTV of 4@ $6	Inventory Value 1, Quantity 1
Calculate Cost	Periodic Cost 1, Variance 0
Misc Receipt 10	Inventory Value 11, Quantity 11

Variance Generated (Quantity = 0)

- PO receipt of 5 units @ $5 each
- RTV of 5 units @ 4 each

- Periodic Cost update: New cost: $6
- Miscellaneous receipt of 10 units without cost

Cost Update	Periodic Cost 6, Inventory Value 0
PO receipt 5 @ $5	Inventory Value 25, Quantity 5
RTV of 5 @ $4	Inventory Value 5, Quantity 0
Calculate Cost	Periodic Cost 6 (Period Beginning Cost), Variance 5, Inventory Value 0
Misc Receipt 10	Inventory Value 60, Quantity 10

Variance Generated (Quantity > 0 , Inventory Value < 0)

- PO receipt of 5 units @ $5 each
- RTV of 3 units @ $9 each
- Miscellaneous Receipt of 10 units without cost

PO receipt 5 @ $5	Inventory Value 25, Quantity 5
RTV of 3 @ $9	Inventory Value -2, Quantity 2
Calculate Cost	Periodic Cost 0, Variance –2, Inventory Value 0
Misc Receipt 10	Inventory Value 0, Quantity 12

Variance Generated (Quantity < 0 , Inventory Value > 0)

- PO receipt of 5 units @ $5 each
- RTV of 6 units @ $4 each
- Miscellaneous Receipt of 10 units without cost

PO receipt 5 @ $5	Inventory Value 25, Quantity 5

RTV of 6 @ $4	Inventory Value 1, Quantity -1
Calculate Cost	Periodic Cost 0, Variance 1, Inventory Value 0
Misc Receipt 10	Inventory Value 0, Quantity 9

WIP Rework Transactions:

- PO receipt of 5 units @ $5 each
- RTV of 6 units @ $4 each
- Non-rework completion of 3 units @ $6 each
- Issue to rework job of 5 units
- Completion from rework of 5 units @ $8 each
- Miscellaneous Receipt of 10 units without cost

PO receipt 5 @ $5	Inventory Value 25, Quantity 5
RTV of 6 @ $4	Inventory Value 1, Quantity –1
Non-Rework Completion	Inventory Value 19, Quantity 2
Cost Calculation	Periodic Cost 9.5, Variance 0, Inventory Value 19
Rework Issue	Inventory Value -28.5, Quantity -3
Rework Completion	Inventory Value 11.5, Quantity 2
Cost Calculation	Periodic Cost 5.75, Quantity 2, Variance 0
Misc Receipt	Inventory Value 69, Quantity 12

Periodic Incremental LIFO

The Periodic Incremental LIFO (last-in first-out) costing method provides support for periodic valuation of inventory for both fiscal and managerial reporting purposes.

With this costing method, the costs of the most recently acquired items are relieved

from inventory first. This results in financial statements that match current costs with current revenues.

Periodic Incremental LIFO is useful for situations where the current replacement cost of inventory exceeds historical values.

> **Note:** Periodic Incremental LIFO meets the statutory requirements for Italian manufacturing and distribution companies.

Market Value

Periodic Incremental LIFO also allows valuation of inventory according to Lower of Cost or Market principles. To do this, you replace the calculated LIFO item cost with the market value, if the market value of an item is lower. The costing information generated can be used to produce detailed and summary LIFO costing reports, where required.

You use the Item Cost Inquiry screen to compare the calculated LIFO item cost with a published market value. See: Making Item Cost Inquiries, page 9-24.

For more information on calculating a LIFO item cost, See: Periodic Incremental LIFO Calculations, page 9-9.

If the market value is less than the calculated LIFO item cost, then you can enter that value along with a mandatory justification. This market value replaces the calculated LIFO item cost for quantities in all period cost layers and in the Incremental LIFO Valuation reports run at this time.

You can update and remove the market value and justification until the period is closed.

The inventory valuation that is carried forward is now based on that market value. Previous layers do not figure in future calculations, but they are not purged, so that you can still run reports from prior periods, for auditing purposes and to maintain historical records of Incremental LIFO quantities.

See: Periodic Incremental LIFO Business Example, *Oracle Cost Management User's Guide*.

Periodic Incremental LIFO Calculations

Cost Management calculates Periodic Incremental LIFO in this manner:

- Items received into inventory are costed at the weighted average of the period in which they are received.
- For any period where items received (purchased or manufactured) exceed items issued (or scrapped), a period cost layer is created to record the weighted average per item and the quantity.
- In periods where items issued exceed items received, further issues are then made from prior existing period cost layers in LIFO order.

- The inventory value at any point consists of the remaining items in the period cost layers at their average costs (that is, each year's remaining units at the average cost of that period), except where a market value has been used. See: Market Value, page 9-9.

- Whenever a period ends with an inventory value of zero, prior period cost layers are no longer used in calculations, but the information remains available for historical purposes.

- The LIFO item cost is calculated using an average calculation (inventory value/total quantity) for inventory valuation. The item cost is used for comparison to a potential market value.

  Note: The LIFO item cost used for purposes of valuation differs from the item cost that might be removed from inventory.

Using Both Costing Methods

You can run the cost processors and produce inventory valuation reports using both Periodic Costing methods. If changing Periodic Cost methods is permitted by the accounting rules of your country, you may then decide which report to submit. You can use the two periodic methods simultaneously by associating cost types designated for both Periodic Costing methods, with the same legal entity (See: Selecting an Item/Cost Type Association, page 3-1). To compare the values, run the Acquisition Cost processor, the Periodic Cost processor, and reports for the legal entity, using cost types designated for one method first, and the other method second. In Periodic Costing, the item cost is held at the cost type/organization cost group/period combination.

Periodic Cost Setup

Using Periodic Costing requires that you first install a perpetual cost method. See Setup, page 2-2

Choosing Periodic Cost Method

In Periodic Costing, the cost type is associated with the Periodic Costing method. When you run the Periodic Cost processor and choose cost type, you implicitly choose a cost method.

Ledger

If you enable distributions for a Legal Entity/Cost Type, then associate the same ledger that you used in the perpetual cost type.

If you enable distributions for a Legal Entity/Cost Type, then associate the same ledger that you used in the perpetual cost type.

If you do not enable distributions for a Legal Entity/Cost Type, then you can use a

different ledger but the chart of account and currency must be the same as those used in the perpetual cost type.

Setup Steps

In Periodic Costing, the item cost is held at the cost type/organization cost group/period combination.

There are six setup steps specific to Periodic Costing:

- Defining the organization cost group.
- Creating cost types and periodic rates cost types for use in Periodic Costing.
- Associating the organization with an organization cost group.
- Associating the cost type with the legal entity.
- Setting accounting options (required if using Periodic Cost Distributions).
- Assigning periodic accounts (required if using Periodic Cost Distributions).

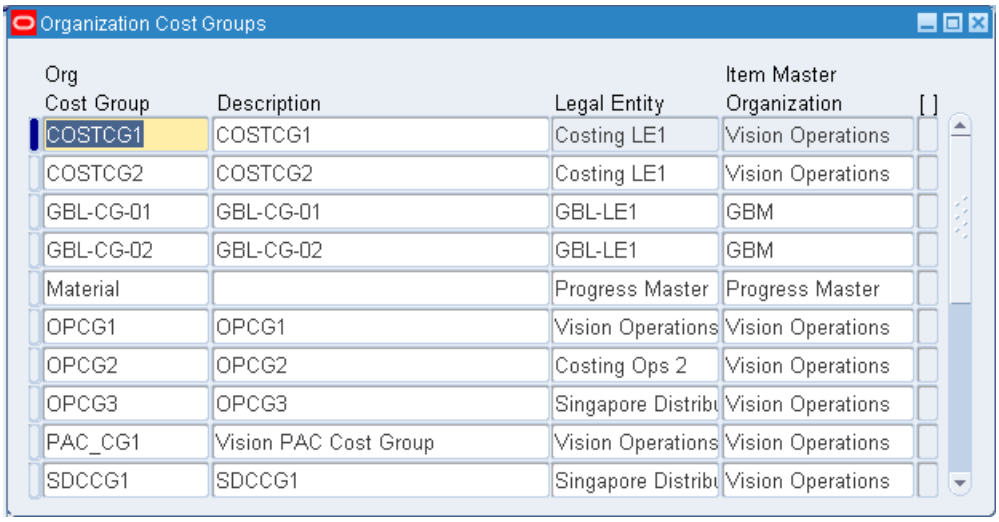
The end result, once all these associations are set up, is a many-to-many relationship between organization cost groups and cost types through the legal entity.

Step 1: Defining Organization Cost Group

Each organization cost group must be associated with a legal entity.

To define an organization cost group:

1. Navigate to the Organization Cost Group window.



2. Enter a name for the Org Cost Group.
3. Enter a description for the Org Cost Group.
4. Select the legal entity to associate with the Org Cost Group.
5. Enter the Item Master Organization ID.
6. Save your work.

Step 2: Creating Cost Types and Periodic Rates Cost Types

Oracle Cost Management Periodic Costing methods require the use of cost types and periodic rates cost types (similar to average rates cost type used in average costing for manufacturing). Both are created in the main setup window for cost types. Cost types for Periodic Costing must be multi-org and not updatable. Periodic rates cost types are not restricted. Any user defined cost type can be a periodic rates cost type if it is so designated in the Cost Type Association tab of the Org Cost Group/Cost Type Associations window.

To create cost types and periodic rates cost types:

1. Navigate to the Cost Types window.
2. Create cost types and periodic rates cost types.

   Cost types must be multi-org and not updatable. If you make these selections, then other options appear available, but are not.

   Periodic rates cost types must be multi-org and updatable.

3. Save your work.

Step 3: Associating Organization with an Organization Cost Group

Once an inventory organization is associated with an Organization Cost Group and transactions have been processed, that association is permanent and exclusive.

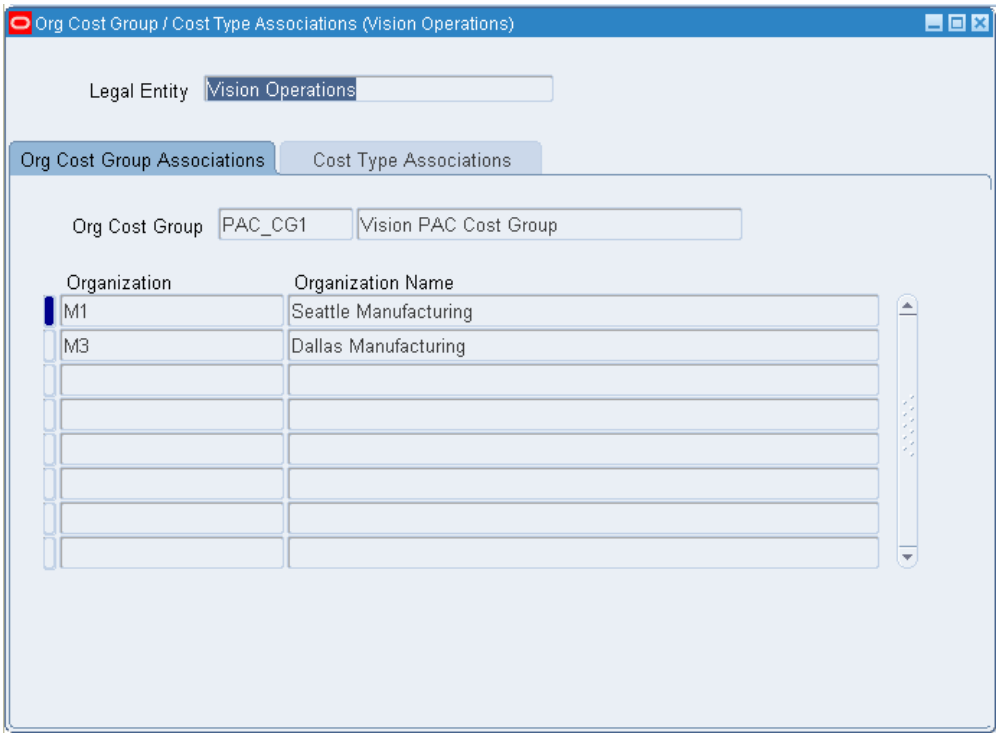
An Organization Cost Group can be associated with one or more organizations.

Those inventory organizations which can be associated with an organization cost group meet the following qualifications:

- The organization already belongs to the legal entity.
- The organization is not associated with any other organization cost group.

To associate an organization with the organization cost group:

1. Navigate to the Org Cost Group/Cost Type Associations window.



2. Select the appropriate legal entity.
3. Navigate to the Org Cost Group Associations tab.
4. Select the organization cost group.

5. Select the organizations you wish to associate with this cost group.

   Only those organizations which met the qualifications listed above will be available for selection.

6. Save your work.

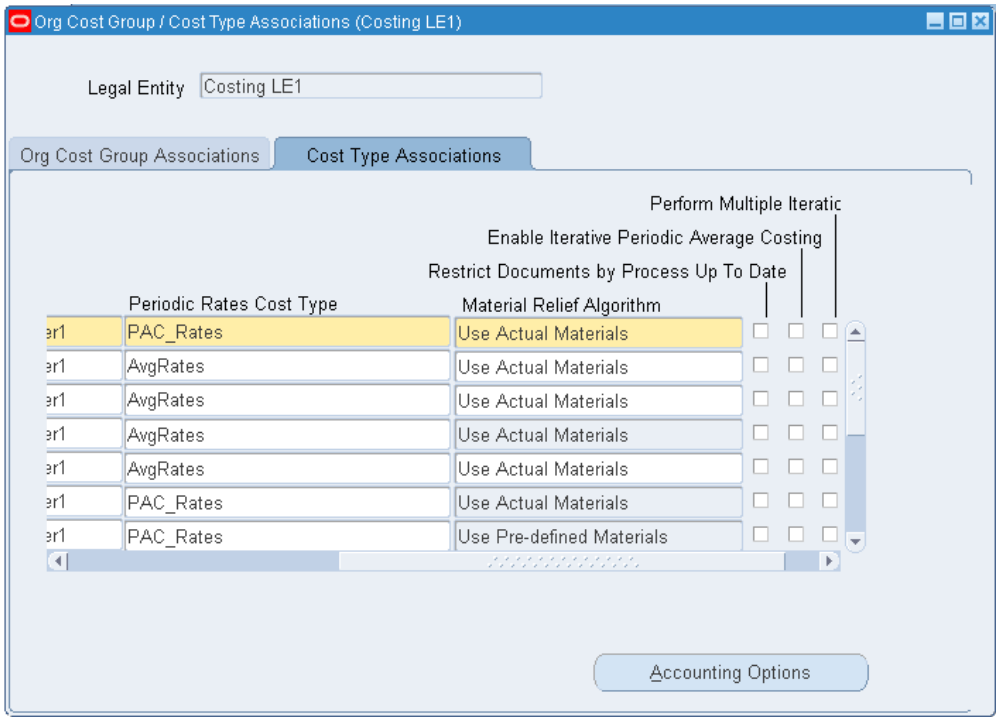
Step 4: Associating Cost Type with Legal Entity

To associate the cost type with legal entity and select cost method:

1. Navigate to the Org Cost Group/Cost Type Association window.

2. Select the appropriate legal entity.

3. Navigate to the Cost Type Associations tab.



4. Select the **Cost Type**.

5. Select a value for the **Cost Method**.

   The available values are:

   Incremental LIFO

   Periodic Average

6. Select the **Ledger**.

7. Select the **Periodic Rates Cost Type**.

8. The Enable Iterative Periodic Average Costing indicator is for future use.

9. Select the Material Relief Algorithm indicator to Use Pre-defined Materials, or Use Actual Materials.

   If there have been no prior WIP transactions for the chosen Cost Type in all previous periods, then you can use the relief algorithm option to relieve material using the quantity that is actually used, or using the quantity defined in the BOM. If there are WIP related transactions based on actuals, then relief costs for all subsequent transactions cannot be based on BOM. The relief algorithm is only applicable for components. Resource and overhead are always relieved using the actual quantity.

10. Select the Restrict Documents by Process Upto Date indicator if you want to run partial period processing.

    You can run a partial period by entering the date in the parameter Process Upto Date field in the periodic acquisition processors.

11. Save your work.

12. If you need to set accounting options, choose Accounting Options and follow the instructions in the next section. See Step 53: Setting Accounting Options, page 9-15

Step 5: Setting Accounting Options (Optional)

Using the Cost Type Associations Accounting Options window, you can set options pertaining to the creation of accounting entries (cost distributions) and posting (transferring) to General Ledger. If you do not Create Accounting Entries, you cannot post to the General Ledger from Periodic Costing, and therefore General Ledger options are unavailable to you.

You can choose to submit the Journal Import at the same time as the transfer to General Ledger or as a separate process.

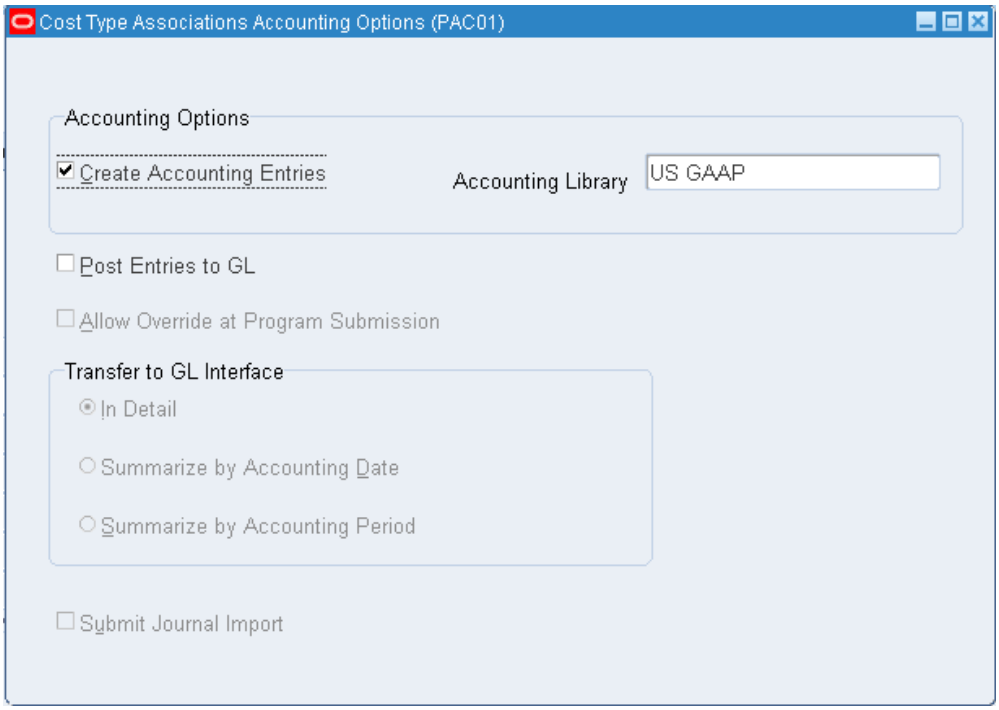
You can check Allow Override at Program Submission which allows the user to change these options:

- Journal Import

- Transfer mode (detail or summary) .

To set your accounting options:

1. Navigate to the Cost Type Associations Accounting Options window.



2. Check Create Accounting Entries if you wish to have Periodic Cost distribution entries created.

   If you do not check this option, all the other options are unavailable to you. Exit from this window.

3. Select an Accounting Library. The options are:

   - US GAAP
   - PAC Brazil

4. Check Post entries to GL if you wish to post your Periodic Cost distributions to the General Ledger.

   This enables options for additional options.

5. Make selections on the following options:

   - Allow Override at Program Submission.
   - Transfer to GL Interface. Choose one:
     - In Detail
     - Summarize by Accounting Date

- Summarize by Accounting Period

- Submit Journal Import.

6. Save your work.

Step 6: Assigning Periodic Accounts

This step is required if you are using the Periodic Cost Distributions Processor.

Periodic Cost Accounts are used during Periodic Cost distributions. The periodic accounting library may use these accounts to create accounting entries. Users can only specify these accounts if distribution is enabled for the legal entity cost type. There are two sets of accounts:

- *Cost group category level accounts:* used to perform periodic inventory accounting based on categories defined in the master item organization for the cost group.

- *Cost group level accounts:* used independently of the category to define variance and inventory offset accounts.

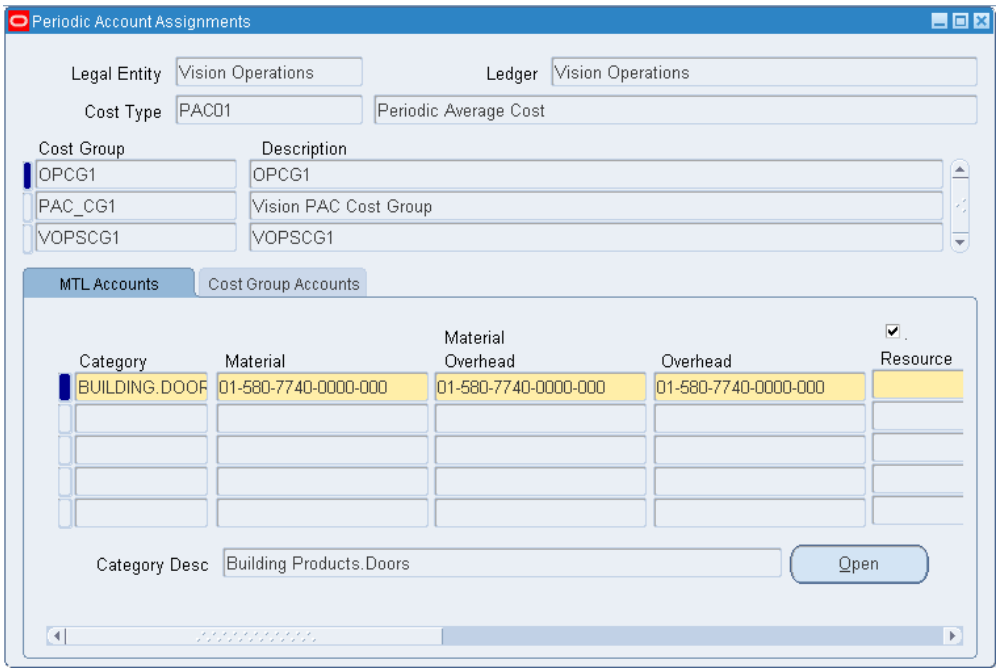
To assign periodic accounts:

1. Navigate to Periodic Account Assignments.

2. Select your legal entity and cost type association.

3. Select the cost group.

4. Choose the MTL Account tab to assign accounts for the category.



5. In the category column, select item family and class.

6. Select accounts for the following:

   - Material
   - Material Overhead
   - Overhead
   - Resource
   - Outside Processing
   - Expense
   - Bridging
   - Non-Invoice Sales orders
   - Non-Invoiced Revenue

7. Choose the Cost Group Accounts tab to assign variance accounts.

8. Select an account for Cost Variance.

9. Select an adjustment account for Retroactive Price Adjustment Account if you are

using the Retroactive Pricing functionality.

This account must be entered in your initial setup only,

See: Retroactive Pricing, page 1-10

10. Save your work.

    You can choose the Open button in the MTL Accounts tab to view the accounts in list format.

Periodic Cost Processing

The following list is the procedure for processing Periodic Costs:

- Run the Periodic Acquisition Cost Processor, page 9-19
- Optionally, for invoices matched to receipts of closed periods, you can submit the Periodic Acquisition Cost Adjustment Processor, page 9-21
- Run the Periodic Cost Processor, page 9-23
- Optionally, you can run the Periodic Cost Distributions Processor, page 9-24
- Perform any other required activities such as cost copy, item cost inquiry, and Periodic Cost update
- Run Reports
- Close the period, page 9-31
- Transfer to General Ledger, page 9-34

Partial Period Runs

You can submit the Periodic Acquisition Cost Processor, the Periodic Acquisition Cost Adjustment Processor, and the Periodic Cost Processor for the whole period or a partial period. A partial period run must always begin with the first day of the period. Any further partial period runs, or a complete run (the whole period) must also start with the first day of the period. Any processing runs after the first one will repeat the others in a specific period.

To enable this option, check the box for Restrict Documents by Process Upto Date on the Org Cost Group/Cost Type Associations window. You can run a partial period by entering the date in the parameter Process Upto Date. In order to complete processing and close the period, The entire period must be run for all cost groups in a legal entity.
See: Associating Cost Type with Legal Entity, page 9-14

Processing Periodic Acquisition Costs

The Periodic Acquisition Cost Processor computes acquisitions from Oracle Purchasing and Oracle Payables. This concurrent program calculates costs of the receipt using the invoice price, or, if that is not available, the purchase order price.

Acquisition costs are the sum of the costs associated with the acquisition of the goods. They include material costs, freight, special charges, and non-recoverable taxes. The acquisition cost processor processes all receipt transactions that take place within a period for a particular cost group and cost type.

For each receipt, the net quantity received is frozen at the end of the period. The costs are frozen based on the invoices matched to the receipt at the time of period close.

Resubmitting the Acquisition Processor

Acquisition processing can be resubmitted if additional matching invoices are received, provided the period is still open. If the period is closed, manual updates are made using the Periodic Cost Update program.

Resubmitting the Periodic Acquisition Cost Processor purges prior processing, including cost processor computations, accounting distribution entries, reconciliation information, and write off information.

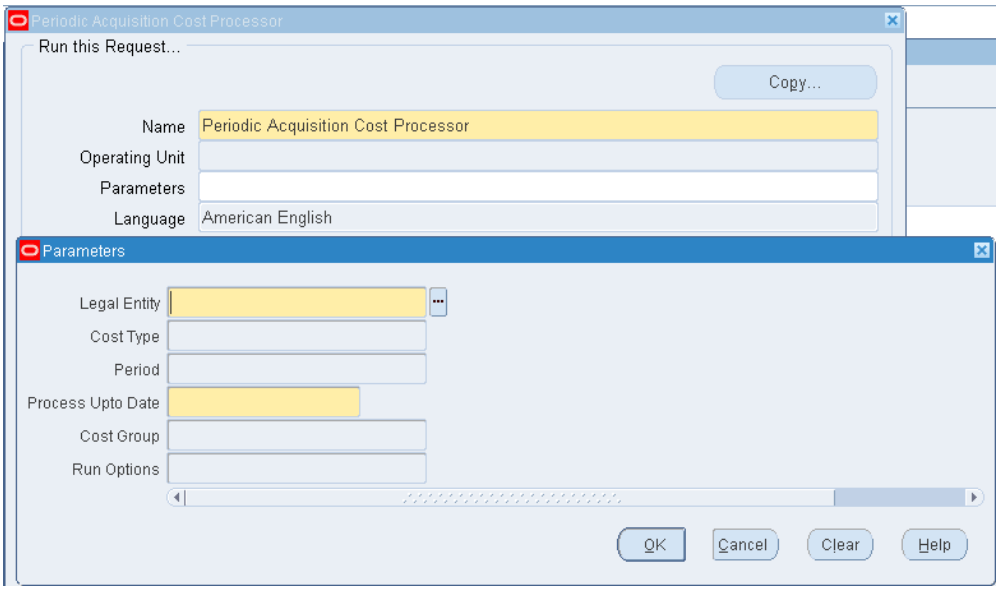
Exchange Rates and Acquisition Costs

Exchange rates are handled in the following manner:

- If the invoice is used, then the exchange rate at the invoice time is used.
- If purchase order price is used and the match option is set to *Match to PO*, then the exchange rate at the time of the purchase order is used.
- If purchase order price is used and the match option is set to *Match to Receipt*, then the exchange rate at the time of the receipt is used.

To run the Periodic Acquisition Cost Processor:

1. Navigate to Periodic Acquisition Cost Processor concurrent window. The Parameters window displays.



2. Select information in the following parameters:
   - Legal Entity
   - Cost Type
   - Period
   - Process Upto Date - If you want to create a partial period run, enter the date for limiting records in the submission
   - Cost Group
3. The Run Option field is used when you want to regenerate a run that has started. Your options are:
   - Start - Regenerates the Periodic Acquisition Cost Processor concurrent program.
   - Resume - This option is only available when the processor is stopped because of errors. It enables you to resume the program from the beginning phase, to the phase where the error began.
4. Choose OK.
5. Choose Submit on the Request window to process this request.

Processing Periodic Acquisition Cost Adjustments

You can transfer costs generated in closed accounting periods to your current open

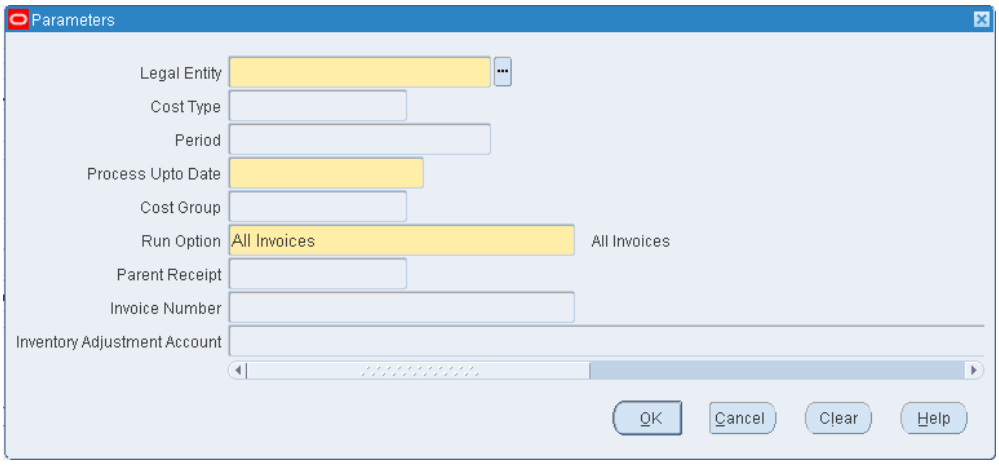
period. The invoice for a receipt in a closed period is used to generate a periodic cost update in the open period. Examples of such invoices from previous periods can include invoice price variances, and charges such as freight and tax. The new acquisition cost calculated represents what the acquisition cost would have been if the invoices had been received in the same period. Acquisition cost adjustments enable you to:

- Create periodic cost update transactions to adjust the acquisition cost for a closed period
- Use invoice accounting date to restrict invoice eligibility, and transaction date for return to vendor eligibility when you run the program
- Run the Periodic Acquisition Cost Processor for historical periods

The Acquisition Cost Adjustment Processor can be continually resubmitted for the period that is open. Every time the Acquisition Cost Adjustment Processor is submitted, the amount posted is recalculated and the data for the latest run is retained. The data for previous run is deleted. is deleted

To run the Periodic Acquisition Cost Adjustment Processor:

1. Navigate to Periodic Acquisition Cost Adjustment Processor concurrent window. The Parameters window displays.



2. Select information in the following parameters:
   - Legal Entity
   - Cost Type
   - Period
   - Process Upto Date - If you want to create a partial period run, then enter the

date for limiting records in the submission

- Cost Group
- Run Option - You can run the program for All Invoices, Particular Invoice, or Particular Receipt
- Parent Receipt - This is the original receipt number before corrections were submitted
- Invoice Number
- Adjustment Account

3. Choose OK.
4. Choose Submit on the Request window to process this request.

Running the Periodic Cost Processor

The Periodic Cost Processor calculates the Periodic Cost for all asset items in asset subinventories. The Periodic Cost processor is run manually, by submission, not automatically.

The Periodic Cost Processor can be run using either the Periodic Average or Incremental LIFO algorithm. You can define different cost types for each and associate them with one appropriate cost method.

To run the Periodic Cost Processor:

1. Navigate to Periodic Cost Processor concurrent window. The Parameters window displays.
2. Select information in the following parameters:
   - Legal Entity
   - Cost Type
   - Period
   - Process Upto Date - If you want to create a partial period run, then enter the date for limiting records in the submission
   - Cost Group
3. The Run Option field is used when you want to regenerate a run that has started.

Your options are:

- Start - Regenerates the Periodic Cost Processor concurrent program.
- Resume - This option is only available when the processor is stopped because of errors. It enables you to resume the program from the beginning phase, to the phase where the error began.

4. Choose OK.
5. Choose Submit on the Request window to process this request.

Processing Periodic Cost Distributions

The Periodic Cost Distributions Processor uses the accounts set up in Periodic Account Assignment to create accounting entries (distributions) which are copied to the manufacturing subledgers.

Options for the distribution processor are set in the Cost Type Associations Accounting Options window, which is chosen from the Cost Type Associations tab of the Org Cost Group/Cost Type Associations window. See: Setting Accounting Options, page 9-15.

> **Note:** To use Periodic Distributions, your ledger for the cost type must be the same as for the perpetual costing method.

To run Periodic Distributions:

1. Navigate to Periodic Cost Distributions concurrent window. The Parameters window displays.
2. Select the following parameters.
   - Legal Entity
   - Cost Type
   - Cost Group
   - Period
3. Choose OK.
4. Choose Submit on the Request window to process this request.

Making Item Cost Inquiries

In the Item Cost Inquiry window, you can list items by the following:

- Cost Group
- Cost Type
- Period

This window includes fields for entering market values and justifying the market values to be used with the Incremental LIFO costing method. These fields still appear when the method is periodic average costing, but are ignored.

> **Note:** You must specify values for Legal Entity, Organization Cost Group, Cost Type, and Period in the Find Window (mandatory). Additionally, you can choose options for Item Category, Item Range, or Particular Item.

Entering Market Values (Incremental LIFO)

You can view the calculated inventory item cost per period in the Item Cost Inquiry window. Also, you can run and review the Incremental LIFO Valuation report.

If the market value of an item is less than the calculated LIFO item cost, then you may manually enter that value along with a mandatory justification. The market values replaces the LIFO item cost. You may update and delete the market value and it's justification while the period is open.

The Incremental LIFO Valuation report calculates the Inventory Value using the formula:

Inventory Value = Total Item Quantity x LIFO item cost

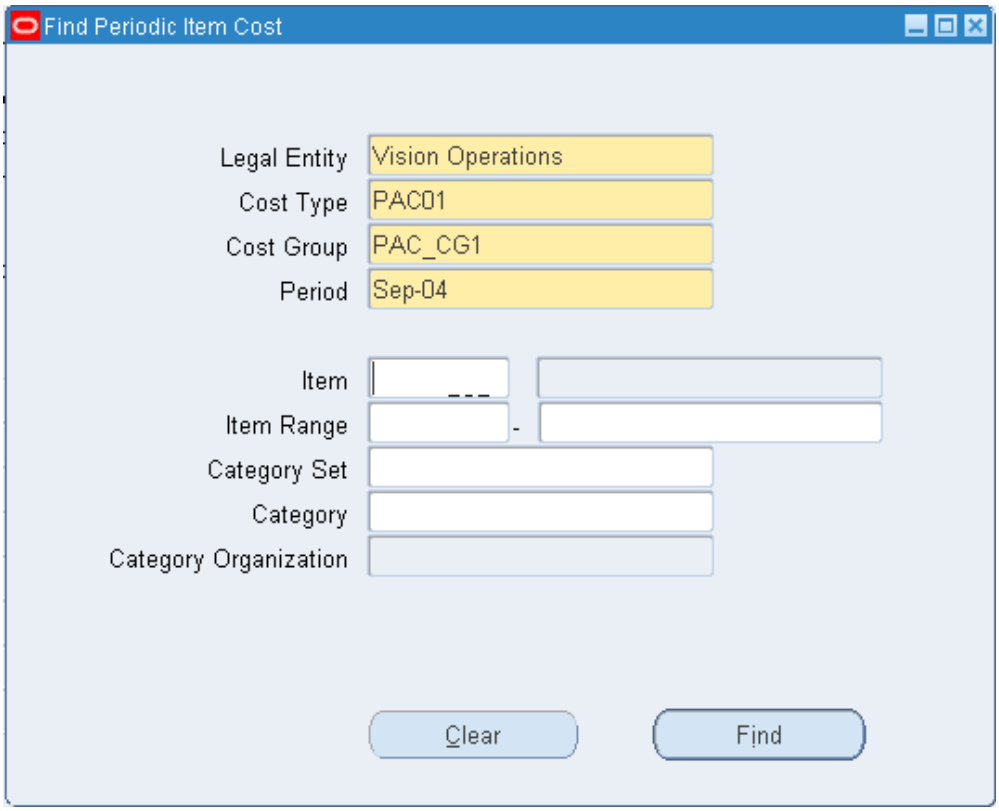
If you enter a market value, the report uses this calculation:

Inventory Value = Total Item Quantity x Market Value

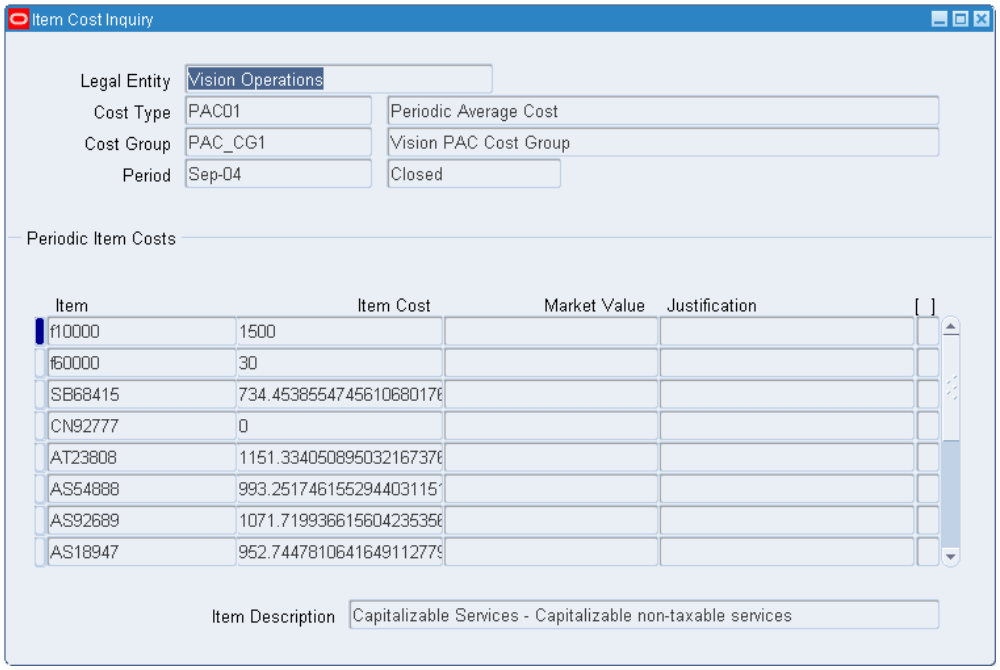
For that particular point in time, this market value is applied to accumulated items. The totals for that point in time will be carried forward and calculated using the previous formula, considering the market value as if it were an item cost.

To perform an item cost inquiry or enter a market value:

1. Navigate to the Item Cost Inquiry window.



2. Query for desired cost item information, including LIFO item cost for possible entry of market value in the current period.



3. Enter a market value in place of the LIFO item cost if it is appropriate.

4. Save if you have entered a market value.

See: Periodic Incremental LIFO, page 9-8 and Periodic Incremental LIFO Business Example, *Oracle Cost Management User's Guide*

Viewing Material and Receiving Transactions

The Viewing Material and Receiving Transactions window enables you to view those transactions, per cost type, that have been:

- Processed by the Periodic Cost processor and the Periodic Acquisition processor
- Distributed using the Periodic Costing Transfer to General Ledger. See: Transferring to General Ledger, page 9-34.

Transactions that have not been processed and distributed cannot be viewed.

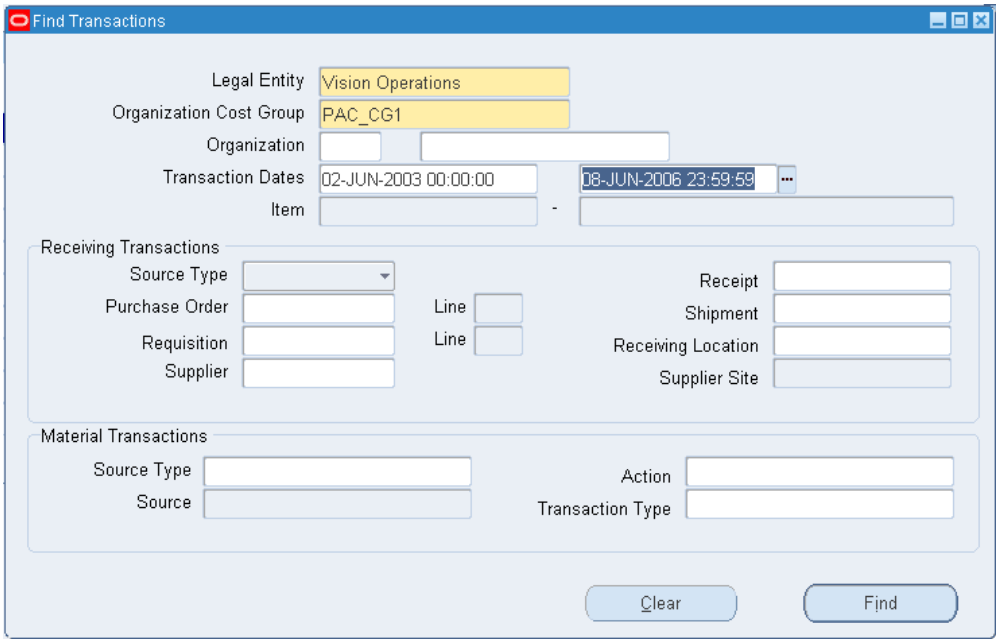
These same transactions are viewable in the perpetual system.

> **Note:** This feature differs from the corresponding feature in perpetual costing, in that you view transactions by organization and cost type. Perpetual costing is limited to the default cost type for the costing method (standard or average). For a discussion of the perpetual system feature, See: Viewing Material Transaction Distributions, page 3-18.

A transaction from receiving to inventory appears twice since it is both a receiving and an inventory transaction.

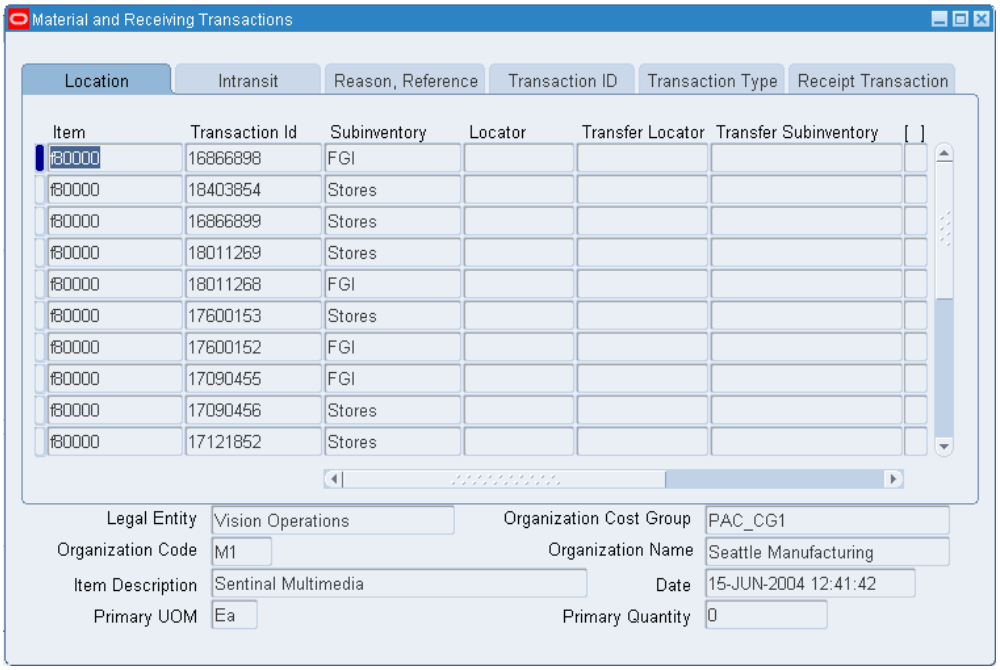
To view Material and Receiving Transactions:

1. Navigate to Material and Receiving Transactions. The Find Transactions window appears.



2. Enter search criteria in the Find Transactions window.

3. Choose Find to initiate the search.



The Material and Receiving Transactions window displays six tabs:

- Location
- Intransit
- Reason, Reference
- Transaction ID
- Transaction Type
- Receipt Transaction

> **Note:** You can view the accounting debits and credits, and the T-accounts from the Tools menu.

Viewing WIP Transactions

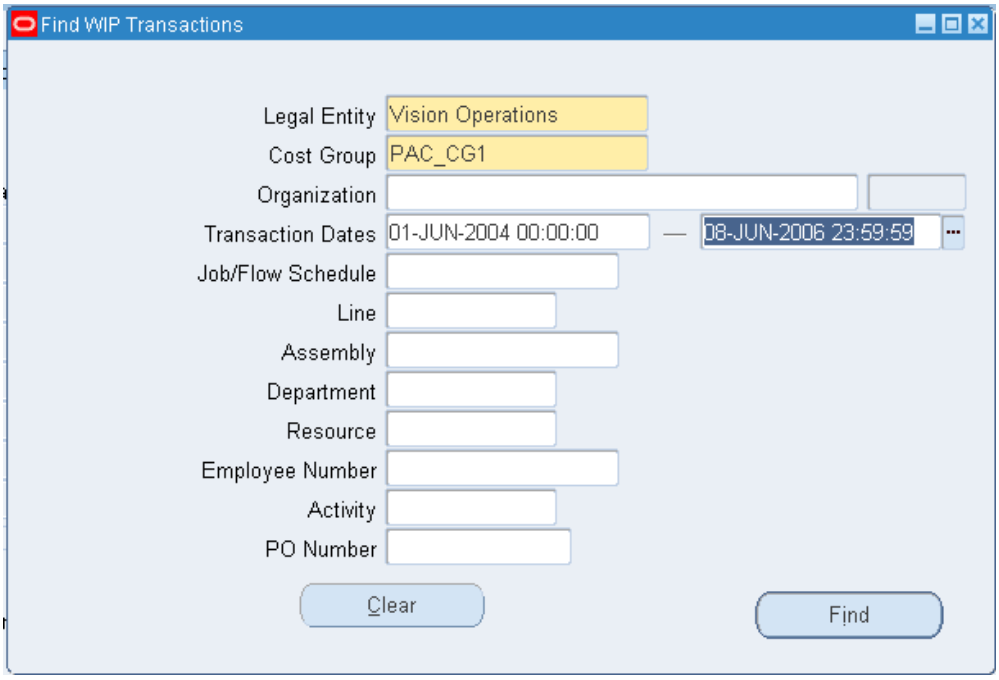
You can view WIP transactions from the Periodic Costing View WIP Transactions window.

If distributions were run, view by cost type.

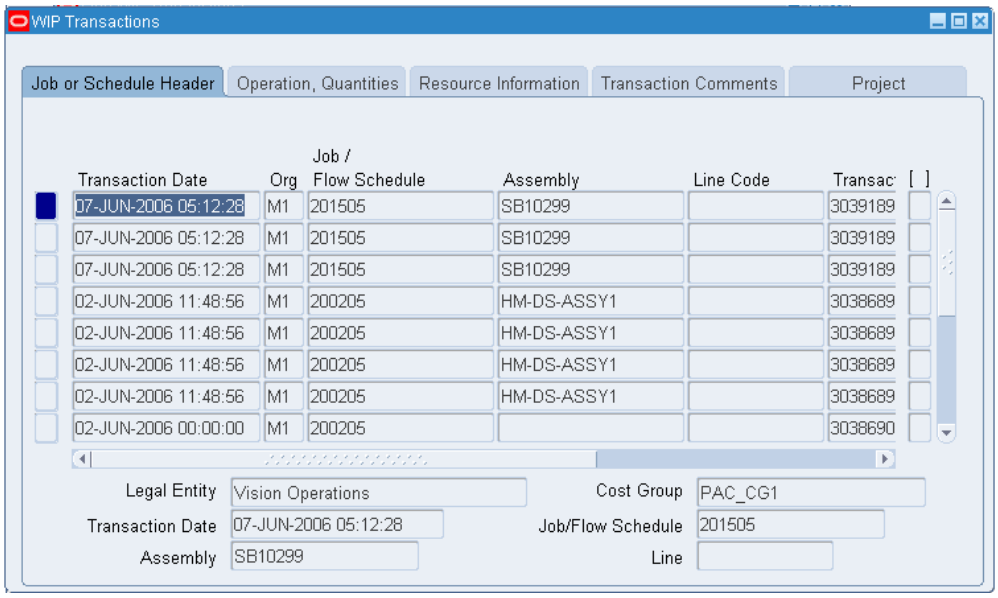
For a discussion of the corresponding perpetual system feature, See: Viewing WIP Transaction Distributions, page 3-19.

To view WIP transactions:

1. Navigate to WIP Transactions. The Find WIP Transactions window appears.



2. Select the following required criteria:
   - Legal Entity
   - Cost Group
3. Enter any additional optional criteria.
4. Choose Find to initiate the search.



The WIP Transactions window displays five tabs:

- Job or Schedule Header
- Operation, Quantities
- Resource Information
- Transaction Comments
- Project

> **Note:** You can view the accounting debits and credits, and the T–accounts from the Tools menu.

Closing Periodic Cycle

Periodic Accounting Periods displays accounting periods for the legal entity and the cost type, along with the status of the periods.

Unopened periods are labeled *future*. A period can be changed to *open* only if there are no other open periods. The current period is the open period in the Periodic Costing calendar for the cost type. Before the period can be closed, all cost groups associated with a legal entity must be processed by the acquisition cost processor and the Periodic Cost processor.

Before closing a period validate that:

- All cost groups have been successfully processed till the last phase (either the cost

processing phase or the distribution phase, as the case may be).

- No backdated transactions have been performed in any cost group since the last time the cost group was processed.
- There are no pending transactions for the period in Inventory, Work in Process, or Receiving for the cost group.
- The perpetual periods are closed.
- The A/P period is closed.

  Note: A period cannot be closed if only a partial period has been processed.

- The A/R period is closed.

  Note: The A/R period must be closed before the Costing period can be closed. The period cannot be closed until the concurrent request Create COGS Recognition Events is run to clear all events that may fall into the period you are trying to close.

For those periods with a status of open, processing status can be viewed from a window on the Periodic Accounting Periods window.

Accounting Period Status

The available statuses for a period are:

- *Future:* Can not be changed back.
- *Open:* Can only be opened if the previous period is closed and there are no other open periods. Can only be changed to closed.
- *Closed:* Can only be changed to closed if the previous period is closed. Can only be changed to closed if the perpetual period has been closed. Cannot be changed.
- *Processing:* Cannot be changed until processing is completed.
- *Error:* Cannot process until the error is corrected.

Processing Status

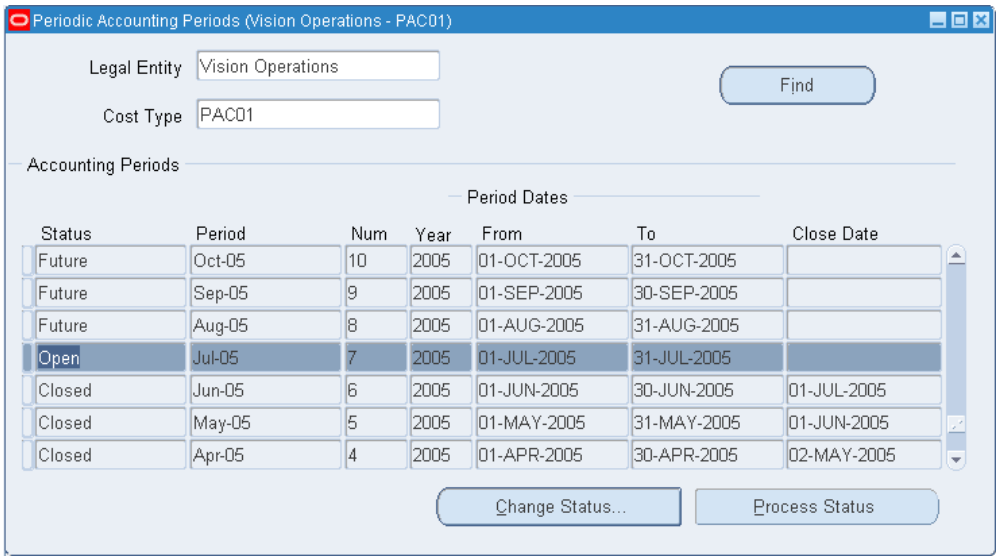
The Process Status window shows any organization cost groups that are unprocessed by either the acquisition processor, Periodic Cost processor, or periodic distributions processor. Possible process statuses are:

- *Unprocessed:* Unprocessed.

- *Complete:* Fully processed.
- *Error:* Cannot process until the error is corrected.

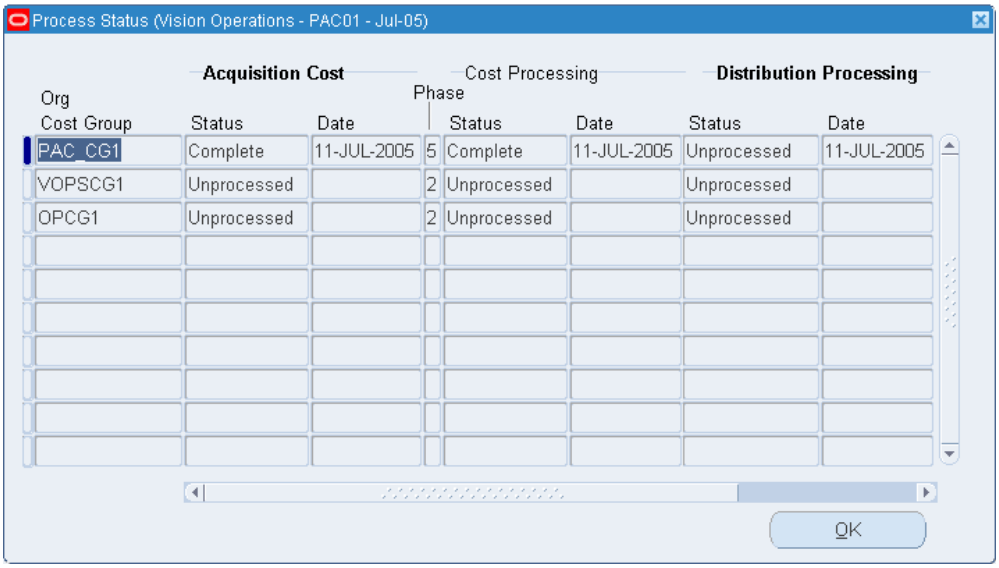
To view or change the status of periodic accounting periods:

1. Navigate to the Periodic Accounting Periods window.



2. Select the legal entity and cost type.
3. Choose Change Status and select one of the following options:
   - Change future to open
   - Change open to closed

     This activates the period close program.
4. Choose Process Status to view the current processing status of the period.



If necessary, close Periodic Accounting Periods, complete any necessary processing, and begin again.

5. Save your work.

> **Note:** If the distribution option is enabled for a legal entity cost type, the General Ledger transfer should be run after period close.

Transferring to General Ledger

You can transfer your cost distributions to the General Ledger if you have checked the Post Entries to GL check box in the Cost Type Associations Accounting Options window. You have the option of transferring your cost distributions to the General Ledger for either Periodic or perpetual costing, or both.

However, Cost Management warns you of the possibility of inadvertently transferring both distributions to the General Ledger. The warning displays if there is at least one legal entity-cost type combination that has the Periodic Cost Post Entries to GL option checked, where the organization under that legal entity also has the perpetual cost GL transfer enabled.

Oracle Cost Management created two functions in the hook package that allows customers to write their own plsql code for customizing Transfer to GL functionality.

The following are the two new functions and descriptions added to the cost hook package CSTPSCHK:

- blueprint_exclude_gl_transfer - This allows customers to choose which distribution rows in MTL_TRANSACTION_ACCOUNTS to skip over when transferring distributions for a blueprint enabled organization.

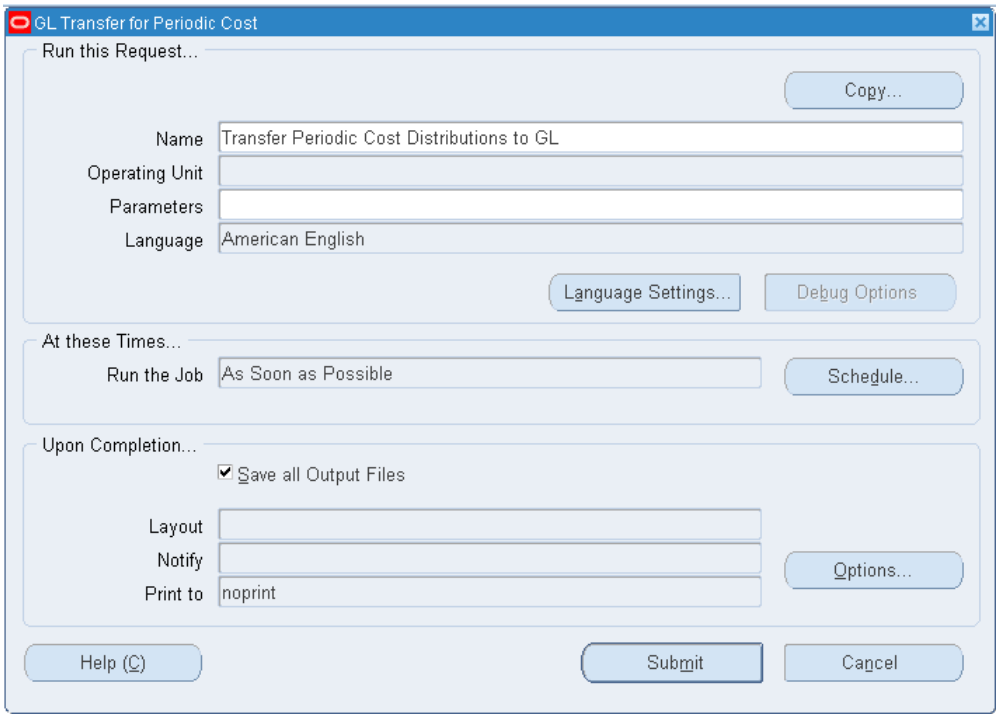
- stamp_for_gl_transfer - This allows customers to choose which distribution rows in MTL_TRANSACTION_ACCOUNTS to pick up when transferring distributions for any organization.

If you modify either one of the above functions and set the return value to something other than -1, then the application bypasses the default functionality.

For a discussion of General Ledger transfers in perpetual costing, See: Transfer Transactions to General Ledger, page 10-3.

To transfer Periodic Cost distributions to the General Ledger:

1. Navigate to Transfer to General Ledger.



2. Select Transfer Periodic Cost Distributions to GL.

3. Select the following parameters:

   - Legal Entity
   - Cost Type
   - Period
   - Batch Name (Optional)

     The system generates a batch name from the journal entry source, the Request

ID, the group ID, and the Actual Flag (A (actual), B (budget), or E (encumbrance). If you wish, you can enter a name for your journal entry for easy identification. The system uses this name as the prefix to the generated name.

- GL Transfer Mode

  There are three choices:

  - In Detail
  - Summarized by Accounting Date
  - Summarized by Accounting Period

- Submit Journal Import

  Select Yes or No to determine whether the Journal Import is submitted during posting or later.

4. Choose Submit.

Writing Off Accruals

You can use the Periodic Accrual Write-Off window to write off entries that have accrued but not been removed from the Periodic Accrual Reconciliation report because of problems such as:

- Differences in quantities between receipts and invoices
- Discrepancies in Supplier billing
- Errors in Purchase Order to Purchase Order line matching
- Inventory or WIP transactions posted to incorrect accrual accounts

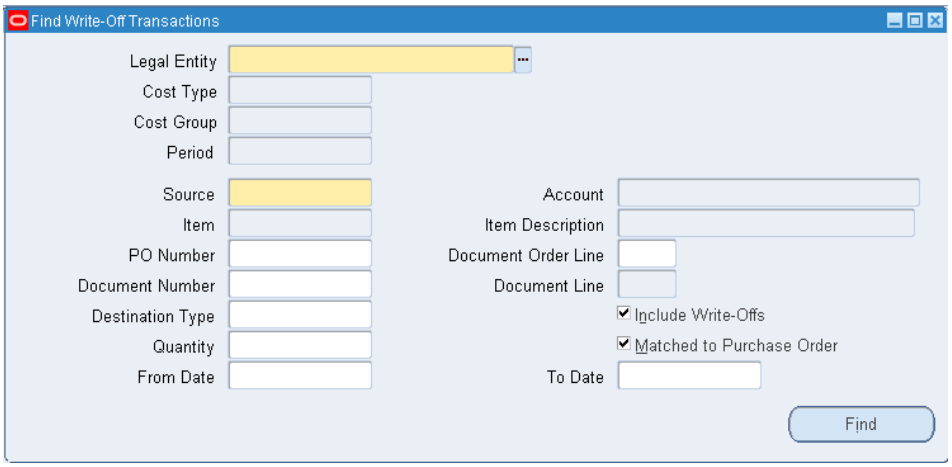
You should run and review the Periodic Accrual Reconciliation Report and determine which transactions need to be written off. This report is run for a legal entity, cost type, cost group, period, and source. See: Periodic Accrual Reconciliation Report, page 9-47

The Accrual Write-Off function permits you to list a reason for the write-off and change the date from the system default to any date in the current accounting period.

To make an accrual write-off:

1. Navigate to Accrual Write-Off.
2. In Find Write-Off Transactions, select the following required criteria:

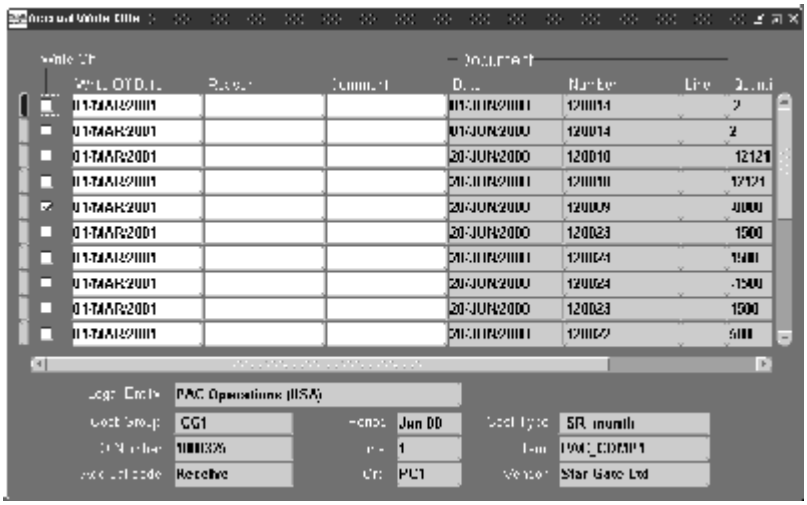
- Legal Entity
- Cost Type
- Cost Group



3. Enter any additional optional criteria.

4. Enable the following, if desired:
   - Include Write-Offs
   - Matched to Purchase Order

5. Choose the Find button to initiate the search.



6. Check the write off checkboxes for those transactions that you want to write off.

7. Enter any reasons and comments.

8. Save your work.

Copying Periodic Costs

You can copy costs from one Periodic Cost type to a destination perpetual cost type. For instance, you can copy your Periodic Cost ending balances to your standard cost beginning balances of the following period.

Requirements

In order to use the copying Periodic Costs feature, the following conditions must be met:

- The destination cost type must be multi-org.
- The period for which costs are being copied has been processed successfully.
- Appropriate unit of measure conversions must be made for copying cost from master item organization to individual child organization, since costs in CPIC are stored based on master item organization's primary unit of measure.

To copy costs from a Periodic Cost type to a managerial cost type:

1. Navigate to Copy Periodic Costs.
2. Select Copy Item Period Cost.
3. Select the following parameters:
    - Legal Entity
    - Cost Type
    - Cost Group
    - Period
    - To Organization
    - To Cost Type
    - Material Subelement
    - Material Overhead Subelement
    - Resource Subelement

- Outside Processing Subelement
- Overhead Subelement
- Copy Option
- Range
- Specific Item (Optional)
- Category Set (Optional)
- Specific Category (Optional)

4. Submit request.

Importing Periodic Costs

Oracle Periodic Cost Open Interface provides an open interface for you to load Periodic Costs transactions from external applications or legacy systems and then import them into Cost Management.

If you have entered beginning balances for Periodic Costs using the Periodic Cost Open Interface, you can then import those costs using the Import Periodic Cost feature.

> **Note:** This feature is only available for importing beginning balances and does not work after new transactions have been entered.

To import Periodic Costs:

1. Navigate to Import
2. Select Period Cost Import Manager
3. Select a parameter for:

   Delete Interface Rows After Import
4. Submit the request

Updating Periodic Costs

Update Periodic Costs must be run for any items that have been updated using the average cost update. The main use of the Periodic Cost update is to update Invoice Price Variances (IPVs) that have been updated by average cost update.

Periodic Costing provides the same three types of updates as average costing, *but* with

more restrictions on when the updates may be performed, as described below:

- *% Change:* changes the periodic item cost by a given percentage. Performed at beginning of period.
- *New Periodic Cost:* replaces the periodic item cost with the specified amount. Performed at beginning of period.
- *Inventory Value Change:* changes the inventory values with a specified amount. Performed after all cost owned transactions and before any cost derived transactions.

Changes in the Update Periodic Cost window for all three types of updates is applied only against the Material Cost Element, and is not automatically proportioned across all cost elements and levels.

The first two types of updates are performed as the first transaction of the period. These types of updates overwrite beginning balances. The *% change* is mainly used in the event of a currency fluctuation. The *new Periodic Cost* is generally used to bring in beginning balances or where a legacy system did not come up with good results.

The *inventory value change* is performed after all cost owned transactions and before any cost derived transactions. It is generally performed to allow for unmatched invoices or for additional overhead or resources for a make item.

For additional detail on updating Periodic Costs, review the section on Average Cost Update (even if you are a standard cost user). See: Updating Average Cost, page 5-16.

To update Periodic Costs:

1. Navigate to Update Periodic Costs.
2. Select the following parameters:
   - Legal Entity
   - Cost Type
   - Org Cost Group
   - Transaction Date
   - Item Master Organization
3. Choose Submit.

Periodic Incremental LIFO Business Examples

The following three tables present different possible scenarios for XYZ company's

inventory of material x using Periodic Incremental LIFO.

Example 1: Typical

Example 1 describes basic Periodic Incremental LIFO calculations.

Period	Delta Qty.	Weighted Average for year	LIFO Calculations: yearly quantities remaining at Weighted Average	LIFO Item cost (total inventory/total quantity)
1995	+5	20	1995 5 * 20 =100	100/5 =20
1996	+5	23	1995 5 * 20 =100 1996 5 * 23 =115 Total Qty. 10 Total Inv. 215	215/10 =21.5
1997	-4	24	1995 5 * 20 =100 1996 1 * 23 = 23 Total Qty. 6 Total Inv. 123	123/6 =20.50
1998	+3	25	1995 5 * 20 =100 1996 1 * 23 = 23 1998 3 * 25 = 75 Total Qty. 9 Total Inv. 198	198/9 =22

In the first year (1995), XYZ company purchased 100 units of material x. Five units (the delta) remain at the end of the year, and their various costs average out to 20.

Because there is only one year to consider, the total quantity is the same as the delta quantity for the year and the weighted average item cost is the same as the LIFO item cost. At the end of the year, the 5 remaining units constitute the initial LIFO period cost layer.

A new layer for 1996 of 5 units at weighted average cost 23 is added. Since the delta for the year is positive, the 1995 layer remains unchanged.

The LIFO item cost equals the total inventory divided by the total quantity.

In 1997, since the quantity on hand decreased by 4 units, no new layer is created for the year and the last 4 units were subtracted from the most recent year, 1996, at the weighted average cost of 23.

With a positive delta, a new layer for 1998 is added and the previous layers remain unchanged.

Example 2: When Inventory is Depleted

Example 2 describes when total inventory is depleted.

Period	Delta Qty.	Weighted Average for year	LIFO Calculations: yearly quantities remaining at Weighted Average	LIFO Item cost (total inventory/total quantity)
1995	+5	20	1995 5 * 20 =100	100/5 =20
1996	+5	23	1995 5 * 20 =100 1996 5 * 23 =115 Total Qty. 10 Total Inv. 215	215/10 =21.5
1997	-10	24	Total Qty. 0 Total Inv. 0	N/A
1998	+3	25	1998 3 * 25 = 75 Total Qty. 3 Total Inv. 75	75/3 =25

In 1997, all units in inventory were issued. The total inventory valuation is 0.

If the total inventory is depleted, as in 1997, then the range of periods that are included in calculations restarts with the next period that includes a positive total inventory balance. The effect is seen in 1998, where only period cost layers for 1998 are used for calculation. Subsequent calculations will include period cost layers for 1998 and forward until the next time that the total inventory is depleted.

Example 3: Use of Market Value

Example 3 illustrates a situation where a market value is used.

Period	Delta Qty.	Weighted Average for year	LIFO Calculations yearly quantities remaining at Weighted Average Or new market value and inventory	LIFO Item cost (total inventory/total quantity) or new market value
1995	+5	20	1995 5 * 20 =100	100/5 =20
1996	+5	23	1995 5 * 20 =100 1996 5 * 23 =115 Total Qty. 10 Total Inv. 215	215/10 =21.5
1997	-4	24	**new market value 20.25** Total Qty. 6 Total Inv. 6 * 20.25 = 121.50	**new market value** **20.25**
1998	+3	25	1997 6*20.25 = 121.50 1998 3 * 25 = 75 Total Qty. 9 Total Inv. 196.50	196.50/9 =21.83

In the year 1997, the market value (20.25) is lower than the calculated LIFO item cost of 20.50 (see calculation in Example 1). This market value replaces the LIFO item cost in the 1997 and prior period cost layers.

> **Note:** Period cost layers are removed from the above tables for the purposes of explaining the calculations; however, they still remain in

the system for possible auditing purposes.

See: Periodic Incremental LIFO, page 9-8 and Making Item Inquiries, page 9-24

Reports

The following reports are available in Periodic Costing:

- eAM Report for Estimates and Actuals, page 9-44
- Periodic Acquisition Cost Report, page 9-45
- Periodic Incremental LIFO Valuation Report, page 9-46
- Periodic Accrual Reconciliation Report, page 9-47
- Periodic Accrual Write-Off Report, page 9-49
- Periodic Inventory Value Report, page 9-50
- Periodic Item Cost Change Report, page 9-51
- Periodic WIP Value Report, page 9-52
- Periodic Material and Receiving Distribution Summary Report, page 9-53
- Periodic Material and Receiving Distribution Details Report, page 9-54
- Periodic WIP Distribution Details Report, page 9-56
- Periodic WIP Distributions Summary Report, page 9-58

eAM Report for Estimates and Actuals

The PAC eAM Report for Estimates and Actuals displays the estimates versus actuals bucketed into the EAM cost elements.

Report Submission

In the Submit Requests window, select the report name.

Report Parameters

Legal Entity

Select a legal entity

Cost Type

Select a cost type

Cost Group

Select an organization cost group

From Work Order

Select a beginning work order

To Work Order

Select an ending work order

Range

Select a work order range. You can specify all work orders, specific work orders, or a range of work orders.

Periodic Acquisition Cost Report

Use this Periodic Costing report to analyze the acquisition cost for each receive transaction.

Report Submission

In the Submit Requests window, select the report name.

Report Parameters

Choose one of the following options:

Sort Options

receipt number	Purchase Order Receipt Number
receipt line	Purchase Order Receipt Line Number
parent distribution id	Invoice Distribution ID matched to the Receipt
distribution number	Distribution Line Number

Legal Entity

Select a legal entity

Cost Group

Select an organization cost group

Cost Type

Select a cost type

Period

Select a period

Item From / To (Optional)

To restrict the report to a range of assembly items, select a beginning and an ending item.

Periodic Incremental LIFO Valuation Report

Use this report to view the final results of the Periodic Incremental LIFO calculation process. The report is used for fiscal purposes. The information in the report is added to the balance sheet as the inventory valuation at the end of the fiscal year.

Report Submission

In the Submit Requests window, select the report name.

Report Parameters

Report Option

Choose one of the following options:

Detail	Report the item costs by item and period.
Summary	Report the item cost of each item in the current period.

Legal Entity

Select a legal entity

Cost Group

Select an organization cost group

Cost Type

Select a cost type

Period

Select a period

Item From / To (Optional)

To restrict the report to a range of items, select a beginning and an ending item.

See: Periodic Incremental LIFO, page 9-8 and LIFO Business Example, *Oracle Cost Management User's Guide*

Periodic Accrual Reconciliation Report

Use this report to view detailed accounting entries in A/P accrual accounts for certain legal entity, cost type and organization cost group in a period.

The report is available in two versions:

- Periodic Accrual Reconciliation Report
- Periodic Accrual Rebuild Reconciliation Report

The Periodic Accrual Rebuild Reconciliation Report collects all accounting entries from appropriate subledgers and stores them in a temporary table. This accounting information resides in a temporary table and remains until you rebuild this information again.

The Periodic Accrual Reconciliation Report uses the information stored in the temporary table by the last Periodic Accrual Rebuild Reconciliation Report. When you specify Accrual Reconciliation Report, the report does not reselect this information. Instead, it merely reports using the pre-existing information. This feature saves you time, because you do not have to recreate the accrual information every time you submit a report. Typically, you specify the Accrual Rebuild Reconciliation Report at month end and use the Accrual Reconciliation Report for interim reports.

With the Application Technology Multi-Organization Access Control (MOAC), the SRS window for this report includes an Operating Unit List of Values that lists the Operating Units attached to the Responsibility's Security Profile.

Report Submission

In the Submit Requests window, select the report name. You can choose either report. The parameters are the same.

Report Parameters

Sort By

Choose either of the following options:

- Item
- Vendor

Title (Optional)

Enter a title

Legal Entity

Select a legal entity

Cost Type

Select a cost type

Cost Group

Select an organization cost group

Period

Select a period

Items From / To (Optional)

To restrict the report to a range of items, select a beginning and an ending item.

Vendors From / To (Optional)

To restrict the report to a range of vendors, select a beginning and an ending vendor.

Include All Transactions

Enter Yes or No to indicate whether you want to print zero balance purchase order line subtotals on the report. The report adds up all receipts and invoices by purchase order line. When you specify Yes and the net purchase order line amount is zero, the report prints all receipt or invoice entries for that line. When you specify No, the report considers the Transaction Amount Tolerance and Transaction Quantity Tolerance parameters. When you choose the Accrual Rebuild Reconciliation Report, the default is No. When you choose the Accrual Reconciliation Report, the default is Yes.

> **Tip:** To minimize the size of the report, you should specify No for this option. However, if you want to see all accrual entries, you should specify Yes.

Transaction Amount Tolerance

If you selected Nofor Include All Transactions, specify the net amount below which purchase order line transactions are not included in the report.

Transaction Quantity Tolerance

If you selected No for Include All Transactions, then specify the net quantity below which transactions are not included. This condition is checked only if the transaction amount tolerance is satisfied.

Dynamic Quantity Precision

Select the quantity precision.

Include Written Off Transactions

Enter Yes or No to indicate whether you want to print written off entries on the report. When you specify Yes, an asterisk appears in the far right column to indicate a written off transaction. By selecting No, you decrease the report size. The default is No.

Aging Number of Days (Optional)

Enter the number of days you would like the report to group information. For example,

if you enter 60, for 60 days, then the report first groups all purchase order lines that have the earliest transaction date in the past sixty days, and then groups the next set of lines with the earliest transaction date from 60 to 120 days, and so on. If you do not specify a number, then the report displays all receipts and invoices together. This report parameter helps you separate your older activity from your current activity. When you enter a number of days, a subheading appears on the report to indicate the to and from range of days for each group of information.

See: Writing Off Accruals, page 9-36

Periodic Accrual Write-Off Report

Use this report to list details for each Accrual Write-off Account Number. The details listed include the item number, PO Number, Source, organization, accrual amount, date, transaction quantity, unit price, and write off reason.

All the transactions that have been chosen for write off will be queried and presented in the report based on your criteria.

With the Application Technology Multi-Organization Access Control (MOAC), the SRS window for this report includes an Operating Unit List of Values that lists the Operating Units attached to the Responsibility's Security Profile.

Report Submission

In the Submit Requests window, select the report name.

Report Parameters

Legal Entity

Select a legal entity

Cost Type

Select a cost type

Cost Group

Select an organization cost group

Period

Select a period

Reason Code (Optional)

Enter a reason code

Title (Optional)

Enter a title

Print Comments (Optional)

Yes / No to print comments

Periodic Inventory Value Report

Use this report to value inventory at the end of a period. This report is run for a particular legal entity, cost group, period, cost type, and category set combination.

Report Submission

In the Submit Requests window, select the report name.

Report Parameters

Report Options

Choose one of the following options:

Detailed	Displays elemental costs
Summary	Summarizes elemental costs

Sort Options

Item	Sort by item name.
Category	Sort by category, then by item name within the category.

Legal Entity

Select a legal entity

Cost Type

Select a cost type

Period

Select a period

Cost Group

Select an organization cost group

Item From / To (Optional)

To restrict the report to a range of items, select a beginning and an ending item.

Category Set

Select a category set. The value of all items associated with this category set are reported. The category set defined for the costing functional area is the default.

Category From / To (Optional)

To restrict the report to a range of categories, select a beginning and an ending category.

Currency

Select a currency. You can run this report for any defined currency. When you enter a currency other than your ledger currency, the system converts item costs to the selected currency using the End of period rate you choose in the Exchange Rate field.

Exchange Rate

Choose an exchange rate. If you choose a currency other than your ledger currency, the most recent End of period rate is the default. However, you can choose any prior End of period rate.

Periodic Item Cost Change Report

Use this report to outline the periodic item cost calculation in a given period for an item.

Report Submission

In the Submit Requests window, select the report name.

Report Parameters

Legal Entity

Select a legal entity

Cost Type

Select a cost type

Period

Select a period

Cost Group

Select a Cost Group

Category Set

Select a category set. The value of all items associated with this category set are reported. The category set defined for the costing functional area is the default.

Category Organization

Select the Category Organization

Category From / To (Optional)

To restrict the report to a range of categories, select a beginning and an ending category.

Item From / To (Optional)

If you selected Range of items in the Item Range field, select beginning and ending Item

From and To values.

Periodic WIP Value Report

Use this report to view the value of jobs in an organization cost group at the end of a period. You can also view cost element level information that includes beginning balance, costs incurred, costs relieved, and ending balance.

Report Submission

In the Submit Requests window, select the report name.

Report Parameters

Report Option

Period To Date	Report the value of jobs/schedules resulting from the activity in the specified period. Those values are displayed in the Beginning Balance, Cost Incurred, Cost Relieved, Variance Relieved and Ending Balance columns. The Ending Balance column displays the net total value at the end of the specified period.
Cumulative To Date	Report the net total value of jobs/schedules resulting from all activity up to the end of the specified period.

Legal Entity

Select a legal entity

Cost Type

Select a cost type

Period

Select a period

Cost Group

Select an organization cost group

Class Type (Optional)

Choose one of the following accounting class options:

Asset non-standard	To report costs for asset non-standard jobs.

Expense non-standard	To report costs for expense non-standard jobs.
Repetitive	To report costs for repetitive assemblies.
Standard discrete	To report costs for standard discrete jobs.

Job/Schedules From/To (Optional)

To restrict the report to a range of jobs or repetitive schedules, enter a beginning and ending job/repetitive schedule. You cannot specify a job/schedule range unless you first enter a value in the Class Type field.

For repetitive schedules, you are actually entering a repetitive assembly value, such as an item number. For discrete jobs, you are entering a job name.

Assemblies From/To (Optional)

To restrict the report to a range of assemblies, enter a beginning and an ending assembly. You cannot specify an assembly range unless you first enter a value in the Class Type field.

If you are reporting values for repetitive schedules, you do not need to enter both a job/schedule and assembly range unless you changed a repetitive assembly item number since you defined your repetitive assembly.

Currency Code

Enter the currency code in which you want to report your WIP inventory values. The system defaults the ledger currency from the ledger associated with your organization.

Exchange Rate

Choose an exchange rate. If you choose a currency other than your ledger currency, the most recent End of period rate is the default. However, you can choose any prior End of period rate.

Periodic Material and Receiving Distribution Summary Report

Use this report to view material and receiving transaction accounting distributions summarized.

Report Submission

In the Submit Requests window, select the report name.

Report Parameters

Legal Entity

Select a legal entity

Sort By

Choose one of the following sort options:

- account and item
- account and transaction type
- account and source type

Organization Cost Group

Select an organization cost group

Cost Type

Select a cost type

Period

Select a period

Account From/To (Optional)

To restrict the display of accounting distributions, select a range of accounts.

Periodic Material and Receiving Distribution Details Report

Use this report to view detailed accounting distribution information of both material transactions and receiving transactions.

Report Submission

In the Submit Requests window, select the report name.

Report Parameters

Sort Options

Choose one of the following sort options:

- Account
- Account and item
- Item and account

Legal Entity

Select a legal entity

Cost Group

Select an organization cost group

Cost Type

Select a cost type

Period

Select a period

Accounts From/To (Optional)

To restrict the range of accounts, enter a beginning and an ending account.

Category Set (Optional)

Select a category set. The value of all items associated with this category set are reported. The category set defined for the costing functional area is the default.

Categories From/To (Optional)

To restrict the report to a range of categories, select a beginning and an ending category.

Items From/To (Optional)

To restrict the report to a range of items, select a beginning and an ending item.

Values From/To (Optional)

Enter beginning and ending transaction values to restrict the report to a range of transaction values.

> **Note:** When you use this option, the report evaluates the transaction amounts in absolute value. Therefore, if you enter a from value of 100, the report selects all transactions with positive (debit) or negative (credit) values greater than or equal to 100. If you enter a to value of 100, the report selects all transactions with positive or negative values less than or equal to 100.

Transaction Source Type (Optional)

Choose one of the following options. In addition to the predefined source types listed below, you may have additional user-defined source types.

Account	Report general ledger account transactions.
Account alias	Report account alias transactions.
Cycle Count	Report cycle count transactions.
Internal order	Report internal order transactions.
Internal Requisition	Report internal requisition transactions.
Inventory	Report inventory transactions.

Job or Schedule	Report job or repetitive schedule transactions.
Physical Inventory	Report physical inventory transactions.
Purchase order	Report purchase order transactions.
RMA	Report return material authorization transactions.
Sales order	Report sales order transactions.
Standard cost update	Report standard cost update transactions.

Sources From/To (Optional)

Enter the beginning and ending source values to restrict the report to a range of source values for the transaction source type you specified.

Transaction Type (Optional)

Choose to display by transaction type or transaction source type.

Transaction Reason (Optional)

Enter a beginning and an ending transaction reason to restrict the report to a range of transaction reasons.

Currency

Select a currency. You can run this report for any defined currency. When you enter a currency other than your ledger currency, the system converts item costs to the selected currency using the End of period rate you choose in the Exchange Rate field.

Exchange Rate

Choose an exchange rate. If you choose a currency other than your ledger currency, the most recent End of period rate is the default. However, you can choose any prior End of period rate.

Periodic WIP Distribution Details Report

Use this report to view the detailed accounting distribution information of WIP transactions for a specific legal entity, cost type, and period combination.

Report Submission

In the Submit Requests window, select the report name.

Report Parameters

Legal Entity

Select a legal entity

Cost Type

Select a cost type

Organization Cost Group

Select an organization cost group

Period

Select a period

Accounts From/To (Optional)

To restrict the range of accounts, enter a beginning and an ending account.

Organization

Select an organization

Job/Schedule (Optional)

Enter a specific job or schedule.

Line (Optional)

Enter a production line.

Assembly (Optional)

Enter an assembly.

Transaction Type (Optional)

Select a transaction type from the following:

- Resource transactions
- Overhead transaction
- Outside processing
- Cost update
- Period close variance
- Job close variance
- Final completion variance

Department (Optional)

Enter a department name.

Activity (Optional)

Enter an activity.

Class (Optional)

Enter a WIP accounting class name.

Currency

Select a currency. You can run this report for any defined currency. When you enter a currency other than your ledger currency, the system converts item costs to the selected currency using the End of period rate you choose in the Exchange Rate field.

Exchange Rate

Choose an exchange rate. If you choose a currency other than your ledger currency, the most recent End of period rate is the default. However, you can choose any prior End of period rate.

Periodic WIP Distribution Summary Report

Use this report to view Work in Process transaction accounting distributions summarized.

Report Submission

In the Submit Requests window, select the report name.

Report Parameters

Legal Entity

Select a legal entity

Cost Group

Select an organization cost group

Organization Cost Type

Select an organization cost type.

Period

Select a period

Account From/To (Optional)

To restrict the display of accounting distributions, select a range of accounts.

10

Period Close

This chapter covers the following topics:

- Overview of Period Close
- Closing a Period
- Period Close Diagnostics

Overview of Period Close

The period close process for perpetual costing enables you to summarize costs related to inventory and manufacturing activities for a given accounting period.

Generally, you should open and close periods for each separate inventory organization independently. By keeping only one period open, you can ensure that your transactions are dated correctly and posted to the correct accounting period. (For month-end adjustment purposes, you can temporarily hold multiple open periods.)

The accounting periods and the period close process in Cost Management use the same periods, fiscal calendar, and other financial information found in General Ledger (GL).

Inventory and Work in Process (WIP) transactions automatically create accounting entries. All accounting entries have transaction dates that belong in one accounting period. You can report and reconcile your transaction activity to an accounting period and GL.

> **Note:** Transactions use default accounts when standard costing is used. If Subledger Accounting (SLA) is enabled and SLA rules are customized, then the default accounts are not used.

> **Note:** Purchasing holds the accounting entries for receipts into receiving inspection and for deliveries into expense destinations. This includes any perpetual receipt accruals. Purchasing also has a separate

period open and close, and uses separate processes to load the general ledger interface.

It is not required to summarize transaction records before closing one accounting period, and opening the new accounting period. The period status is set to Closed not Summarized until the summarization process is completed. You can set the profile option CST:Period Summary to perform the summarization process automatically when you close the period. You can also set the option to perform the summarization process manually, which enables you to delay or not perform summarization. The Period Close Reconciliation report can be run at any time during the period.

- If generated for an open period, then it is a simulation of the period summarization.
- If generated for a Closed not Summarized period, then it creates summarization data that cannot be changed and sets the period status to Closed..
- If generated for a Closed period, then it retrieves the summarized data.

Caution: If you are using Oracle Enterprise Install Base and have the profile option 'CSE: Use eIB Costing Hook set to Y, then be aware that the accounted value and onhand value of eIB trackable items will not reconcile if your asset subinventories have quantities of these items that have already been converted to fixed assets. For details about the meaning of some of the terms used in this discussion and for a set of recommendations to avoid potential reconciliation issues for eIB trackable items, see the Oracle Enterprise Install Base and Implementation Guide.

See: Overview of Receipt Accounting, *Oracle Purchasing User's Guide*,

Functions of Period Close Process, page 10-2,

Period Summarization Process, page 10-3,

Closing a Period, page 10-4, and

Period Close Reconciliation Report, page 13-37

Functions of Period Close Process

The Cost Management period close process for perpetual costing performs a number of functions:

- Closes the open period for Inventory and Work in Process
- Calculates ending period subinventory values

Closed Open Period

The period close process permanently closes an open period. You can no longer charge transactions to a closed period. Once you close a period, you cannot reopen it. As a precaution, you can do a GL transfer without closing the period. See: Transactions to General Ledger, page 10-3.

Calculates Ending Period Subinventory Values

For each subinventory, the period close adds the net transaction value for the current period to the prior period's ending value. This, along with values intransit, creates the ending value for the current period.

See: Closing an Accounting Period, *Oracle Accounts Payable User's Guide* and Unprocessed Transaction Messages, page 10-6

Transferring Transactions to General Ledger

Transfer of accounting transaction information to General Ledger takes place through the Subledger Accounting (SLA) process. See: Transfer Journal Entries to GL Program, *Oracle Subledger Accounting Implementation Guide*.

Period Summarization Process

Summarization of transaction records for the open period is the last step in period close. You have the option to perform this process automatically or manually using the profile option CST:Period Summary. If the profile option is set to Automatic, then the period is closed and summarized when you change the period status from Open to Closed.

If the profile option is set to Manual, then you can delay summarization, but you must summarize these delayed periods in accounting period order. For example, if you delay summarization for a given period, then the following period cannot be summarized until the previous period is summarized. In situations where summarization is delayed, the longer the delay, the larger the number of transaction records needed for reconciliation purposes. This situation can cause summarization to take more time to complete.

If you do not choose to summarize periods, then set the period status to Closed not Summarized.

The Period Close Reconciliation report is used to compare account balances with inventory value at period end. You can run the report in simulation mode by generating it for an open period. The report can be generated at any time during the period.

> **Warning:** Discrepancies shown in the Period Close Reconciliation Report will not be accurate indications of error in account balances or inventory value if you have backdated transactions across periods. Such discrepancies can be prevented by setting the Cost Cutoff Date. See the Oracle Inventory User's Guide for setting the Cost Cutoff Date. You should set the Cost Cutoff Date to be the end of a period, and not

change it until you summarize that period. For example, if JAN06 is your current period, set the Cost Cutoff date to the end of JAN06. In the future, when you start performing transactions in FEB06, do not move the cost cutoff date forward until you have closed and summarized JAN06.

See: Profile Options and Security Functions, page 2-78 and Period Close Reconciliation Report, page 13-37

Closing a Period

To close a period:

1. Enter all transactions.

   Be sure you enter all transactions for the period. Perform all issues, receipts, and adjustments. Verify that no hard copy records exist or are waiting for data entry, such as packing slips in receiving.

2. Perform all Period Close Diagnostics to view details of transactions that are preventing period close.

   See: Period Close Diagnostics, page 10-8.

3. Review Inventory transactions.

   Before you close a period, review all of the transactions using the Material Account Distribution Report for the period with a high dollar value and/or a high transaction quantity. Check that you charged the proper accounts. Correcting improper account charges before you close a period is easier than creating manual journal entries.

4. Balance perpetual inventory.

   Check that your ending perpetual inventory value for the period being closed matches the value you report in the general ledger. Perpetual inventory value normally balances automatically with the general ledger. However, one of the following sources can create a discrepancy:

   - *Other inventory journal entries.* Journal entries from products other than Inventory that affect the inventory accounts.
     - *Charges to improper accounts:* For example, you issued material from a subinventory to a miscellaneous account, but used one of the subinventory accounts as that miscellaneous account.
     - *Issue to miscellaneous account:* For example, the following miscellaneous

transaction issue would cause an out of balance situation: *debit account specified at transaction 123, credit subinventory valuation account 123*. The debit and credit net to zero with no financial charge, but since the inventory quantity decreased, the month-end inventory valuation reports will not equal the general ledger account balance.

- *Purging standard cost history:* See: Purging Standard Cost Update History, page 4-23 for the impact of purging standard cost history on period end discrepancies.

- *Transactions after period end reports.* This occurs when you run the end of month inventory valuation reports before you complete all transactions for the period.

  Note: If you do not run the inventory reports at period end, then you can also run the following reports:

  - Period Close Summary Report
  - Material Account Distribution Detail Report
  - Material Account Distribution Summary Report
  - Inventory Subledger Report (Average Costing Only)

  Note: In an organization using Project Manufacturing Average Costing, if there is more than one cost group, then the following valuation reports should not be used for reconciliation purposes because these reports list the average value across cost groups.

  - Inventory Value Report
  - Transaction historical Summary Report
  - Receiving Value Report
  - All Inventories Value Report
  - Elemental Inventory Value Report
  - Subinventory Account Value Report
  - Item Cost Report

5. Validate Work in Process inventory.

   If you use Work in Process, then check work in process inventory balances against transactions with the WIP Account Distribution Report.

6. Close Oracle Payables and Oracle Purchasing.

   If you use Payables and Purchasing, then close the accounting periods in the following order:

   - Payables
   - Purchasing
   - Inventory

   If you only use Purchasing and Inventory, then close Purchasing first. Close Payables before Purchasing in preparation for accruing expenses on uninvoiced receipts. Doing so ensures that all new payables activity is for the new month and you do not inadvertently match a prior month invoice in payables to a new month receipt. When you close Purchasing or Inventory, you cannot enter a receipt for that period. However, as a manual procedure, close Purchasing *before* Inventory. This still allows miscellaneous transaction corrections in Inventory.

7. Run the Period Close Reconciliation report.

   This report automatically runs in simulation mode for the open period. It is used to match account balances with inventory value at period end.

8. Close the accounting period.

   This sets your Inventory Accounting Period status to Closed not Summarized. If the CST: Period Summary profile option is set to Automatic, no other steps are necessary. The period status is set to Closed when the summarization process has completed.

9. If the CST: Period Summary profile option is set to Manual, create period summarization transactions by generating the Period Close Reconciliation report.

   The concurrent program creates summarized transaction records, and displays the differences between account balances and inventory value.

   See: Period Summarization Process, page 10-3, and Period Close Reconciliation Report, page 13-37

Unprocessed Transaction Messages

One of the following messages appear if there are unprocessed transactions:

Pending receiving transactions for this period

When you use Purchasing, this message indicates you have unprocessed purchasing transactions in the RCV_TRANSACTIONS_ INTERFACE table. These transactions include purchase order receipts and returns for inventory. If this condition exists, you will receive a warning but will be able to close the accounting period. These transactions are not in your receiving value. However, after you close the period, these transactions cannot be processed because they have a transaction date for a closed period.

Unprocessed material transactions exist for this period

This message indicates you have unprocessed material transactions in the MTL_MATERIAL_TRANSACTIONS_TEMP table. You are unable to close the period with this condition. Please see your system administrator. Inventory considers entries in this table as part of the quantity movement.

Closing the period in this situation is not allowed because the resultant accounting entries would have a transaction date for a closed period, and never be picked up by the period close or general ledger transfer process.

Pending material transactions for this period

This message indicates you have unprocessed material transactions in the MTL_TRANSACTIONS_INTERFACE table. If this condition exists, you will receive a warning but will be able to close the accounting period. These transactions are not in your inventory value. However, after you close the period, these transactions cannot be processed because they have a transaction date for a closed period.

Uncosted material transactions exist for this period

This message indicates you have material transactions in the MTL_MATERIAL_TRANSACTIONS table with no accounting entries (Standard Costing) and no accounting entries and no costs (Average Costing). You are unable to close the period with this condition. These transactions are part of your inventory value.

Closing the period in this situation is not allowed because the resultant accounting entries would have a transaction date for a closed period, and never be picked up by the period close or general ledger transfer process.

Pending move transactions for this period

This message indicates you have unprocessed shop floor move transactions in the WIP_MOVE_TXN_INTERFACE table. If this condition exists, you will receive a warning but will be able to close the accounting period. These transactions are not in your work in process value. However, after you close the period, these transactions cannot be processed because they have a transaction date for a closed period.

Pending WIP costing transactions exist in this period

This message indicates you have unprocessed resource and overhead accounting transactions in the WIP_COST_TXN_INTERFACE table. You are unable to close the

period with this condition. These transactions are in your work in process value, and awaiting further processing.

Closing the period in this situation is not allowed because the resulting accounting entries would have a transaction date for a closed period, and never be picked up by the period close or general ledger transfer process.

Related Topics

Posting Journal Batches, *Oracle General Ledger User's Guide*.

Period Close Diagnostics

You can view complete details of specific transactions that are preventing period close. Such transactions are spread across various products including Oracle Inventory (INV), Oracle Work in Process (WIP), Oracle Shop Floor Management (OSFM), and Oracle Purchasing. Identifying these transactions is a critical step during period close.

The following transactions must be processed for closing a period:

- Unprocessed material transactions.
- Uncosted material transactions (including uncosted Warehouse Management transactions).
- Pending Work in Process costing transactions.
- Pending WSM (OSFM) interface transactions.
- Pending shipping transactions

> **Note:** When closing a period, it is not required to close pending shipping transactions if the Period Close Check for Shipping Transactions client extension (CST_PeriodCloseOption_PUB.Get_ShippingTxnHook_Value) specifies Resolution Recommended. Resolution can be optional.
> See: Period Close Check for Shipping Transactions, page C-31.

The following transactions will not prevent period close, but may cause problems if they are not processed before closing the period:

- Pending material interface transactions.
- Pending Work in Process move transactions.
- Pending receiving transactions

- Incomplete eAM work orders

Links are provided to specific windows of different Oracle products to display the details of pending, errored, or uncosted transactions. From the Inventory Accounting Periods window, select Pending to go to the Pending Transactions window. From this window, you can select the Open button to link to specific windows, reports, or pages to view pending, errored, or uncosted transactions. The windows, reports, or pages that you link to are determined by your cursor position when you select Open.

The following table describes details of the links to windows and reports:

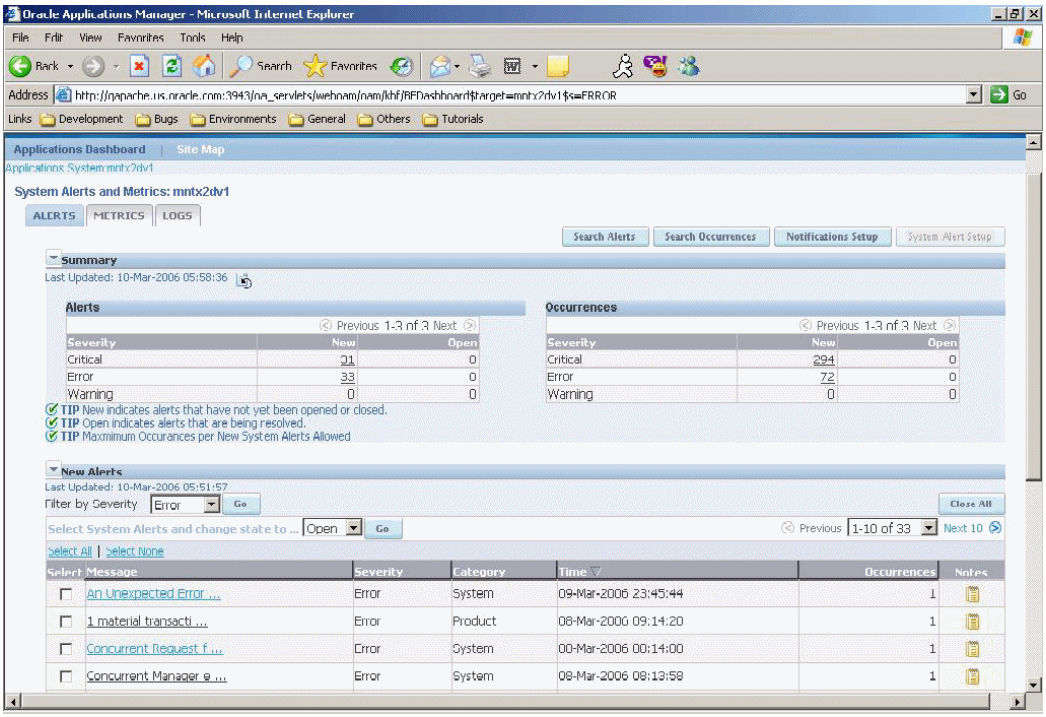
Type of Transaction	Links to Windows/Reports/Pages
Unprocessed Material Interface transactions	Inventory Transactions Open Interface window
Unprocessed Material transactions	Inventory Pending Transactions window
Uncosted Material transactions and Uncosted WSM transactions	View Material Transactions window
Pending Receiving transactions	Receiving Transactions window
Pending WIP Costing transactions	WIP Pending Resource Transactions window
Pending WIP Move transactions	WIP Pending Move Transactions window
Incomplete eAM work orders	EAM Work Orders Self-Service page
Pending OSFM transactions	Period Close Pending Transactions Report for Pending OSFM transactions.
Pending Shipping transactions	Period Close Pending Transactions Report for Pending Shipping transactions.

The Period Close Pending Transactions Report displays the details of the transactions preventing period close. See: Period Close Pending Transactions Report.

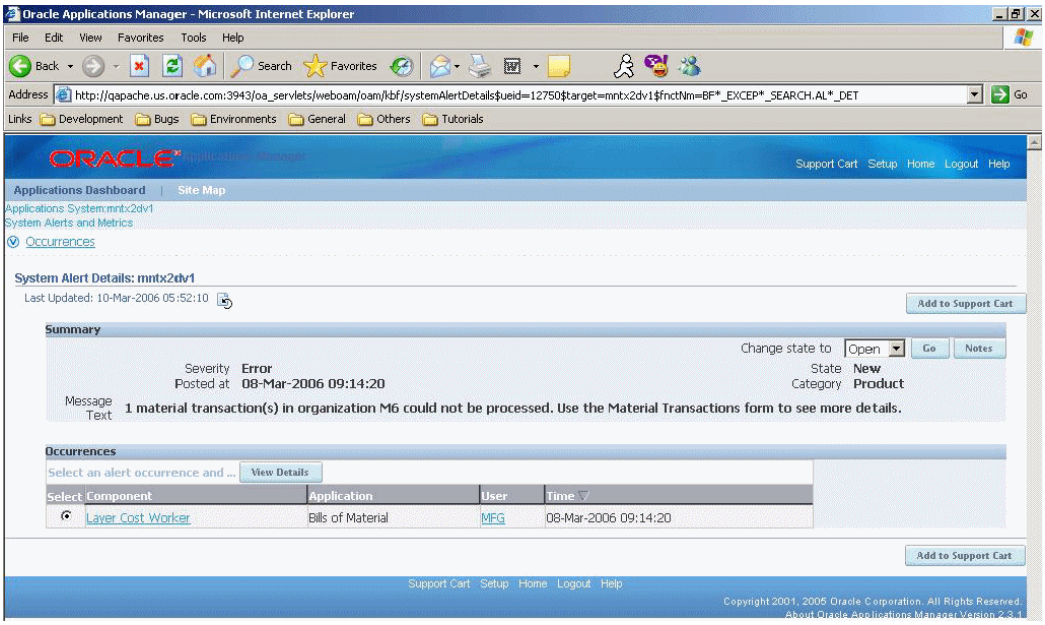
System Alerts

System alerts are posted to Oracle Applications Manager (OAM) console and are sent to subscribed administrators through workflow notifications. System alerts also gather a variety of context information about the user, the logging process, the operating system, and so on. Oracle Applications Manager tracks multiple occurrences of the same alert message to prevent duplicate notifications to be sent. System alerts require setting up

the profile option FND:Debug Log Enabled to a value of 'Y'.



For Period Close Diagnostics, system alerts are raised when costing of transactions fails in the cost manager. One alert is raised for each cost worker where transaction(s) failed costing - not for each failed transaction. Based on the subscriptions created in the application, the application notifies users through workflow notifications. You can view details by selecting an Alert Occurrence and choosing View Details. The User Interface (UI) provides drill-down capabilities for viewing transactions and transaction details.



See: *Oracle Applications System Administrator's Guide*.

11

Business Flows Across Inventory Organizations

This chapter covers the following topics:

- Rolling Up Supply Chain Costs
- Inter-Organization Transfers
- Transfer Price Costing
- Transfers Between Process and Discrete Organizations
- Complex Intercompany Invoicing

Rolling Up Supply Chain Costs

The Supply Chain Cost Rollup enables you to roll up costs across multiple organizations, with a mixture of costing methods and currencies, connected to sourcing rules. You can perform either a single-level cost rollup, or a full cost rollup:

- A single-level rollup looks only at the first level of the bill structure for each assembly in the rollup - and rolls the costs for the items at this level into the parent. This method does not reflect structure or cost changes occurring at a level below the first level of assemblies. However, it does enables you to generate costs on new assemblies without changing costs on existing subassemblies.

- A full cost rollup first performs a bill of material explosion for assemblies. The rollup process builds the cost of assemblies, starting with the lowest level, and works up the structure to top-level assemblies. This method gives you the most current bill of material structure and component costs.

You can use any costing method to roll up costs in inventory organizations. The Supply Chain Rollup process enables you to start from any, single inventory organization.

Every time that you generate the Supply Chain Cost Rollup program, costs are overwritten from previous rollups for the cost type specified.

Sourcing Rules

You can define sourcing rules to simulate costs resulting from those rules. The cost types resulting from the process can be:

- Reviewed for simulation purposes
- Copied to other inventory organizations
- Used for margin analysis reports
- Used as the source cost type for a standard cost update

When a sourcing rule in defined in Oracle Planning applications, you can define the make, buy, and transfer rules for a specific rank. The rank determines the priority, with the lower rank having the higher priority. The Supply Chain Cost Rolllup program uses sourcing rules with the minimum rank value. See: Allocating Demand to Suppliers, *Oracle Advanced Planning User's Guide*.

Reports

The cost rollup process includes the option to print a report. You can select either the Supply Chain Consolidated Bills of Material Cost Report or the Supply Chain Indented Bills of Material Cost Report. You can submit both of these reports when reporting item costs. You also have the option to print a temporary rollup report, which enables you to review the rollup results before changing the cost information.

See: Supply Chain Consolidated Bills of Material Cost Report, page 13-42, and Supply Chain Indented Bills of Material Cost Report, page 13-46

Phantom Items and Assemblies

The cost rollup includes material costs and routing costs of phantom assemblies of higher-level assemblies. This process handles phantom items and produces costs used to set standard costs.

Configure to Order

Configure to Order items use cost type CTO for the rollup calculation. When an item is created by the AutoCreate Configuration process, the cost of the configuration is based on the options selected. Single level rollup calculations for Make and Buy CTO configurations are calculated as follows:

- Buy Item Configurations: The configurations use the CTO cost type specified in the profile option, BOM:CTO Buy Cost Type for Configurations. The result of the rollup is the total cost for the configured item.
- Make Item Configurations: The cost type does not hold costs for the model and options. Therefore, the rollup is performed based on the valuation cost of the modeled item and optioned items. The cost type is inserted into the CTO cost type.

See: Configuration Item Cost Rollup, *Oracle Configure to Order Implementation Manual*.

Prerequisites

- For cost rollup requests that update changes, you must include the Privilege to Maintain Cost security function as part of the responsibility. See: Cost Management Security Functions, page 2-83.

- Define Oracle Bills of Material parameters. If an organization involved in the rollup does not have the necessary parameters set, the program will not run. See: Defining Bills of Material Parameters, *Oracle Bills of Material User's Guide*.

- Verify the bill structure before performing a cost rollup. See: Checking for Bill Loops, *Oracle Bills of Material User's Guide*.

- Set the profile option, CST:Cost Rollup - Wait for Table Lock, to lock Cost Management tables for the rollup. If the profile option is set to Yes, then the program will continually attempt to lock the tables. If the profile option is set to No, then the program makes 10 attempts to lock tables before ending the request. See: Profile Options and Security Functions, page 2-78

To submit a supply chain rollup request:

1. Navigate to the Supply Chain Cost Rollup Request window.

2. In the Name field, select a request type option to display the Parameters window. Your choices are:

   - Supply Chain Cost Rollup - No Report: Rolls up costs and commits them to the database; does not print a report.

   - Supply Chain Cost Rollup - Print Report: Rolls up and updates costs, creates a report.

   - Temporary Supply Chain Cost Rollup - Print Report: Rolls up costs but does not update them, creates a report.

3. In the Parameters window, optionally enter a Description. This can be any descriptive text referencing this request.

4. Select a value in the Cost Type field.

   Cost type determines how the rollup is performed. If an item does not already have cost information in this cost type, costs from the organization default cost type are used. If costs do not exist in the default cost type, then costs from the current organization's valuation cost type are used.

   > **Note:** Every time the Supply Chain Cost Rollup program is generated, costs are overwritten from previous rollups for the cost

type specified.

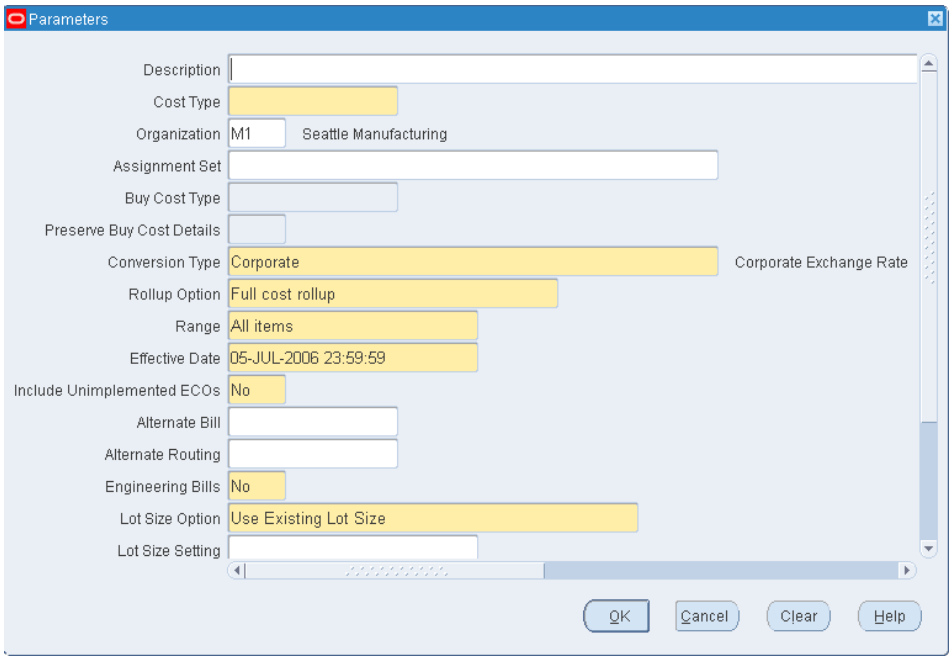
See: Defining Cost Types, page 2-13.

5. Use the Organization and Range fields to specify the list of the top level assemblies to roll up.

   Your choices are to use the current organization, or leave this field blank:

   - If you select the current organization, then the top level assemblies are rolled up from this organization.
   - If the field is blank, then the top level assemblies are from all organizations are rolled up.

     For example, if the Range field is specified as All items, and the Organization field is specified as the current organization, then the rollup is performed with all items, from the current organization, as the top level assemblies.



6. Optionally select a value in the Assignment Set field.

   Once you have defined your sourcing rules and bills of distribution, you assign them to particular items and/or organizations. These groupings are called assignment sets. This is where sourcing strategies are defined for a particular supply chain network. See: Setting up the Supply Chain, *Oracle Advances Planning User's Guide*.

7. If you selected an Assignment Set, select a Buy Cost Type.

   If you specified a sourcing rule, all the costs defined in Buy Cost Type are summed in the material cost. For example:

   - If both the destination and buy cost types are set up as Pending, the process searches for pending costs.
   - If there are no pending costs, the process then searches for default cost type.
   - If there are no default costs in the current organization, the process then searches for the current organization's valuation cost type. See: Defining Costing Information, *Oracle Inventory User's Guide*.

     For configure to order items, select the value for the CTO Cost Type defined in the profile option, BOM:Buy Cost Type for Configurations. See: Configuration Item Cost Rollup, *Oracle Configure to Order Implementation Manua*l.

     See: Defining Costing Information, *Oracle Inventory User's Guide*.

8. In the Preserve Buy Cost Details field, indicate if you want the details of the item costs saved. You choices are Yes or No.

   If an assignment set is specified in the rollup, then all costs defined in the Buy Cost Type are summed into this level of material cost. This parameter enables you to preserve the buy cost details for elemental and subelemental visibility.

9. Select a Conversion Type from the list of values. This is the currency conversion type used if currency values need to be converted across organizations.

10. Select a Rollup Option. Your choices are:

    - *Full cost rollup:* Performs a bill of material explosion for assemblies, and then builds the cost of assemblies starting with the lowest level, and works up the structure to top level assemblies.
    - *Single-level cost rollup:* Assigns new standard costs to the top assembly, but not to the lower-level assemblies.

11. Select the Range of items to roll up.

    Your choices are: All items, Category, Range of items, Specific item, or Zero cost items.

    If you select Zero cost items, the rollup includes zero cost items in the current and the default cost types that have the attribute, Based on Rollup, enabled.

    > **Note:** Inactive items are not rolled up unless you select a Specific Item that is inactive.

12. If you selected a request type that prints a report, then select a report type. Your choices are:

    - *Consolidated:* Prints the Supply Chain Consolidated Bill of Material Cost report, which lists total quantities of each component used in the parent assembly regardless of level.

    - *Detail Indented:* Prints the Indented Supply Chain Bill of Material Cost report, which lists detailed cost structure by level.

      See: Supply Chain Consolidated Bills of Material Cost Report, page 13-42, and Supply Chain Indented Bills of Material Cost Report, page 13-46

13. If you selected a request type that prints a report - in the Material Detail, Material Overhead Detail, and Routing Detail fields, then indicate if you want these fields to display on the report. Your choices are Yes or No.

    If you select Yes, then Material, Material Overhead, and Routing detail subelements display on the report.

    > **Note:** If you select No, then you limit the amount of subelement detail and reduce the size of the report.

14. If you selected a request type that prints a report, then enter the maximum report number of levels to display on the report.

    For example, if your assembly had 20 levels and you enter 5 in this field, then the costs for levels 1 through 5 are detailed. The costs for levels 6 to 20 are summarized as previous level costs. The default is the maximum bill of material levels value. See: Defining Bills of Material Parameters, *Oracle Bills of Material User's Guide*.

15. Enter the Effective Date and time to determine the structure of the bill of material to use in the cost rollup. You can use this to roll up historical and future bill structures using current rates and component costs.

16. Indicate whether to Include Unimplemented Engineering Change Orders ECOs in the rollup. See: Changing the ECO Status, *Oracle Engineering User's Guide*.

17. Optionally, enter an Alternate Bill name for the assembly to roll up, if applicable, for the Range you selected.

    For example, if an alternate bill is specified, all items in the range are still rolled up:

    - The items having an associated bill with that name are rolled up using that bill.

    - The items that do not have an associated bill with that name will continue to be rolled up using the primary bill.

      See: Primary and Alternate Bills of Material, *Oracle Bills of Material User's Guide*.

18. Optionally, enter an Alternate Routing name for the assembly to roll up, if applicable, for the Range you selected.

    For example, if an alternate routing is specified, all items specified in the range are still rolled up:

    - The items that do have an associated routing with that name are rolled up using that routing.
    - The items that do not have an associated routing with that name will continue to be rolled up using the primary routing.

      See: Primary and Alternate Routings, *Oracle Bills of Material User's Guide*.

19. Indicate whether to include Engineering Bills in the cost rollup. If you select Yes, assemblies with engineering bills are rolled up in addition to the regular assemblies.

20. You can select lot size parameters in the Lot Size Option field. Select a lot size multiplier in your cost computations. Your choices are:

    - Use Existing Lot Size
    - Specify Lot Size
    - Use Factor of Standard Lot Size

21. If the Lot Size Option field has the value of Specify Lot Size, or Use Factor of Standard Lot Size - you can enter a numeric value in the Lot Size Setting field.

    > **Note:** When using either the Specify Lot Size or Use Factor of Standard Lot Size, if Lot Size Setting is not specified, or the Standard Lot Size is not specified, then the application uses the existing lot size.

22. Specify items to roll up:

    - If you selected Specific Item in the Range field, select an item.
    - If you selected Category in the Range field, select either a category set or a specific category.

      If you select a category set, item costs are rolled up for items associated with this category set. The default is the category set defined for your costing functional area.

    - If you selected Range of items, enter From and To values to specify the range of items for which to roll up costs.

23. Choose OK to display the Request window.

24. Choose Submit to process the rollup.

Process Flow for Supply Chain Cost Rollup

The Supply Chain Cost Rollup creates the following process flow to calculate costs. The process:

- Creates a snapshot of the Sourcing Rules/Bills of Distribution.
- Explodes the bill of material for each assembly in the supply chain.

  This explosion logic considers sourcing rules captured in the snapshot process. It tracks the item and organization combinations.

- Items from multiple sources in the supply chain are merged.

  Costs from different sources such as make, buy, and transfer items are merged to the rolled up cost in the destination organization.

  Weights are used from the sourcing snapshot.

  The costs transferred from other organizations are considered previous level costs, and their elemental visibility is preserved. The buy costs are summed into this level of material cost. You can save the details of the item costs by selecting Yes in the Preserve Buy Cost Details parameter.

  > **Note:** User defined costs for the top level assembly are not recalculated during the Supply Chain Rollup program.

- Additional markup costs are applied to item costs transferred from other organizations.

  This markup is based on the percentage of Transfer Charge defined in Oracle Inventory's Shipping Networks window. The markup cost is rolled as this level of material overhead cost, for the top level assembly, in the destination organization.

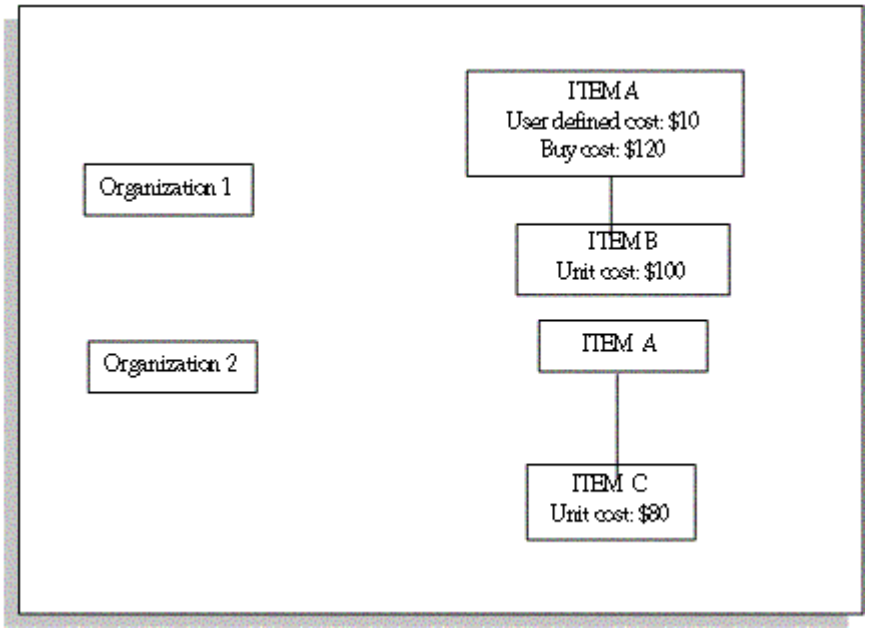
  For the destination organization, there must be a value in the Default Material Overhead Sub-Element field in the Oracle Inventory's Organization Parameters window in the Costing Information tabbed region.

Example of Process Flow for Supply Chain Cost Rollup

A bill of material structure is defined at Organization 1 and Organization 2. Before the Supply Chain Cost Rollup program is submitted:

- Item A (at Organization 1) has a user defined cost of $10, and a buy cost defined as $120.

- The unit cost for Item B is $100.
- The Unit cost for Item C (at Organization 2) is $80.

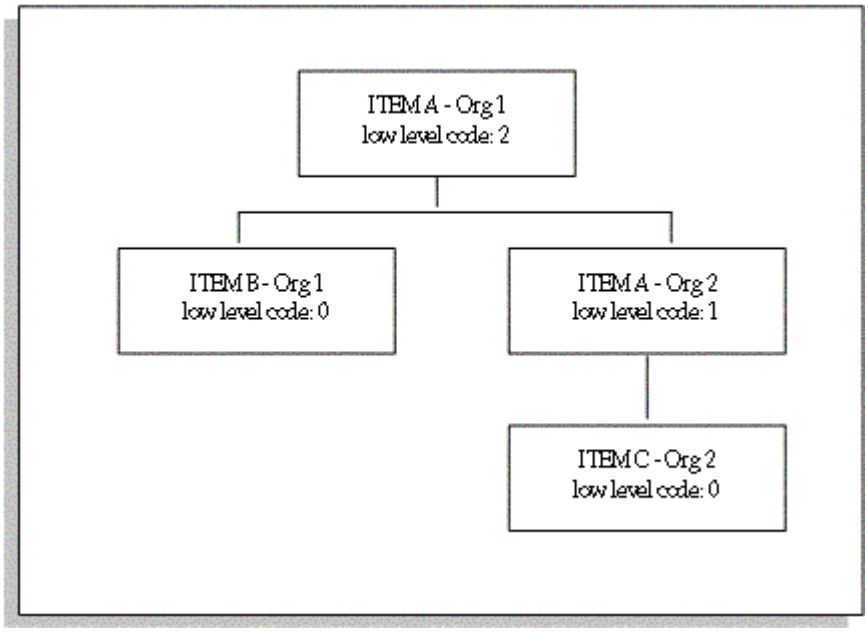


The Transfer Charge Type percentage is defined as 10 percent when transferring from Organization 2, to Organization 1. The sourcing rule is defined for Item a in organization 1 as the following:

Source	Rank	Percentage
Make at Organization 1	1	50
Transfer from Organization 2	1	25
Buy	1	25

When a full cost rollup is submitted for item A, the following process flow occurs:

A supply chain bill of material explosion is performed and the low level codes are assigned, The program starts with Item B in Organization 1, and Item C in Organization 2 - and then rolls up the cost for Item A in Organization 2. Then it completes by rolling up and merging costs for Item A in Organization 1.



The costs of Item A at Organization 1 are calculated with a total unit cost of $112. The following information is used::

Source	Original Cost	Weight	Extended Cost
User Defined	10	No re-average	10
Make	100	50%	50
Buy	120	25%	30
Transfer from Organization 2	80	25%	20
Markup from Organization 2	_	_	2

See: Standard Request Submission, *Oracle Applications User's Guide*, Supply Chain Consolidated Bills of Material Cost Report, page 13-42, and Supply Chain Indented Bills of Material Cost Report, page 13-46

Inter-Organization Transfers

You can transfer items directly from one organization to another, or transfer items through intransit inventory. You can also use internal requisitions to replenish

inventory to another organization; however, internal requisitions do not support freight charges. You can also transfer inventory between discrete and process organizations. As a result, you must properly handle the costing and accounting of transfers between process and discrete organizations. Transfers between discrete and process organizations use a transfer price that is set up between the organizations. See: Transfer Price Costing, page 11-22.

Inter-organizational transfers use the following functionality:

- Intransit inventory

  Intransit inventory represents inventory items that have not arrived at the receiving organization. You can move items from the shipping organization to intransit inventory using the Inter-organization Transfer window. Use the Receipts window to move items to the receiving organization.

- Direct Inter-Organization transfer

  When the inter-organization relationship is set to direct transfer in the Shipping Networks window, an issue and receipt transaction are performed in one step.

- Inter-Organization receipt

  Inventory creates the following calculation for material received intransit and material received directly from another organization:

  Current average or standard cost from shipping organization multiplied by transaction quantity plus freight charges and transfer credit charges.

  For a direct receipt, the organization that receives the material does not perform a transaction. The shipping organization performs a ship transaction to the receiving organization. Inventory considers the transfer a receipt in the receiving organization and updates the cost.

- Elemental cost visibility

  You can set elemental cost visibility during inter-organization transfers either to preserve the shipping organization's elemental costs or to summarize all elemental costs into the material cost element. Enable this option using the Elemental Visibility Enabled check box on the Main tab in the Shipping Networks window. This option is available for each line in the shipping network, regardless of direction.

  Combining all cost elements into the material cost element assures that the receiving organization does not have another organization's overhead in its calculation.

  > **Note:** The correct option for elemental cost visibility must be set at the time that the transaction is costed, not at the time that the transaction occurs.

- Expense subinventories and expense items

  When you receive an inter-organization transfer into an expense subinventory, or receive an expense inventory item, set the Oracle Inventory INV: Allow Expense to Asset Transfer profile option is set to Yes. This issues the material from the expense subinventory.

  When you receive to expense locations or receive expense inventory items, the subinventory expense account is debited for the receiving organization instead of the valuation accounts. The subinventory expense account is charged the total transaction value from the other organization.

- Inter-Organization transfers and ledgers

  The Inter-Organization Direct Transfer transaction supports transfers from any ledger, including ledgers in different currencies.

- Freight transactions

  The Free on Board (FOB) point influences the accounting entries generated for the shipment to intransit inventory. The FOB point is determined by how the inter-organization shipping network is defined in the Shipping Networks window.

  In addition to accounting for the movement of the items, these transactions also update the inter-organization receivable and payable accounts.

  The FOB point changes the accounting for freight. When FOB is receipt, freight is accrued on the receipt transaction by the shipping organization. When FOB is shipment, freight is accrued on the shipment transaction by the receiving organization. For direct transfers, the receipt and shipment transactions occur at the same time.

See:

Defining Inter-Organization Shipping Networks, *Oracle Inventory User's Guide*,

Transferring Between Organizations, *Oracle Inventory User's Guide*,

Managing Receipts, *Oracle Purchasing User's Guide*,

Purchase Order Receipt To Inventory, page 4-29,

Subinventory Transfers, page 4-33,

Managing Receipts, *Oracle Purchasing User's Guide*, and

Entering Receiving Transactions, *Oracle Purchasing User's Guide*.

Inter-Organization Transfer Transactions

Shipment Transactions (Intransit transfer only)

FOB receipt:

Account	Organization	Debit	Credit
Intransit Inventory accounts	Shipping	XX	-
Inventory Valuation accounts	Shipping	-	XX

FOB shipment:

Account	Organization	Debit	Credit
Inter-Organization Receivable	Shipping	XX	-
Inventory Valuation accounts	Shipping	-	XX
Intransit Inventory Material account	Receiving	XX	-
Inter-Organization Payable	Receiving	-	XX

Receipt Transaction (Intransit transfer only)

FOB receipt:

Account	Organization	Debit	Credit
Inter-Organization Receivable	Shipping	XX	-
Intransit Inventory accounts	Shipping	-	XX
Org. Inventory Material account	Receiving	XX	-
Inter-Organization Payable	Receiving	-	XX

FOB shipment:

Account	Organization	Debit	Credit
Org. Inventory Material account	Receiving	XX	-
Intransit Inventory Material account	Receiving	-	XX

Material Overhead and Inter-Organization Transfers

If your item has material overhead, you can earn material overhead in the receiving organization as part of the receipt transaction.

Account	Debit	Credit
Organization Material Overhead account	XX	-
Material Overhead Absorption account	-	XX

Direct Inter-Organization Transfer

Account	Organization	Debit	Credit
Inter-Organization Receivable	Shipping	XX	-
Org. Inventory Valuation accounts	Shipping	-	XX
Org. Inventory Valuation accounts	Receiving	XX	-
Inter-Organization Payable	Receiving	-	XX

Freight and Transfer Charges

FOB receipt:

Account	Organization	Debit	Credit
Intransit Inventory Account	Shipping	-	XX
Freight Expense account	Shipping	-	XX
Inter-Organization Receivable	Shipping	XX	-
Inter-Org. Transfer Credit	Shipping	-	XX
Org. Material account	Receiving	XX	-
Inter-Organization Payable	Receiving	-	XX

FOB shipment:

Account	Organization	Debit	Credit
Inter-Organization Receivable	Shipping	XX	-
Inventory Valuation Account	Shipping	-	XX
Inter-Org. Transfer Credit	Shipping	-	XX
Intransit Inventory Material account	Receiving	XX	-
Freight Expense account	Receiving	-	XX
Inter-Organization Payable	Receiving	-	XX

Intransit includes both the freight and transfer charges. Inter-organization payable is only increased for the transfer charge.

Project Manufacturing Transfer Transactions

Direct Transfer

Account	Organization	Debit	Credit
Expense to Expense	No entries Receiving	-	-

Standard Org. to Project excluding Expense to Expense

Account	Debit	Credit
Cost Group Material (Standard cost of item of Shipping Org.) plus Freight and Transfer Charges	XX	-
Interorg. Payable	-	XX
Interorg. Receivable at Standard plus Freight and Transfer Charges	XX	-
Subinventory Valuation	-	XX
Freight Credit	-	XX
Transfer Credit	-	XX

Average Org. to or from Project excluding Expense to Expense

Account	Debit	Credit
Cost Group Material at Current Average Cost (of Shipping Org.)	XX	-
Interorg. Payable	-	XX
Interorg. Receivable at Current Average Cost (of Shipping Org.) and Freight and Transfer Charges	XX	-
Organization Valuation	-	XX
Freight Credit	-	XX
Transfer Credit	-	XX

Project to Standard excluding Expense to Expense

Account	Debit	Credit
Subinventory Valuation at Standard	XX	-
Purchase Price Variance (in Receiving Organizaton) at Difference Between Cost of Shipping and Receiving Org.	-	XX
Interorg. Payable at Current Average Cost (of Shipping Org. Cost Group)	-	XX
Interorg. Receivable at Current Average Cost in Cost Group of Shipping Org.	XX	-
Cost Group Valuation (Shipper)	-	XX

Receipt - Intransit Standard Organization into Project Organization Using Internal Orders

FOB receipt:

Account	Debit	Credit
Cost Group Material (in Receiving organization) at Standard Cost (of Shipping Organization)	XX	-
Interorganization Payable	-	XX
Interorganization Receivable at Standard Cost	XX	-
Intransit Inventory	-	XX
Cost Group Material (in Receiv-ing organization) at Current Av-erage Cost (of Shipping Orga-nization Cost Group)	XX	-
Interorganization Payable	-	XX
Interorganization Receivable at Current Average Cost (of Ship-ping Organization Cost Group)	XX	-

Account	Debit	Credit
Intransit Inventory	-	XX

Receipt - Intransit Project Organization into Project Organization Using Internal Orders

FOB shipment:

Account	Debit	Credit
Cost Group Material at Current Average Cost (in Common Cost Group of Shipping Organization)	XX	-
Intransit Inventory	-	XX

Receipt - Intransit into Project Organization using Internal Orders

FOB receipt:

Account	Debit	Credit
Cost Group Valuation or Expense at Current Average Cost (of Send-ing Organization) XX –	XX	-
Intransit Inventory	-	XX

Transfer Project Organization from Standard Organization Using Internal Orders

FOB shipment:

Account	Debit	Credit
Intransit Material (in Receiving Organization) at Standard Cost (of Sending Organization)	XX	-
Interorganization Payable	-	XX
Interorganization Receivable	XX	-

Account	Debit	Credit
Subinventory Valuation	-	XX

Transfer - Project Organization from Project Organization Using Internal Orders

FOB shipment

Account	Debit	Credit
Intransit Inventory at Current Average Cost (in Project Cost Group of Sending Organization)	XX	-
Interorganization Payable	-	XX
Interorganization Receivable	XX	-
Cost Group Valuation	-	XX

Periodic Average Costing (PAC) Inter-organization Transfers Across Cost Groups

The costing and accounting for all inter-organization transactions that do not use transfer pricing use the sending cost group's Periodic Weighted Average Cost (PWAC). However, the sending cost may not be available to the receiving cost group at the time that the receiving cost processor runs. The sending cost is known only after running the PAC processes in the sending cost group. Simply running one process before the other doesn't solve this problem, because some items will go from Cost Group A to B, others will go from B to A, and some may go in both directions.

The best solution is to estimate the sending cost group's cost at the time that the application processes the receiving cost group. One method for an accurate estimate is to use the Periodic Absorption Cost Processor. This is an iterative process that can develop an exact calculation of the sending cost group's item cost along with the cost in the receiving cost group.

If your organization does not use the absorption cost processor, the application estimates the sending organization's PAC cost for this period using the sending organization's PAC cost from the previous period (if the cost groups are in the same legal entity). All cost group periods are closed together for a given legal entity, which ensures that the sending and receiving cost groups both pick up the same value for the shipment cost. Both groups will use the sending cost of the last closed period. If the groups are in different legal entities, then the sending cost estimate will come from the perpetual cost of the shipment transaction.

Example

PAC cost of item in sending org = $110

PAC cost in receiving Org = $80

Estimated PWAC of sending CG = $100

Quantity transferred = 1 unit

For FOB - Shipment Transfers Using Sending CG PWAC:

The item cost in the receiving organization is re-averaged based on the sending cost group's estimated cost.

Shipping Transaction	Debit	Credit
InterOrg Receivables	100	-
Inventory (On Hand)	-	110
Transfer Variance	10	-
Intransit Inventory	100	-
InterOrg Payables	-	100

Receipt Transaction	Debit	Credit
Inventory (On Hand)	90	-
Intransit Inventory	-	90

> **Note:** Assuming the receiving organization had one unit of the item prior to this transaction, the new item cost would be (1*100) + (1*80) / 2 = 90.

For FOB - Receipt Transfers Using Sending CG PWAC:

The item cost in the receiving organization is re-averaged based on the sending cost group's estimated cost.

Shipping Transaction	Debit	Credit

Intransit Inventory	110	-
Inventory (On Hand)	-	110

Receipt Transaction	Debit	Credit
InterOrg Receivables	100	-
Intransit Inventory	-	110
Transfer Variance	10	-
Inventory (On Hand)	100	-
InterOrg Payables	-	100

Note: Assuming the receiving organization had one unit of the item prior to this transaction, the new item cost would be (1*100) + (1*80) / 2 = 90.

For Direct Interorganization Transfers Using Sending Cost Group PWAC:

The item cost in the receiving organization is re-averaged based on the sending cost group's estimated cost.

Shipping Transaction	Debit	Credit
InterOrg Receivables	100	-
Inventory (On Hand)	-	110
Transfer Variance	10	-

Receipt Transaction	Debit	Credit
Inventory (On Hand)	100	-

InterOrg Payables	-	100

Note: Assuming the receiving organization had one unit of the item prior to this transaction, the new item cost would be (1*100) + (1*80) / 2 = 90.

In all cases, the inventory valuation account of the sending organization is always credited at the item's PAC cost, and the transfer variance contains the difference between the item's PAC cost and the estimated cost of the item in the sending organization. The estimate comes from either the item's PAC cost last period (same LE), or the perpetual cost of the shipment transaction (different LE). The Transfer Variance account entries will have an accounting line type of inter-org profit.

Transfer Price Costing

You have the option to use the transfer price for intercompany accounting. Transfer price costing occurs when a sales order is created for an intransit transfer, between two internal organizations, in two different operating units. This functionality is flagged in the Transfer Pricing Option profile option.

Transfer pricing is used in calculating Profit in Inventory. The operating unit associates a price list with any operating unit. Features of this functionality include:

- Accounting distributions for internal order transfers are the same entries as an external sales order and purchase order.
- Incoming item cost for the Receiving organization is the transfer price, rather than the item cost of the Shipping organization.
- Profit in Inventory is reported at the individual company level for internal order transfers, and eliminated at time of consolidation.
- The transfer price takes priority over the transfer charge. It is recommended that transfer credit is not set up in the Shipping Network window to avoid the value calculated in new entries. For internal order transfers, freight is not charged directly.

Setup

- Define Intercompany relationships between operating units.
- In the Shipping Networks window in Oracle Inventory, add values for Intransit Inventory and Profit in Inventory accounts. These fields are located in the Other Accounts tabbed region.

- Set the profile option CST:Transfer Pricing Option to Yes.

See: Intercompany Invoicing Process, *Oracle Inventory User's Guide*,

Intercompany Invoice Pricing, *Oracle Inventory User's Guide*,

Overview of Price Lists, *Oracle Advanced Pricing User's Guide*, and

Creating a Price List, *Oracle Advanced Pricing User's Guide*.

Standard Cost Examples for Transfer Pricing

The following list accounting values for standard cost transactions.

- Cost of Goods Sold (COGS) account value is derived from the Shipping organization's inventory cost.
- Intercompany Accrual value equals the transfer price.
- Profit in Inventory value equals the transfer price, minus the Shipping organization's inventory cost.

In these examples: .

- Company 01 has an inventory cost of $102 - material cost of $100, and material overhead cost of $2.
- Company 02 has a standard cost of $108. - material cost of $105 and material overhead cost of $3.
- The transfer price is $120.

Freight On Board (FOB) Shipment Transactions

Two options are available for FOB shipment transactions in standard cost organizations:

- The incoming cost to the receiving organization is the shipping organization's inventory cost.
- The incoming cost to the receiving organization is based on the transfer price.

Receiving Inventory Valued at Sending Cost

Shipping Organization	Debit	Credit
COGS Material	100	-
COGS Material Overhead	2	-

Shipping Organization	Debit	Credit
Inventory Valuation Material	-	100
Inventory Valuation Material Overhead	-	2

Receiving Organization	Debit	Credit
Intransit Inventory	108	-
Profit in Inventory	18	-
Purchase Price Variance	-	6
Intercompany Accrual	-	120

Receiving Inventory Valued at Transfer Price

Shipping Organization	Debit	Credit
COGS Material	100	-
COGS Material Overhead	2	-
Inventory Valuation Material	-	100
Inventory Valuation Material Overhead	-	2

Receiving Organization	Debit	Credit
Intransit Inventory	108	-
Purchase Price Variance	12	-
Intercompany Accrual	-	120

Freight on Board (FOB) Receipt Transactions

Two options are available for FOB receipt transactions when incoming cost is derived from the inventory cost:

- The incoming cost to the receiving organization is the shipping organization's inventory cost.
- The incoming cost to the receiving organization is based on the transfer price. The Purchase Price Variance value is derived from the transfer price. The Profit in Inventory account is not used.

Receiving Inventory Valued at Sending Cost

Shipping Organization	Debit	Credit
COGS Material	100	-
COGS Material Overhead	2	-
Intransit Inventory	-	102

Receiving Organization	Debit	Credit
Inventory Valuation Material	105	-
Inventory Valuation Material Overhead	3	-
Profit in Inventory	18	-
Purchase Price Variance	-	6
Intercompany Accrual	-	120

Receiving Inventory Valued at Sending Cost

Shipping Organization	Debit	Credit
COGS Material	100	-

Shipping Organization	Debit	Credit
COGS Material Overhead	2	-
Intransit Inventory	-	102

Receiving Organization	Debit	Credit
Inventory Valuation Material	105	-
Inventory Valuation Material Overhead	3	-
Purchase Price Variance	12	-
Intercompany Accrual	-	120

Actual Cost Examples for Transfer Pricing

The following are accounting values for average, FIFO, and LIFO cost organizations using transfer pricing:

- The Cost of Goods Sold (COGS) account value is derived from the shipping organization's inventory cost.
- The Intercompany Accrual value equals the transfer price.
- The Profit in Inventory value equals the transfer price, minus the shipping organization's inventory cost.

In these examples, Company 01 has an inventory cost of $102, and Company 02 has a average cost of $108. The transfer price is $120.

Freight On Board (FOB) Shipment Transactions

Two options are available for FOB shipment transactions in actual cost organizations:

- The incoming cost to the receiving organization is the Shipping organization's inventory cost.
- The incoming cost to the receiving organization is based on the transfer price.

Receiving Inventory Valued at Sending Cost

Shipping Organization	Debit	Credit
COGS Material	100	-
COGS Material Overhead	2	-
Inventory Valuation Material	-	100
Inventory Valuation Material Overhead	-	2

Receiving Organization	Debit	Credit
Intransit Inventory Material	100	-
Intransit Inventory Material Overhead	2	-
Profit in Inventory	18	-
Intercompany Accrual	-	120

Receiving Inventory Valued at Transfer Price

Shipping Organization	Debit	Credit
COGS Material	100	-
COGS Material Overhead	2	-
Inventory Valuation Material	-	100
Inventory Valuation Material Overhead	-	2

Receiving Organization	Debit	Credit
Intransit Inventory Material	120	-
Intransit Inventory Material Overhead	0	-

Receiving Organization	Debit	Credit
Intercompany Accrual	-	120

Freight on Board (FOB) Receipt Transactions

Two options are available for FOB receipt transactions when incoming cost is derived from the inventory cost:

- The incoming cost to the receiving organization is the shipping organization's inventory cost.
- The incoming cost to the receiving organization is based on the transfer price. The Profit in Inventory account is not used.

Receiving Inventory Valued at Sending Cost

Shipping Organization	Debit	Credit
COGS Material	100	-
COGS Material Overhead	2	-
Intransit Inventory	-	102

Receiving Organization	Debit	Credit
Inventory Valuation Material	100	-
Inventory Valuation Material Overhead	2	-
Profit in Inventory	18	-
Intercompany Accrual	-	120

Receiving Inventory Valued at Transfer Price

Shipping Organization	Debit	Credit
COGS Material	100	-
COGS Material Overhead	2	-
Intransit Inventory	-	102

Receiving Organization	Debit	Credit
Inventory Valuation Material	120	-
Inventory Valuation Material Overhead	0	-
Intercompany Accrual	-	120

Period Average Costing (PAC) Examples for Transfer Pricing

The following describes transfer pricing support in PAC and includes shipping networks and intransit accounting concepts. Similar to perpetual costing, the application revalues the intransit quantities as part of on-hand inventory for the owning organization. For example, in the case of FOB shipment, the receiving cost group takes ownership of the goods at the time of shipment (goods go into the receiving CG's inventory), and re-averages its inventory with the new costed quantity. The receipt transaction is a cost-derived transaction and serves only as an accounting-only transaction. Similarly, for FOB receipts, the sending organization owns the goods in transit until the receipt is performed, and includes intransit balances when revaluing on-hand inventory before the receipt takes place.

Transfer Price

For setting up and using a transfer price to cost intercompany transactions, the transfer pricing functionality for perpetual costing methods is extended to PAC.

There are two limitations to transfer pricing with internal sales orders:

1. Transfer pricing is supported across operating units only. Within the same operating unit, you must run the transfer as an inter-organizational transfer.

2. Transfer pricing works with intransit transfers only, not with direct transfers.

Example

For an internal sales order transaction with:

INV: Intercompany Invoicing for Internal Orders = "Yes" and CST: Transfer Pricing Option = "Yes, Price as Incoming Cost", consider the following scenario:

- PAC cost of Item in sending org = $110
- PAC Cost in Receiving Org = $80
- Transfer Price between the Orgs = $120
- Quantity transferred = 1 unit
- Perpetual Item Cost of shipment transaction in sending org = $100

For FOB – Shipment transfers with CST:Transfer Pricing Option = Yes, Price As Incoming Cost:

Shipping Organization	Debit	Credit
COGS	110	-
Inventory (On-Hand)	-	110
Intransit Inventory	120	-
Intercompany Accrual	-	120

Receiving Organization	Debit	Credit
Inventory (On-Hand)	100	-
Intransit Inventory	-	100

The item cost in the Receiving Org is re-averaged based on the transfer price, when the item is brought into the receiving cost group's inventory (intransit line type).

> **Note:** The receipt is done at (80 + 100) / 2 = 100, the re-averaged cost after including the transfer price.

For FOB – Receipt transfers with CST:Transfer Pricing Option = Yes, Price As Incoming Cost:

Shipping Organization	Debit	Credit
Intransit Inventory	110	-
Inventory (On-Hand)	-	110

Receiving Organization	Debit	Credit
COGS	110	-
Intransit Inventory	-	110
Inventory (On-Hand)	120	-
Intercompany Accrual	-	120

Note: Assuming the receiving organization had 1 unit of the item prior to this transaction, the new item cost AFTER THE RECEIPT transaction would be (1*120) + (1*80) / 2 = 100.

For FOB – Shipment transfers with CST:Transfer Pricing Option = Yes, Price Not As Incoming Cost:

Shipping Organization	Debit	Credit
COGS	Sending CG PAC Item Cost at the time of shipment	-
Inventory (On-Hand)	-	Sending CG PAC Item Cost at the time of shipment
Intransit Inventory	Estimated Sending CG Cost	-
Intercompany Accrual	-	Transfer Price

Profit in Inventory	Difference between estimated PWAC and transfer price	Difference between estimated PWAC and transfer price

Receiving Organization	Debit	Credit
Inventory (On-Hand)	Current PWAC Cost at the time of receipt	-
Intransit Inventory	-	Current PWAC Cost at the time of receipt

Note: The item cost in the Receiving Organization is re-averaged based on the estimated sending CG cost when the item is brought into the receiving cost group's inventory (intransit line type).

For FOB – Receipt transfers with CST:Transfer Pricing Option = Yes, Price Not As Incoming Cost:

Shipping Organization	Debit	Credit
Intransit Inventory	Sending CG PAC Item Cost at the time of shipment	-
Inventory (On-Hand)	-	Sending CG PAC Item Cost at the time of shipment

Receiving Organization	Debit	Credit
COGS	Sending CG PAC Item Cost at the time of receipt	-

Intransit Inventory	-	Sending CG PAC Item Cost at the time of receipt
Inventory (On-Hand)	Estimated Sending CG Cost	-
Intercompany Accrual	-	Transfer Price
Profit in Inventory	Difference between estimated PWAC and transfer price	Difference between estimated PWAC and transfer price

Note: The item cost in the Receiving Org is re-averaged based on the estimated sending CG cost.

Transfers Between Process and Discrete Organizations

Discrete inventory organizations and process inventory organizations share the same inventory setup and transaction model, and Oracle Inventory and Cost Management support material transfers between process organizations and discrete organizations. Along with the transfer of materials, you can also transfer the cost of the material in one form or another to ensure that the values of inventory movements and transfers are properly tracked in the various sub-ledgers and in the General Ledger. In addition, in the case of organizations that use some form of average costing, the cost of the incoming material is considered for perpetual or periodic averaging.

Consider the example where an item is transferred from an organization (the source organization) that uses a periodic method of actual costing, to another organization (the target organization) that uses a perpetual method of costing. Within the target organization, the cost of the transfer is required at the time of the transfer to accurately record the incoming inventory value and recalculate the perpetual average in the case of average costing, or to value the incoming inventory in case of perpetual standard costing. However, the cost of the item in the source organization is not known until the cost process is run (which usually occurs at the end of the period). Therefore, to properly value the inventory that is moved, a Transfer Price is used as the incoming cost in the receiving organization.

Costing Transfers Using Transfer Price

Transfers between discrete and process organizations use a transfer price that is set up between the organizations. A new account, Interorganization Profit, is created to capture the difference in the sending organization.

The receiving organization uses this transfer price as the cost associated with the transfer, and if necessary, the receiving organization will recalculate the averages using this transfer price as the incoming cost. In the sending organization, the difference between the transfer price and the cost as calculated (possibly at the end of the period) is recognized as interorganization profit. This profit may be manually reconciled at the end of the period when reconciling both the source and target organization's books.

> **Important:** The application uses transfer price for transfer between process and discrete organizations regardless of the type of transfer, or whether it is within an operating unit or across operating units. The application always uses the transfer price as the incoming cost in the receiving organization.

Accounting Transactions for Transfer Pricing

Oracle Inventory allows two types of material transfers between two inventory organizations:

- **Direct:** Materials are considered to have been transferred immediately, and the quantities are decremented and incremented in the source and destination organization respectively at the same time.

- **In-Transit**: There is a time lag between when the material leaves the source organization, and when it is received at the destination organization.

The accounting distributions are different between the various transfer types. The following table illustrates differences between the two types of transfers.

Direct Transfer	Intransit Transfer
Material is transferred immediately and is decremented and incremented in the source and destination organization at the same time.	Material goes into in-transit, and is explicitly received in the destination organization.
The transactions are created using the Inventory Transfers window, and both from and to transactions are created at the same time.	The shipment is created using the Inventory Transfers window, and is received using the Receiving windows.
FOB options are not applicable because transfer happens immediately.	The FOB option can be either shipping or receiving.
Can also process using internal orders.	Can also process using internal orders.

Direct Transfer	Intransit Transfer
No inter-company invoicing support.	Inter-company invoicing is possible for transfers across operating units that are done via Internal-Orders.
Freight and transfer credits can be used. However, freight is not applicable for internal-order transfers.	Freight and transfer credits can be used. However, freight is not applicable for internal-order transfers. Transfer credit is applicable only in the case where the transfer happens within the same operating unit, or when invoicing is not used. Transfer price is required in cases of inter-company invoiced transfers.

Note: Transfer price takes priority over the transfer charge. The application ignores the transfer credit setup in the Shipping Network window.

The following examples illustrate the accounting entries for various types of inventory transfers that include direct and in-transit transfers.

Note: For the following examples, recording of the receiving transaction accounting entry may occur prior to the accounting entry for the shipping transaction. Transfer Credit is not supported for process/discrete transfer. Therefore, transfer credit is not used.

Example

1 - Direct Transfer (through inventory transfer, or using internal order)

Example 1-1: Average Costing Organization

Note: For simplicity, the quantity transferred is assumed to be 1 unit.

For direct transfers, inter-company invoicing option is not currently supported. Therefore, the accounting distribution template for inter-company option is not discussed in this document.

1. Sending Organization Cost = $100
2. Receiving Organization Cost = $80
3. Transfer Price between these Organizations = $120

4. Qty. Transferred = 1 Unit
5. Transfer Credit = 10%
6. Freight = $25

Shipping Organization	Debit	Credit
Inter-Organization Receivables	120	-
Inventory Valuation	-	100
Freight Expense a/c	-	25
Inter-Organization Profit	5	-

Receiving Organization	Debit	Credit
Inventory Valuation	120	-
Inter-Organization Payables	-	120

The cost in the receiving organization is re-averaged based on the cost of the transfer (transfer price).

Example

Example 1-2: Standard Costing Organization

1. Sending Organization Cost = $100
2. Receiving Organization Cost = $80
3. Transfer Price between these Organizations = $120
4. Qty. Transferred = 1 Unit
5. Transfer Credit = 10%
6. Freight = $25

Shipping Organization	Debit	Credit
Inter-Organization Receivables	120	-
Inventory Valuation	-	100
Freight Expense a/c	-	25
Inter-Organization Profit	5	-

Receiving Organization	Debit	Credit
Inventory Valuation	80	-
Inter-Organization Payables	-	120
Purchase Price Variance *	40	-

Note: * Purchase Price Variance (PPV) is recorded for standard costing organizations only. For average costing organizations, incoming cost becomes the cost of the transfer and is used in the average cost calculations, and there will be no PPV.

2a - In-transit Transfer (through inventory transfer, or using internal order) with FOB set to Shipping

Note: For simplicity, the quantity transferred is assumed to be 1 unit. Inter-Company transfers are considered in the next section.

Example

Example 2a-1: Average Costing Organization

1. Sending Organization Cost = $100
2. Transfer Price between these Organizations = $120
3. Qty. Transferred = 1 Unit
4. Transfer Credit = 10%,
5. Freight = $25

After Shipment:

Shipping Organization	Debit	Credit
Inter-Organization Receivables	120	-
Inventory Valuation	-	100
Inter-Organization Profit	-	20

Receiving Organization	Debit	Credit
In-Transit Inventory	145	-
Inter-Organization Payables	-	120
Freight Expense a/c	-	25

Receiving Organization Cost (After Re-averaging) = $80

After Receipt:

Receiving Organization	Debit	Credit
Inventory Valuation	80	-
In-transit Inventory	-	80

The Cost in the receiving organization is re-averaged based on the cost of the transfer (transfer price)

Example

Example 2a-2: Standard Costing Organization

1. Sending Organization Cost = $100
2. Receiving Organization Cost = $80
3. Transfer Price between these Organizations = $120
4. Qty. Transferred = 1 Unit
5. Transfer Credit = 10%

6. Freight = $25

Example
After Shipment:

Shipping Organization	Debit	Credit
Inter-Organization Receivables	120	-
Inventory Valuation	-	100
Inter-Organization Profit	-	20

Receiving Organization	Debit	Credit
In-Transit Inventory	80	-
Inter-Organization Payables	-	120
Freight Expense a/c	-	25
Purchase Price Variance	65	-

After Receipt:

Receiving Organization	Debit	Credit
Inventory Valuation	80	-
In-Transit Inventory	-	80

2b - In-transit Transfer (through Inventory Transfer or via Internal Order) with FOB set to Receiving

Example
Example 2b-1: Average Costing Organization

1. Sending Organization Cost = $100
2. Receiving Organization Cost = $80
3. Transfer Price between these Organizations = $120

4. Qty. Transferred = 1 Unit
5. Transfer Credit = 10%
6. Freight = $25

Note: Transfer credit is not used in this case.

After Shipment:

Shipping Organization	Debit	Credit
In-Transit Inventory	100	-
Inventory Valuation	-	100

After Receipt:

Shipping Organization	Debit	Credit
Inter-Organization Receivables	120	-
In-Transit Inventory	-	100
Freight Expense a/c	-	25
Inter-Organization Profit	5	-

Receiving Organization	Debit	Credit
Inventory Valuation	120	-
Inter-Organization Payables	-	120

The Cost in the receiving organization is re-averaged based on the cost of the transfer (transfer price).

Example

Example 2b-2: Standard Costing Organization

1. Sending Organization Cost = $100

2. Receiving Organization Cost = $80
3. Transfer Price between these Organizations = $120
4. Qty. Transferred = 1 Unit
5. Transfer Credit = 10%
6. Freight = $25

Note: Transfer credit is not used in this case.

After Shipment:

Shipping Organization	Debit	Credit
In-Transit Inventory	100	-
Inventory Valuation	-	100

After Receipt:

Shipping Organization	Debit	Credit
Inter-Organization Receivables	120	-
In-Transit Inventory	-	100
Freight Expense a/c	-	25
Inter-Organization Profit	5	-

Receiving Organization	Debit	Credit
Inventory Valuation	80	-
Inter-Organization Payables	-	120
Purchase Price Variance	40	-

Intercompany Transfers Using Internal Orders

When a transfer occurs between two inventory organizations that belong to two different operating units (that may or may not belong to the same ledger), the transfer is considered to be intercompany. Release 11i9 introduced an option that enables you to generate intercompany invoices for this type of transfer. Along with the invoicing option, the release introduced a transfer pricing mechanism to value the transfers. You can use either the transfer price as the incoming cost, or use the sending organization cost as the incoming cost in the destination organization. However, the inter-company accounting option is available only for transfers created using internal orders.

In the case of transfer with intercompany invoicing and transfer prices, the accounting entries generated are different from those that are generated for a transfer without the intercompany invoicing option. The accounting entries are also different from those that are generated for a transfer between inventory organizations belonging to the same operating unit as in examples 2a & 2b.

The following two sections illustrate how the inter-company transfers are accounted for inter-company transfers between process and discrete organizations.

> **Important:** For intercompany transfers between process and discrete inventory organizations, the incoming cost of an item is equal to its defined transfer price. This cost rule applies regardless of the value specified in the profile option CST: Transfer Pricing Option. The cost processor always assumes a profile option value of 'Yes, Transfer Price as Incoming Cost'. Profile option values of No or Yes, Price Not as Incoming Cost are ignored in these transfers.

3a - Inter-Company Transfers with Invoicing – FOB set to Shipping

Example

Example 3a-1: Average Costing Organization

1. Sending Organization Cost = $100
2. Transfer Price between these Orgs = $120
3. Qty Transferred = 1 Unit

After Shipment Transaction:

Shipping Organization	Debit	Credit
COGS	100	-

Shipping Organization	Debit	Credit
Inventory Valuation	-	100

Receiving Organization	Debit	Credit
In-Transit Inventory	120	-
Inter-Company Accrual	-	120

Receiving Organization Cost (After Re-averaging) = $80

After Receipt Transaction:

Receiving Organization	Debit	Credit
Inventory Valuation	80	-
In-Transit Inventory	-	80

The Cost in the receiving organization is re-averaged based on the cost of the transfer (transfer price).

CST: Inter-Company Invoice = *YES*

CST: Transfer Pricing Option = *Yes, Price as Incoming Cost*

Inter-Company entries as created by the Inter-Company programs:

Shipping Organization	Debit	Credit
Inter-Company Receivable	120	-
Inter-Company Revenue	-	120

Receiving Organization	Debit	Credit
Inter-Company Accrual	120	-

Receiving Organization	Debit	Credit
Inter-Company Payable	-	120

Example

Example 3a-2: Standard Costing Organization

1. Sending Organization Cost = $100
2. Receiving Organization Cost = $80
3. Transfer Price between these Organizations = $120
4. Qty. Transferred = 1 Unit

CST: Inter-Company Invoice = *YES*

CST: Transfer Pricing Option = *Yes, Price as Incoming Cost*

After Shipment Transaction:

Shipping Organization	Debit	Credit
COGS	100	-
Inventory Valuation	-	100

Receiving Organization	Debit	Credit
In-Transit Inventory	80	-
Inter-Company Accrual	-	120
Purchase Price Variance	40	-

The Cost in the receiving organization is re-averaged based on the cost of the transfer (transfer price).

After Receipt Transaction:

Receiving Organization	Debit	Credit
Inventory Valuation	80	-
In-Transit Inventory	-	80

Inter-Company entries as created by the Inter-Company programs:

Shipping Organization	Debit	Credit
Inter-Company Receivable	120	-
Inter-Company Revenue	-	120

Receiving Organization	Debit	Credit
Inter-Company Accrual	120	-
Inter-Company Payable	-	120

3b Inter-Company Transfers with Invoicing – FOB set to Receiving

Example

Example 3b-1: Average Costing Organization

1. Sending Organization Cost = $100
2. Receiving Organization Cost = $80
3. Transfer Price between these Organizations = $120
4. Qty. Transferred = 1 Unit

CST: Inter-Company Invoice = *YES*

CST: Transfer Pricing Option = *Yes, Price as Incoming Cost*

After Shipment:

Shipping Organization	Debit	Credit
In-Transit Inventory	100	-
Inventory Valuation	-	100

After Receipt:

Shipping Organization	Debit	Credit
COGS	100	-
In-Transit Inventory	-	100

Receiving Organization	Debit	Credit
Inventory Valuation	120	-
Inter-Company Accrual	-	120

The Cost in the receiving organization is re-averaged based on the cost of the transfer (transfer price).

Inter-Company entries as created by the Inter-Company programs:

Shipping Organization	Debit	Credit
Inter-Company Receivable	120	-
Inter-Company Revenue	-	120

Receiving Organization	Debit	Credit
Inter-Company Accrual	120	-
Inter-Company Payable	-	120

Example

Example 3b-2: Standard Costing Organization

1. Sending Organization Cost = $100
2. Receiving Organization Cost = $80
3. Transfer Price between these Organizations = $120
4. Qty. Transferred = 1 Unit

CST: Inter-Company Invoice = *YES*

CST: Transfer Pricing Option = *Yes, Price as Incoming Cost*

After Shipment:

Shipping Organization	Debit	Credit
In-Transit Inventory	100	-
Inventory Valuation	-	100

After Receipt:

Shipping Organization	Debit	Credit
COGS	100	-
In-Transit Inventory	-	100

Receiving Organization	Debit	Credit
Inventory Valuation	80	-
Inter-Company Accrual	-	120
Purchase Price Variance	40	-

Inter-Company entries as created by the Inter-Company programs:

Shipping Organization	Debit	Credit
Inter-Company Receivable	120	-
Inter-Company Revenue	-	120

Receiving Organization	Debit	Credit
Inter-Company Accrual	120	-
Inter-Company Payable	-	120

Expense Inventory Items and Receiving into Expense Sub-Inventories

When an item is received into an expense sub-inventory, or an expense item is received, the sub-inventory expense account is debited instead of the material valuation account. The following example shows only one such transfer.

4a. In-transit transfer of an asset item received into an expense sub-inventory (FOB is Receiving)

Example

After Shipment:

Shipping Organization	Debit	Credit
In-Transit Inventory	Sending Organization Cost	-
Inventory Valuation	-	Sending Organization Cost

After Receipt:

Shipping Organization	Debit	Credit
Inter-Organization Receivables	Transfer Price	-

Shipping Organization	Debit	Credit
In-Transit Inventory	-	Sending Organization Cost
Freight Expense a/c	-	Freight
Inter-Organization Profit	<Difference>	-

Receiving Organization	Debit	Credit
Sub-Inventory Expense Account	Transfer Price	-
Inter-Organization Payables	-	Transfer Price

The Cost in the receiving organization is not re-averaged based on the cost of the transfer (transfer price).

Complex Intercompany Invoicing

Oracle Cost Management supports and performs the accounting for both physical and financial flows in intercompany transactions. Many companies distribute goods from a central location to parties located in other locations. These goods, or drop shipments, can pass to a controlled entity or subsidiary in the country of sales before shipping to the customer. Drop shipment is a process where goods are shipped from a company's supplier directly to the customer. These goods do not physically pass through the warehouse facilities of the companies.

Corporations create a diverse set of operating unit, organization, entity, and sets of book combinations to facilitate this business flow. Global procurement enables Oracle Purchasing to request material from these operating unit combinations to other operating units. Oracle Inventory creates transactions that do not generate material movements, but are used for invoicing and accounting purposes. Procurement and sales transactions are performed across these operating units. Transactions can impact several organizations and operating units requiring a complex sequence of linked accounting entries. This functionality supports:

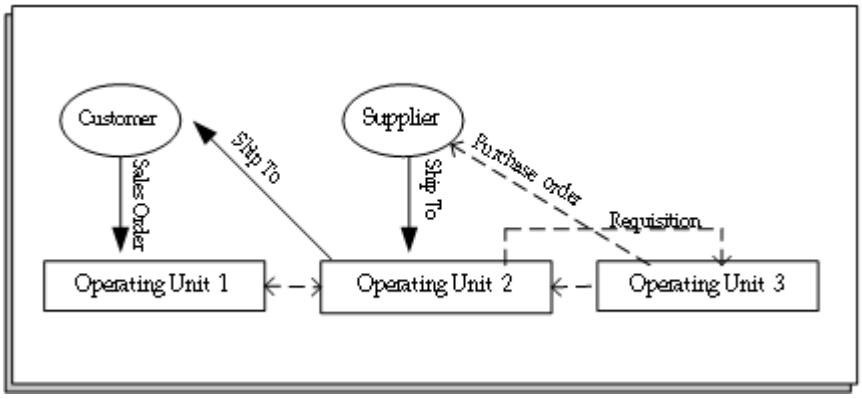
- Shared procurement services: If a purchase order is placed by one operating unit, and shipped to another operating unit, then the procurement operating can invoice the receiving operating unit. The invoice is costed at either the purchase order price or the transfer price. The accounting transactions represents a transfer of ownership

between the operating units.

- Ownership transfer for shipments: You can generate a transfer of ownership when shipping a sales order where the operating units are separate for selling and shipping. The intercompany invoice uses the transfer price.

- Drop ship across ledgers: On a drop shipment sales order, the warehouse organization and sales order organization can use different ledgers.

- Intercompany relationships: You can define chains of operating units for selling, procurement, shipping, and receiving. Ownership of the goods is transferred during transactions. Intercompany invoices are generated between all operating units, and accounting transactions represent ownership transfer between all operating units in the chain.



Accounting Transactions for Complex Intercompany Invoicing

The following flow of activities demonstrates this scenario for complex intercompany invoicing:

- Operating Unit 1 (OU1) receives a sales order from a customer.
    - Order price is $25.

- The material is shipped to the customer from Operating Unit 2 (OU2) warehouse.

- OU2 does not stock the material. Global Agreement Rules dictate that the item is procured by Operating Unit 3 (OU3).

- OU2 creates a requisition to OU3 to purchase the material.

- OU3 creates purchase order to the Supplier.
    - Purchase order price is $10.

- The Supplier ships the material OU2:
  - OU2 has the physical receipt of the material.
  - OU3 creates PO Receipt transaction because it purchased the material.
  - OU3 also creates a shipping transaction to OU2.
  - The transfer price is $15
- OU1 created the sales order, and performs the shipping transaction to the customer.
  - The material is physically shipped from OU2
  - A transfer transaction is created from OU2 to OU1,at a Transfer price of $20.
  - A receipt transaction is created in OU1.

The accounting for this example for intercompany transactions follows this flow:

Operating Unit 3

Receipt Transaction

Receiving Processor	Debit	Credit
OU1 Clearing	10	-
Accrual	-	10

Cost Processor	Debit	Credit
OU2 Inventory	10	-
OU1 Clearing	-	10

Invoicing	Debit	Credit
Intercompany Receivable	15	-
Intercompany Revenue	-	15

Cost Processor	Debit	Credit
Intercompany Cost of Goods (COGS)	10	-
OU2 Inventory	-	10

Operating Unit 2

Receipt Transaction

Receiving Processor	Debit	Credit
OU1 Clearing	15	-
Intercompany Accrual	-	15

Intercompany Invoicing	Debit	Credit
Intercompany Accrual	15	-
Intercompany Payable	-	15

Deliver Transaction

Cost Processor	Debit	Credit
OU1 Inventory	15	-
OU1 Receipt	-	15

Shipping Transaction

Intercompany Invoicing	Debit	Credit
Intercompany Receivable	20	-

Intercompany Invoicing	Debit	Credit
OU1 Intercompany Revenue	-	20

Cost Processor	Debit	Credit
Intercompany COGS	15	-
OU1 Inventory	-	15

Operating Unit 1

Shipping Transaction

Cost Processor	Debit	Credit
OU3 Inventory	20	-
OU1 Inventory	-	20

Intercompany Invoicing	Debit	Credit
Intercompany Accrual	20	-
Intercompany Payable	-	20

Cost Processor	Debit	Credit
OU3 COGS	20	-
OU3 Inventory	-	20

Accounts Receivable Invoicing	Debit	Credit
OU3 Receivable	25	-
OU3 Revenue	-	25

Related Topics

Drop Shipments, *Oracle Purchasing User's Guide*,

Intercompany Invoicing Process Overview, *Oracle Inventory User's Guide*, and

Intercompany Invoicing Setup, *Oracle Inventory User's Guide*.

12

Subledger Accounting (SLA)

This chapter covers the following topics:

- Overview of Subledger Accounting (SLA)
- Subledger Accounting Profile Option
- Defining Accounting Derivation Rules
- Create Accounting - Cost Management
- Transfer Journal Entries to GL - Cost Management
- Viewing Accounting and Accounting Events

Overview of Subledger Accounting (SLA)

Accounting for all transactions uses Subledger Accounting (SLA) architecture which is an enhancement of the standard accounting process, and contains changes to the overall process flow, user interfaces, and some programs. SLA architecture delivers many benefits, and lets you customize the way accounting is performed for a specific event. You can use accounts derived from custom business logic based on data provided by the application (accounting sources).

SLA is a common rule-based accounting engine used by Oracle products that posts accounting entries into Oracle General Ledger. Rules are user defined, and reside in a common repository for all subledger applications such as Oracle Cost Management. The SLA accounting engine is also a common engine for all subledger applications and provides you with a single common paradigm for defining your accounting behaviors.

The engine supports multiple currencies, as well as audit tools such as the XML Publisher based Journal Entries report. This report also displays the balance of an Inventory Valuation account within a user specified date range. The Journal Entries report is similar to the Material (or WIP) Account Distribution Summary report and will display the balance of the Inventory or WIP Valuation Accounts within a specified date. See: Journal Entries Report, *Oracle Subledger Accounting Implementation Guide*.

The subledger accounting engine lets the accounting department maintain sophisticated

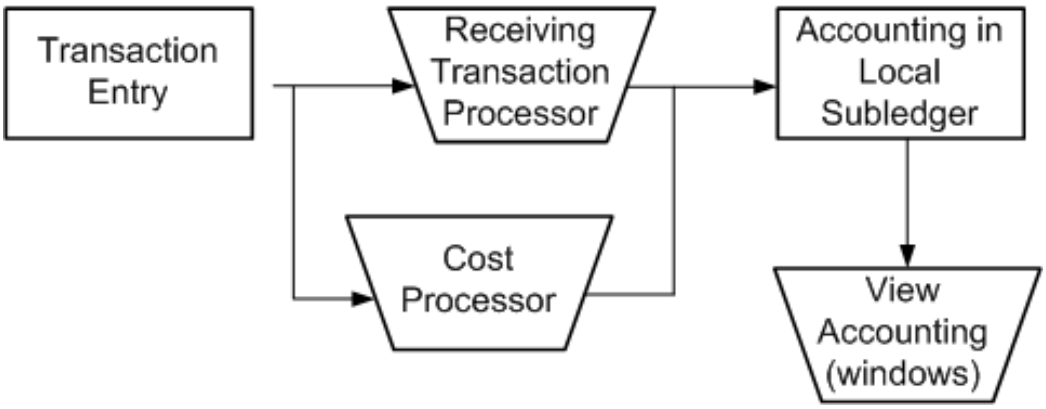
control over accounting and charts of accounts. Accounting rules can be defined against most attributes. For example, you can use an attribute of an item to redirect accounting to the proper category of Cost of Goods Sold within the Chart of Accounts. You can also control and avoid user errors from being entered into the application. Incorrect entries can be redirected to proper accounts.

See the Oracle Subledger Accounting Implementation Guide for details on setting up and using Subledger Accounting.

Standard and SLA Accounting Processes Compared

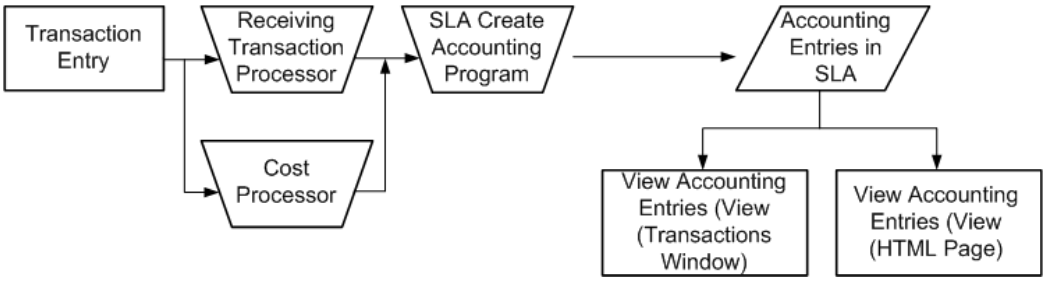
Standard Accounting Process

The following illustrates the standard accounting process prior to Release 12 for generating and viewing accounting entries.



SLA Accounting Process

As of Release 12, Cost Management includes the Cost Management - SLA responsibility that you can use to create all user-defined accounting data. The request group that is associated with the Cost Management - SLA responsibility includes all SLA processes in addition to the standard costing processes. The following illustrates the Cost Management - SLA process of generating and viewing accounting entries.



Create Accounting

The Cost Management - SLA process includes additional steps for creating accounting

for specific periods, and viewing the resulting accounting entries. The Create Accounting - Cost Management concurrent request creates the accrual journal entries as well as accrual reversals and multi-period journal entries. See: Create Accounting - Cost Management, page 12-4.

> **Note:** You must run the Transfer Journal Entries to GL program to transfer accounting entries to GL if the option to transfer them to GL is set to No in the Create Accounting program.

Transfer Journal Entries to GL - Cost Management

The Transfer Journal Entries to GL - Cost Management concurrent request transfers the accounting entries to GL. You are not required to run this request if the option to transfer entries to the ledger is selected in the Create Accounting - Cost Management concurrent request. See: Transfer Journal Entries to GL - Cost Management, page 12-7.

Viewing Accounting Events and Journal Entries

You can view accounting events and journal entries associated with transactions using the Subledger Accounting user interface (HTML), or view the accounting events and journal entries using the View Transactions windows. See: Viewing Accounting and Accounting Events, page 12-8.

Upgrade Accounting to SLA

The SLA data model offers an automated upgrade path and migrates legacy accounting data for the current fiscal year. When you upgrade to Release 12, you can automatically migrate Cost Management to Subledger Accounting for historical transactions within a selected number of periods. You should verify that the accounting events for those transactions are available in the SLA Accounting Events page. See: Financials and Procurement Tasks, Oracle Applications Upgrade Guide.

Subledger Accounting Profile Option

Profile Option

The CST: Receiving Accounting Option controls whether the Receiving Transaction Processor creates the accounting entries online, or if accounting entries are created by concurrent request.

If the option is set to Online, then the receiving transaction processor creates the accounting entries for receiving transactions in SLA. If the option is Concurrent, then the accounting for receiving occurs when you run the Create Accounting - Cost Management concurrent request. If encumbrance or federals accounting is enabled, then this option is respected and the accounting process is always online.

Profile Value	Description
Online	Subledger Accounting entries are created as part of the receiving transaction processor
Concurrent (default)	Subledger Accounting entries are not created as part of the receiving transaction processor. You must run the Create Accounting - Cost Management concurrent request to create the subledger accounting entries.

Note: The profile option CST: Account Summarization is obsolete with SLA. This profile option is used in the Standard Cost Processor, Standard Cost Update, and WIP Scrap Processor.

Defining Accounting Derivation Rules

Within the Accounting Methods Builder (AMB) in subledger accounting, you can create and modify subledger accounting derivation rules and definitions. Account derivation rules are used to create the accounts for a subledger journal entry line. You can define various rules in the AMB to determine how a journal entry account is derived. You can derive accounts segment by segment, or as a complete Accounting Flexfield. You can also define conditions that determine when a particular rule is used. See Account Derivation Rules, *Oracle Subledger Accounting Implementation Guide* and Defining Account Derivation Rules, *Oracle Subledger Accounting Implementaton Guide* for details.

You can also use the copy and modify features in the AMB to create copies of seeded account derivation rules to then customize and modify these rules. See: Copy and Modify Functionality, *Oracle Subledger Accounting Implementation Guide*.

Note: When defining custom accounting derivation rules, you should use the seeded Cost Management - SLA responsibility to make these custom rule changes. However, you can use any user-defined responsibility if it is tied to the Cost Management responsibility and includes the Cost Management Sub Menu; CST_SLA_SUB_MENU.

Create Accounting - Cost Management

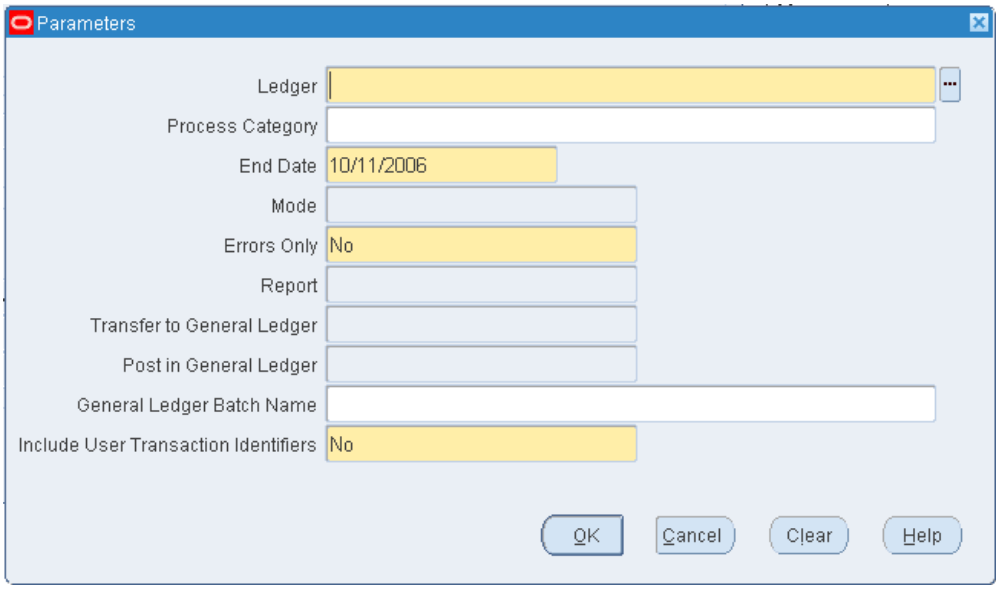
Submit the Create Accounting concurrent program to create the originating journal entry as well as accrual reversals and multiperiod journal entries. The following parameters determine which accounting events are processed.

Parameter	Description
Ledger	Required; limits accounting events selected for processing to those of a particular ledger. Subledger Accounting lists ledgers that have events that the responsibility can access due to transaction-based security. If the profile option SLA: Enable Data Access Security in Subledgers is set to Yes, only those ledgers that are included in General Ledger Access Sets assigned to the responsibility appear in the list of values. If the application is a valuation method application as defined in the AMB, then both primary and secondary ledgers within the access sets are displayed. If the application is not a valuation method application, then only primary ledgers are displayed.
Process Category	Optional; restricts the events selected for accounting to a particular process category. The Create Accounting program selects events with event types falling into the event classes assigned to the process category.
End Date	Required; end date for the Create Accounting program; processes only those events with event dates on or before the end date.
Mode	Optional; determines whether the subledger journal entries are created in Draft or Final mode. If Draft mode is selected, then the Transfer to GL, Post in General Ledger, and General Ledger Batch Name fields are disabled. Draft entries cannot be transferred to General Ledger.
Errors Only	Required; limits the creation of accounting to those events for which accounting has previously failed. If Yes is selected, then the Create Accounting program processes all events with a status of Error.

Parameter	Description
Report	Optional; determines whether to generate a report showing the results of the Subledger Accounting program in summary or detail format
Transfer to General Ledger	Required if Mode is set to Final; determines whether to transfer the subledger journal entries to General Ledger. Journal import is not launched if set to Yes.
Post in General Ledger	Required if Mode is set to Final or Create Accounting is set to No; determines whether to post subledger journal entries in General Ledger. If there is a primary ledger with secondary ledgers attached to it and the application is a nonvaluation method application, the journal entries of the secondary ledgers are automatically posted. This is based on the application accounting definition that the user sets up. If the application is a valuation method application, then there is a different event for that secondary ledger and the accounting is not created in the same run for both ledgers.
General Ledger Batch Name	Optional; user-entered batch name that appears on the transferred General Ledger subledger journal entries. Transfer to GL option must be set to Yes.
Include User Transaction Identifiers	Required: Identifies the organization that each accounting entry belongs to.

To submit the Create Accounting - Cost Management concurrent request:

1. Navigate to the Create Accounting - Cost Management concurrent request. The Parameters window appears.



2. Enter request parameters and choose OK.

3. Choose Submit.

Transfer Journal Entries to GL - Cost Management

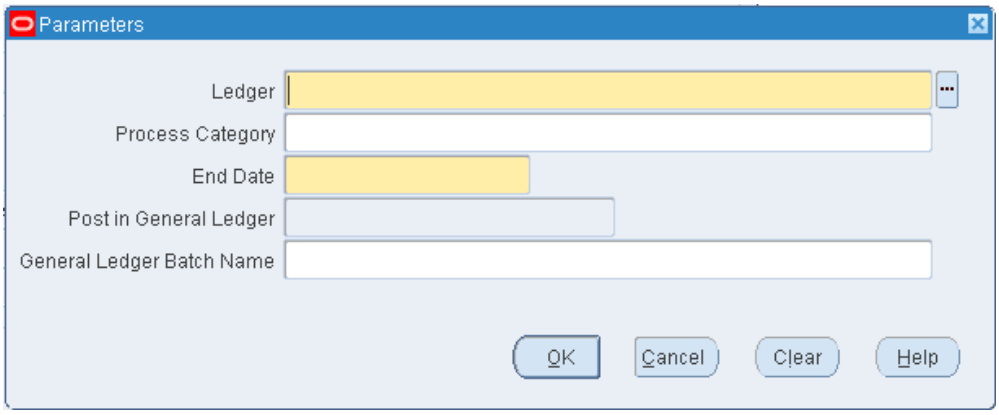
If the option Transfer to General Ledger is set to 'No' in Create Accounting - Cost Management, then you must run Transfer Journal Entries to GL - Cost Management to transfer accounting entries to GL. The following parameters control the transfer process.

Parameter	Description
Ledger	Required; limits accounting events selected for processing to those of a particular ledger.
Process Category	Optional; restricts the events selected for accounting to a particular process category.
End Date	Required; end date for the Transfer Journal Entries to GL program; processes only those events with event dates on or before the end date.

Parameter	Description
Post in General Ledger	Required if Mode is set to Final or Create Accounting is set to No; determines whether to post subledger journal entries in General Ledger.
General Ledger Batch Name	Optional; user-entered batch name that appears on the transferred General Ledger subledger journal entries.

To transfer journal entries to GL:

1. Navigate to the Transfer to GL - Cost Management concurrent request window. The Parameters window appears.



2. Enter request parameters and choose OK.

3. Choose Submit.

Viewing Accounting and Accounting Events

You can view accounting, journal entries associated with transactions, and accounting events using the subledger accounting user interface (HTML). See: Accounting Events Inquiry, *Oracle Subledger Accounting Implementation Guide*. You can access the subledger accounting user interface from the Cost Management - SLA responsibility by selecting SLA > Inquiry from the menu. Select Accounting Events, Journal Entries, or Journal Entry Lines to open the subledger accounting user interface (HTML).

The Transaction Number field refers to the following for various event classes:

- Receiving Accounting Events: Purchase Order Number for Period End Accrual

events and Transaction Identifier from RCV_TRANSACTIONS for other Receiving events.

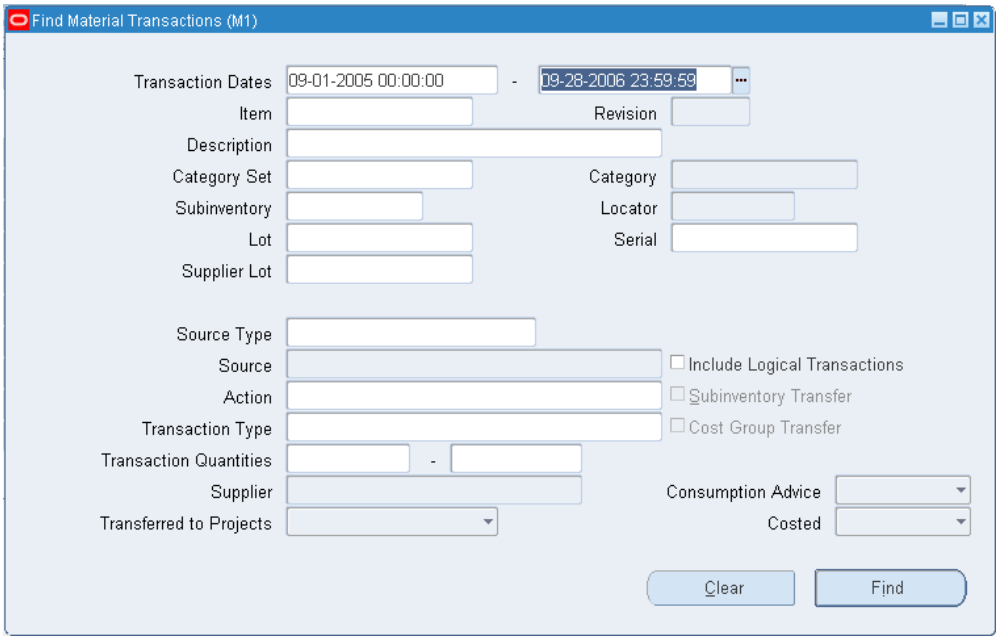
- Accrual Write Off: Purchase Order Number
- Material Accounting Events: Transaction Identifier from MTL_MATERIAL_TRANSACTIONS
- WIP Accounting Events: Transaction Identifier from WIP_TRANSACTIONS

You can also view accounting, journal entries associated with transactions, and accounting events by accessing the Subledger Accounting user interface from the View Transactions windows. From the View Receiving Transactions, View Material Transactions, or View Resource Transactions windows, choose tools from the tool bar, and then select View Accounting Events. The following illustrates viewing the Subledger Accounting user interface from the Material Transactions window. Other View Transactions windows use similar steps.

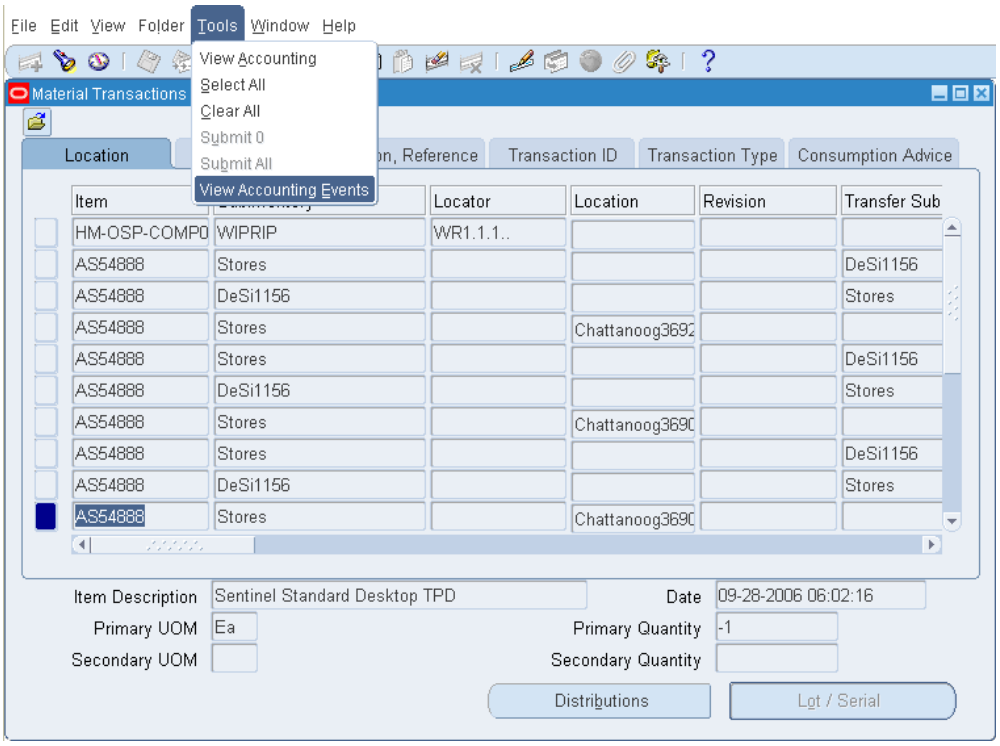
> **Note:** If transactions have been upgraded to SLA, or are new transactions, then transactions viewed using the View Accounting Events option from the Tools menu show transactions from the SLA tables instead of the receiving subledger table. The View Accounting Events option is enabled when there are SLA accounting events for the transaction.

To view accounting events and journal entries from the Material Transactions window:

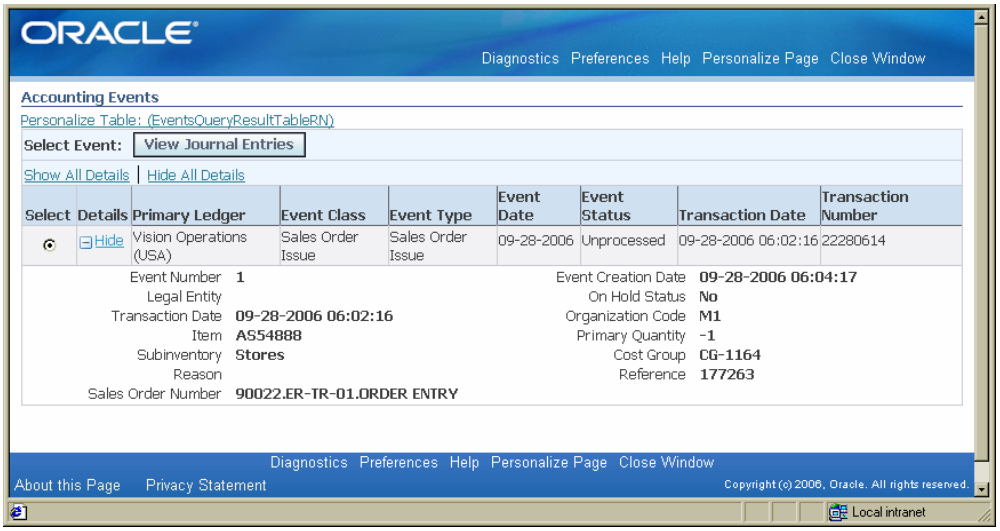
1. Navigate to the Material Transactions window. The Find Material Transactions window appears.



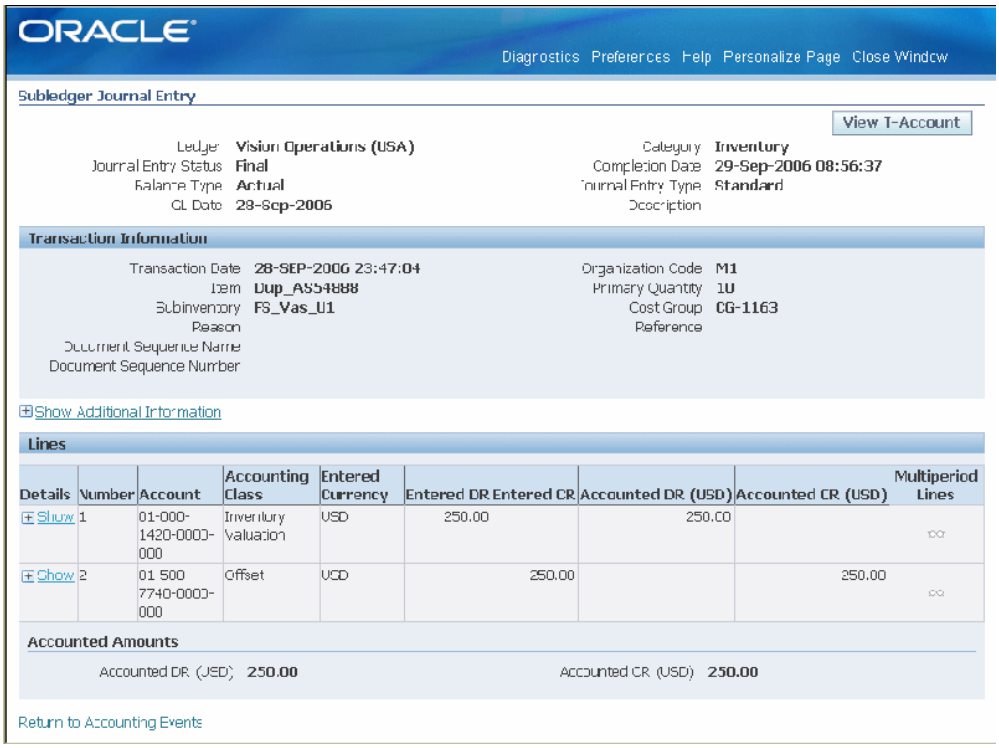
2. Enter material transaction search criteria and choose Find. The Material Transactions window appears.



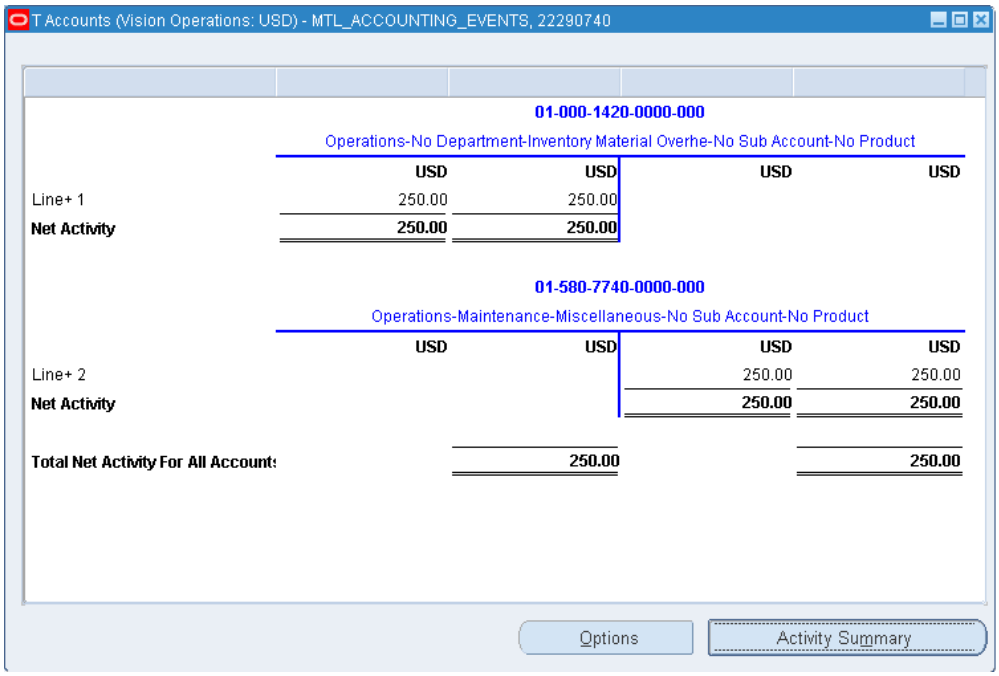
3. Select a transaction and choose Tools from the tool bar. Select View Accounting Events and the Accounting Events User Interface appears.



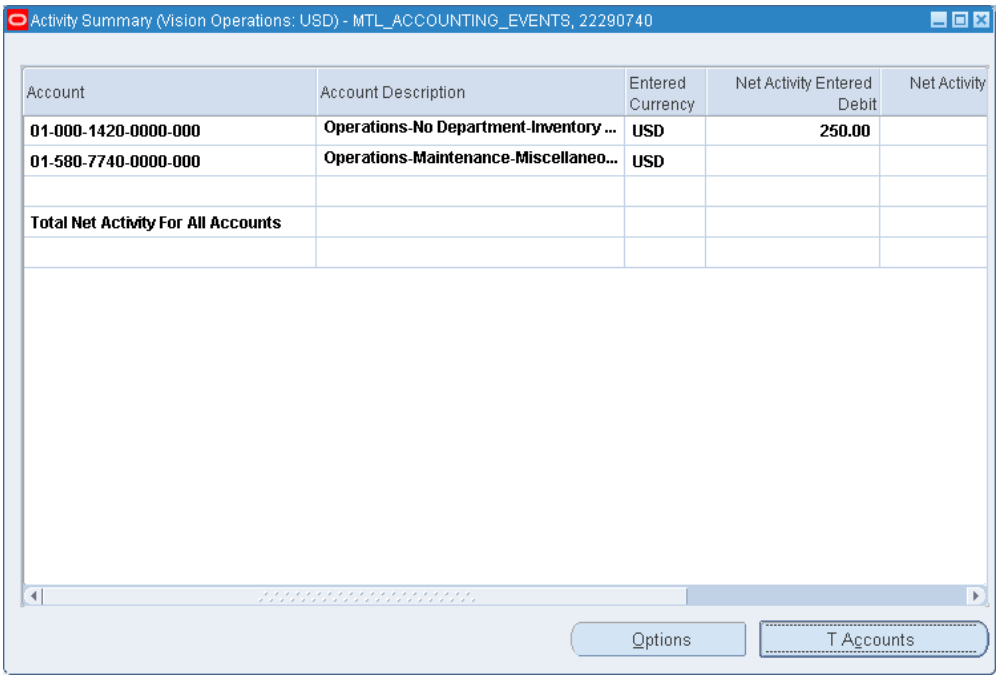
4. You can choose View Journal Entries to view accounting and journal entry details.



5. You can choose View T-Account to view the T Accounts details.



6. You can also choose Activity Summary to view a summary of accounting activities.


Activity Summary (Vision Operations: USD) - MTL_ACCOUNTING_EVENTS, 22290740
Account
Account Description
Entered Currency
Net Activity Entered Debit
Net Activity
01-000-1420-0000-000
Operations-No Department-Inventory ...
USD
250.00
01-580-7740-0000-000
Operations-Maintenance-Miscellaneo...
USD
Total Net Activity For All Accounts
Options
T Accounts

13

Reports

This chapter covers the following topics:

- Reports Overview
- All Inventories Value Report
- All Inventories Value Report - by Cost Group
- COGS / Revenue Matching Report
- Cost Type Comparison Report
- Detailed Item Cost Report
- Discrete Job Value Report
- Elemental Cost Report
- Elemental Inventory Value Report - by Subinventory
- Elemental Inventory Value Report - by Cost Group
- Intransit Standard Cost Adjustment Report
- Intransit Value Report
- Inventory Master Book Report
- Inventory Standard Cost Adjustment Report
- Inventory Subledger Report
- Inventory Value Report - by Subinventory
- Inventory Value Report - by Cost Group
- Invoice Transfer to Inventory Report
- Item Cost Reports
- Layer Inventory Value Report - FIFO/LIFO Costing
- Margin Analysis Reports
- Submitting a Margin Analysis Load Run

- Purging a Margin Analysis Load Run
- Overhead Report
- Period Close Reconciliation Report
- Period Close Pending Transactions Report
- Receiving Value Report
- Transaction Value Historical Summary Report - Average/FIFO/LIFO Costing
- Supply Chain Consolidated Bills of Material Cost Report
- Supply Chain Indented Bills of Material Cost Report
- WIP Standard Cost Adjustment Report

Reports Overview

Oracle Cost Management provides reports for fiscal and internal control purposes. You can create your own layouts and publish many reports using Oracle XML Publisher.

XML Publisher is a template-based publishing tool that is delivered with the Oracle E-Business suite that enables you to develop and maintain custom report formats. You can design and control how the reports are presented by using report templates. When generating a report, XML Publisher merges report template files with report data to create documents that support numerous formatting options, including colors, images, font styles, and headers and footers.

> **Note:** The Cost Management reports based on XML Publisher are formatted for legal-size output.

All Inventories Value Report

This report lists the quantity and value of items for all inventory for the specified cost type. If you run this report using either the Frozen or Average cost type, depending on the costing method, then the subinventories (stock) and intransit items are valued at current frozen standard or average costs. The system always values receiving inspection at the purchase order cost for items regardless of costing method. If you choose a non-implemented (not Frozen or Average) cost type, then the items are valued at their total cost in that cost type.

The report also displays onhand, intransit, and receiving value as of a specified date.

Report submission:

1. In the Submit Requests window, select the report name.
2. Use the Request Cost and Period Close Reports form and enter **All Inventories**

Value Report in the Name field to submit the All Inventories Value Report.

To enter report parameters:

1. Enter a **Title** for the report.

2. Enter an **As of Date**. If a date is specified, then the report will display value as of the specified date. If a date is not specified, then the report will display current value.

3. Choose one of the following **Sort** options:

   - Item - Sort by inventory item. The application displays this option as the default.

   - Category, Item - Sort by category, and then by item within category.

4. Select a **Cost Type**. If you select a non-implemented cost type, then the application values the items at this cost type. If the cost type is not available, then the application values the items at the default cost type. For example, if you choose Quarter1 as the cost type and Quarter1 has Frozen as the default cost type, then the application values the item at the Quarter1 cost. If Quarter1 is not available, then it values the items at the Frozen cost type.

5. Choose one of the following **Report** Ootions:

   - Display quantities and values - Report both quantities and values for each inventory type, subinventories, intransit inventory and receiving inspection, as well as the total quantity and value for the current organization. The system displays this option as the default.

   - Display quantities only - Report quantities only for each inventory type, subinventories, intransit inventory and receiving inspection, as well as the total quantity and value for the current organization.

6. Select a **Category Set**. The value of all inventory types, subinventories, intransit inventory and receiving inspection is reported for items associated with this category set. The default is the category set you defined for your costing functional area.

7. Enter the **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.

8. Select a **Currency**. You can run this report for any defined currency. When you select a currency other than the ledger currency, item costs are converted to the selected currency using the End of period rate you choose in the Exchange Rate field.

9. Select an **Exchange Rate**. If you choose a currency other than the ledger currency, then the system displays the most recent End of period rate as the default. However, you can choose any prior End of period rate.

10. **Display Zero Costs Only**. Select Yes or No to indicate whether to print zero cost items only in the report. Select No to find valuation issues.

11. **Include Expense Items**. Select Yes or No to indicate whether to include expense items in the report. When you select Yes, this option includes quantities for expense items in asset subinventories. To include expense items in all subinventories, select Yes for both the Include Expense Items and the Include Expense Subinventories parameters. These quantities are not valued.

12. **Include Expense Subinventories**. Select Yes or No to indicate whether to include expense subinventories in the report. When you select Yes, this option includes quantities for asset items in expense subinventories. To include all items in expense subinventories, select Yes for both the Include Expense Items and the Include Expense Subinventories parameters.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*

Entering Period Rates, *Oracle General Ledger User's Guide*

All Inventories Value Report - by Cost Group

Use the All Inventories Value Report - by Cost Group to display the quantity and value of items for all inventories of an average costing organization, either for a specified cost group or for all cost groups. The report includes inventory stored in subinventories, residing in receiving or intransit. Items in receiving inspection are valued at the PO cost. The report also displays onhand, intransit, and receiving value as of a specified date.

Report Submission:

In the Submit Requests window, select the report name.

To enter report parameters:

1. Enter a report **Title**.

2. Enter an **As of Date**. If a date is specified, then the report will display value as of the specified date. If a date is not specified, then the report will display current value.

3. Choose one of the following **Cost Group** options(required):

- Specific Cost Group - Show the report for a specific cost group only
- All Cost Groups - Show the report for all cost groups

4. Enter a specific **Cost Group**. The report shows past values associated with items in this cost group. This option is only available if the Cost Group Option parameter is set to *Specific Cost Group*.

5. Choose one of the following **Sort Options** (required):
   - Item - Sort by inventory item. The system displays this option as the default
   - Category, Item - Sort the report by category, then by inventory item

6. Enter **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.

7. Select a **Category Set**. The value of all inventory types, subinventories, intransit inventory and receiving inspection is reported for items associated with this category set. The default is the category set you defined for your costing functional area.

8. Enter the **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.

9. Select a **Currency**. You can run this report for any defined currency. When you select a currency other than the ledger currency, item costs are converted to the selected currency using the End of period rate you choose in the Exchange Rate field.

10. Select an **Exchange Rate**. If you choose a currency other than the ledger currency, then the system displays the most recent End of period rate as the default. However, you can choose any prior End of period rate.

11. **Display Zero Costs Only** (required). Select Yes or No to indicate whether to print zero cost items only in the report. Select No to find valuation issues.

12. **Include Expense Items** (required). Select Yes or No to indicate whether to include expense items in the report. When you select Yes, this option includes quantities for expense items in asset subinventories. To include expense items in all subinventories, select Yes for both the Include Expense Items and the Include Expense Subinventories parameters. These quantities are not valued.

13. **Include Expense Subinventories** (required). Select Yes or No to indicate whether to include expense subinventories in the report. When you select Yes, this option includes quantities for asset items in expense subinventories. To include all items in expense subinventories, select Yes for both the Include Expense Items and the

Include Expense Subinventories parameters.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

COGS / Revenue Matching Report

The COGS/Revenue Matching Report is based on Oracle XML Publisher technology.

The report displays earned and unearned (deferred) revenue, and cost of goods sold amounts for sales orders issues specified in the report's run-time parameters. The report displays shipped sales order and associated sales order lines, and shows the accounts where the earned and deferred COGS were charged.

Sales Order	65116	Customer	Computer Service and Rentals
Order Date	08-MAR-06	Currency	USD

Order		Invoice			Sales Order Revenue					Cost of Goods Sold				Accounts	
Line	Quantity	Number	Line	Item	Earned	Unearned	Unbilled	Total	%	Earned	Deferred	Total	%	COGS	Deferred COGS
1	6	10031111	1	KC_COMP1	$0	$1,200	$0	$1,200	0.0%	$0	$780	$780	0.0%	01-520-5110-000	01-520-5110-0000
Subtotal	6				$0	$1,200	$0	$1,200	0.0%	$0	$780	$780	0.0%		

Report Submission:

In the Submit Requests window, select Perpetual COGS Revenue Matching Report.

To enter perpetual report parameters:

1. Select an **Operating Unit** (required). The application displays the accounting ledger that is associated with the selected Operating Unit.

2. Select an accounting **Period** (required).

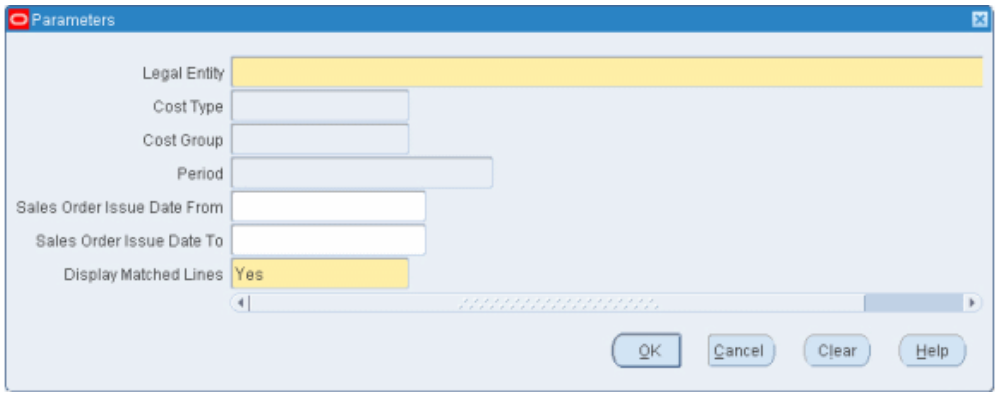
3. Enter the **Sales Order Issue Date From / To** to restrict the report to sales orders within the specific date range (optional).

4. Select Yes or No to **Display Matched Lines** (required). Selecting Yes restricts the report to matched revenue/COGS lines. Selecting No expands the report output to matched and unmatched lines.

Perpetual Report Parameters	
Operating Unit	Vision Operations
Ledger	Vision Operations (USA)
Period	Jul-06
Sales Order Issue Date From	
Sales Order Issue Date To	
Display Matched Lines	Yes

To enter periodic report parameters:

1. Select a **Legal Entity** (required).
2. Select a **Cost Type** (required).
3. Select a **Cost Group** (required).
4. Select an accounting **Period** (required).
5. Enter the **Sales Order Issue Date From / To** to restrict the report to sales order issues within the specified date range (optional).
6. Select Yes or No to **Display Matched Lines** (required). Selecting Yes restricts the report to matched revenue/COGS lines. Selecting No expands the report output to matched and unmatched lines.



Cost Type Comparison Report

Use the Cost Type Comparison Report to review the differences in your item costs by cost type. You should run this report in preparation for a standard cost update, as a means to find large or erroneous differences.

Report Submission:

In the Submit Requests window, select the report name.

Use the Item Cost Information Reports form and enter **Cost Type Comparison Report** in the Name field to submit the report.

To enter report parameters:

1. Choose one of the following report **Sort** options:
   - Category - Sort by category and then by item within the category

- Item - Sort by item. The system displays this option as the default

2. **Cost Type 1**. Select a first cost type by which to compare item costs.
3. **Cost Type 2**. Select a second cost type by which to compare item costs.
4. Choose one of the following **Group By** options:
   - Activity - Compare your item cost by activity
   - Department - Compare your item cost by department
   - Element - Compare your item cost by cost element
   - Level Type - Compare your item cost by this and previous level costs
   - Operation - Compare your item cost by operation
   - Subelement - Compare your item cost by subelement
5. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.
6. Select a **Category Set**. Item costs associated with this category set are compared. The default is the category set you defined for your costing functional area.
7. **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.
8. **Minimum Percentage Diff**. Enter a minimum percentage difference by which to limit the items you report. This value is compared to the absolute amount of the percentage difference between the two cost types. All items greater than or equal to the value you enter are reported.
9. **Minimum Amount Diff**. Enter a minimum amount difference by which to limit the items you report. This value is compared to the absolute difference between the two cost types. All items greater than or equal to the value you enter are reported.
10. **Minimum Unit Cost**. Enter a minimum unit cost difference by which to limit the items you report. This value is compared to the total unit cost in the cost type entered in the Cost Type 1 field to determine the items to compare. All items greater than or equal to the value you enter are reported.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Detailed Item Cost Report

Use the Detailed Item Cost Report to analyze item cost details for any cost type.

Report submission:

In the Submit Requests window, select the report name.

Use the Item Cost Information Reports form and enter **Detailed Item Cost Report** in the Name field to submit the report.

To enter report parameters:

1. Enter one of the following report **Sort** options:
   - Category - Sort by category and then item within the category
   - Item - Sort by item
2. Select a **Cost Type**. Item cost details are reported by cost type.
3. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.
4. Select a **Category Set**. Item cost details associated with this category set are reported. The category set you defined for the costing functional area is the default.
5. **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.
6. **Summary by Element**. Select Yes or No to indicate whether to sub total item cost information by subelement.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Discrete Job Value Report

The Discrete Job Value Report - Average Costing assists you in analyzing your standard discrete jobs and non-standard asset jobs in project and non-project environments. You can submit the WIP Value Report before submitting this report to review total variances and charges for your jobs. You can then submit this report to analyze a summary of the transactions behind the charges and variances for each job.

This report includes summarized information on all cost transactions including material, resource, move and resource-based overheads, scraps, completions, and job

close variances. The report also lists period-to-date and cumulative-to-date summary information, as well as complete job header information.

You can run this report for all project jobs, non-project jobs, or all jobs. You must specify a cost group when running this report for project jobs.

You can also list information for a group of jobs by specifying a job name range, an accounting class range, an assembly range, and/or a particular job status. Costs are grouped and subtotalled by transaction type. You can further restrict your job selection criteria by cost group.

This report also displays details of operation yields for lot-based jobs, including estimated scrap absorption, scrap variance, and actual scrap by department. Calculations of scrap in, scrap out, scrap variances, costs relieved, and variances relieved also appear. See: Overview of Oracle Alert, *Oracle Alert User's Guide*.

This report provides you with all the information that you need to reconcile your standard and non-standard asset jobs before closing them.

> **Important:** This report does not include expense non-standard jobs. Use the Expense Job Value Report to analyze expense non-standard jobs.

Report Submission:

In the Submit Requests window, select Discrete Job Value Report in the Name field.

This report can be submitted when you close standard discrete and project jobs.

To enter report parameters:

1. Choose one of the following **Job Selection** options:
   - Project Jobs Only - If the *Project References Enabled* organization parameter is set, then you can choose to report costs for only project jobs. If the parameter is not set, you cannot access this field. See: Organization Parameters Window, *Oracle Inventory User's Guide*. Choose this option to report costs for only project jobs. See: Project Jobs, *Work in Process User's Guide*.
   - Non-Project Jobs Only - Report costs for non-project standard discrete and non-standard asset jobs
   - Project and Non-Project Jobs - Report costs for all standard discrete and non-standard asset jobs
2. If your Job Selection option is Project Jobs only, then select a **Cost Group**. The default is the organization's default cost group.
3. Choose one of the following **Sort By** options:

- Assembly, Job - Sort by assembly and then by job within the assembly
- Class, Assembly, Job - Sort by WIP accounting class, then by assembly within the WIP accounting class, and then by job within the assembly
- Job - Sort by job

4. Choose one of the following **Report Type** options:
   - Detail using actual completion quantity - Lists each job using the actual completion quantity of the job to calculate the material usage variance. A detail report includes the following: job header, material, resource, resource-based and move-based overhead costs, completion, scrap, and job close variance transactions. It also includes period-to-date and cumulative-to-date summary information. If you push material to a job or backflush material at operation completion and have not completed the assemblies that consumed the material, your material usage variance is overstated. If you backflush material at assembly completion, or you have completed all of the assemblies, any material usage variance is accurate. Use this option if you backflush your requirements at assembly completion, or if you have already completed most of your assemblies.
   - Detail using planned start quantity - Lists each job using the planned start quantity of the job to calculate the material usage variance. A detail report includes the following: job header, material, resource, resource-based and move-based overhead costs, completion, scrap, and job close variance transactions. It also includes period-to-date and cumulative-to-date summary information. If you have not transacted each of the items and resources required to produce your assemblies, your variances are understated (you have a favorable variance). You can use this option to analyze the total cost requirements for a job by cost element, based on your planned assembly completions.
   - Summary - Lists each job and includes job header, period-to-date summary, and cumulative-to-date summary information. The system also lists summary elemental account values for each job.

5. Choose one of the following **Class Type** options:
   - Asset non-standard - Report costs for jobs with a WIP accounting class type of asset non-standard.
   - Standard discrete - Report costs for jobs with a WIP accounting class type of standard discrete.

6. **Include Bulk**. Select Yes to indicate whether to include bulk-supplied material

requirements. If you have already issued to a particular bulk requirement, the system lists the requirement, regardless of what you select here.

7. **Include Supplier**. Select Yes to indicate whether to include supplier-provided material requirements. If you have already issued to a particular supplier requirement, the system lists the requirement, regardless of what you select here.

8. **Classes From/To**. Select a beginning and an ending accounting class to restrict the report to a range of accounting classes.

9. **Jobs From/To**. Select a beginning and an ending job to restrict the report to a range of jobs. If your Job Selection option is *Project Jobs Only*, then you can only select project jobs. If your Job Selection option is *Non-Project Jobs Only*, then you can only select non-project jobs.

10. Select a **Status**. The available options are Unreleased, Released, Complete, Complete-No Charges, On Hold, Cancelled, Closed, Pending Close, and Failed Close jobs. See: Discrete Job Statuses, *Oracle Work in Process User's Guide*.

11. **Assemblies From/To**. Select a beginning and an ending assembly to restrict the report to a range of assemblies.

    Important: For discrete jobs, any difference between the cumulative single level variances and the material usage or efficiency variance subtotals is from configuration or method variances. The cumulative-to-date summary compares the costs incurred for the job with the standard bill/routing requirements for completions out of the job. Therefore, the difference between the cumulative variances and the usage/efficiency variance is due to the difference between the standard bill/routing requirements and the work in process bill/routing requirements. To find the configuration variance, you should compare the material usage variance with the single level material variance. To find the methods variance, you should compare the efficiency variance with its corresponding single level variance. For example, you would compare the resource efficiency variance with the single level; resource and outside processing variance added together. You would add the resource-based and move-based overhead efficiency variances and compare it with the single level overhead variance.

Related Topics

Overview of Discrete Job Close, *Oracle Work in Process User's Guide*,

Overview of Discrete Manufacturing, *Oracle Work in Process User's Guide*,

Expense Job Value Report, *Oracle Work in Process User's Guide*, and

Standard Request Submission, *Oracle Applications User's Guide*.

Elemental Cost Report

Use the Elemental Cost Report to report and summarize item costs by cost element.

> **Note:** If you use Average costing, the Item Definition Summary Report also provides a summary listing with more information.

Report submission:

In the Submit Requests window, select the report name.

Use the Item Cost Information Reports form and enter **Elemental Cost Report** in the Name field to submit the report.

To enter report parameters:

1. Choose one of the following report **Sort** options:
   - Category - Sort by category and then item within the category
   - Item - Sort by item. This is the default option
2. **Zero Cost Only**. Select Yes to report only items with zero costs.
3. Select a **Cost Type**.
4. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.
5. Select a **Category Set**. Elemental item costs associated with this category set are reported. The category set defined for the costing functional area is the default.
6. **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.
7. Select a **Currency**. You can run this report for any defined currency. When you select a currency other than the ledger currency, item costs are converted to the selected currency. Your ledger currency is the default.
8. **Exchange Rate**. The application displays the most recent End of period rate, but you can choose another period. The rate type used, either period average or the period end, is determined by how the *CST:Exchange Rate Type* profile option is set..

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Elemental Inventory Value Report - by Subinventory

This report displays the current onhand elemental value by subinventory for a given organization. The report also displays onhand value as of a specified date. Elemental values are the material, material overhead, resource, overhead, and outside processing cost elements of inventory items. This report prints the extended value of each cost element for the range of items that you choose.

Report submission:

Use the Request Cost and Period Close Reports form and enter **Elemental Inventory Value Report** - **by Subinventory** in the Name field to submit the report.

In the Request value reports window, select the Elemental Inventory Value Report Name.

To enter report parameters:

1. Enter a **Title** for the report.

2. Enter an **As of Date**. If a date is specified, then the report will display value as of the specified date. If a date is not specified, then the report will display current value.

3. Select a **Cost Type**. If you choose a different cost type, then the application values the items at this cost type. If the cost type is not available, then the application values the items at the default cost type. For example, if you choose Quarter1 as the cost type and Quarter1 has Frozen as the default cost type, then the application values the item at the Quarter1 cost. If Quarter1 is not available, then it values the items at the Frozen cost type. An asterisk (*) next to the total indicates the unit cost is from the default cost type.

4. Choose one of the following **Sort** options:

   - Item - Sort by inventory item

   - Category, Item - Sort by category and then by item

   - Subinventory, Item - Sort by subinventory and then by item

5. Choose one of the following **Report** options:

   - Detail - Include detail information. If you choose the Subinventory, Itemsort

option, then the report prints the elemental cost for all items in each subinventory. If you choose either theItem or Category, Item sortoption, then the report prints the elemental cost for each subinventory the item has an on-hand balance.

- Summary - Include only summary information. If you choose the Subinventory, Itemsortoption, then the report prints the elemental cost distribution for each subinventory. If you choose either the Item or Category, Item sortoption, then the report prints the elemental cost distribution for each item.

6. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.

7. Select a **Category Set**. The application reports the value of all items associated with this category set. The category set defined for your costing functional area is the default.

8. **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.

9. **Subinventory From/To**. Select a beginning and an ending subinventory to restrict the report to a range of subinventories.

10. Select a **Currency**. You can run this report for any defined currency. When you enter a currency other than the ledger currency, item costs are converted to the selected currency using the End of period rate you choose in the Exchange Rate field. Your ledger currency is the default.

11. Select an **Exchange Rate**. If you choose a currency other than your ledger currency, then the application displays the most recent End of period rate as the default. However, you can choose any prior End of period rate.

12. **Negative Quantities Only**. Select Yes or No to indicate whether to report only items with negative quantities.

13. **Display Zero Costs Only**. Select Yes or No to indicate whether to report only items with zero costs in the chosen cost type.

14. **Include Expense Items**. Select Yes or No to indicate whether to include expense items on the report.

15. **Include Zero Quantities**. Select Yes or No to indicate whether to report items with zero on-hand quantities.

16. Include **Unvalued Transactions**. Select Yes or No to indicate whether to report unvalued transactions. These are transactions that have no accounting entries because they have not been valued by the Material Cost Transaction Processor.

Important: If you set this option to Yes and you have unvalued transactions, the balance reported will not tie to your general ledger balances.

17. **Include Intransit**. Select Yes or No to indicate whether to display valuation of on-hand, or onhand plus intransit.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide* and

Entering Period Rates, *Oracle General Ledger User's Guide*.

Elemental Inventory Value Report - by Cost Group

This report displays the current onhand value by cost group for a given PJM/WMS organization. The report also displays onhand value as of a user-specified date.

Report submission:

Use the Request Cost and Period Close Reports form and enter **Elemental Inventory Value Report - by Cost Group** in the Name field to submit the report.

In the Request value reports window, select the Elemental Inventory Value Report - by Cost Group name.

To enter report parameters:

1. Enter a **Title** for the report.

2. Enter an **As of Date**. If a date is specified, then the report will display value as of the specified date. If a date is not specified, then the report will display current value.

3. Choose one of the following **Sort** options:

   - Item - Sort by inventory item
   - Category, Item - Sort by category and then by item
   - Subinventory, Item - Sort by subinventory and then by item

4. Select a **Cost Type**. If you choose a different cost type, then the application values the items at this cost type. If the cost type is not available, then the application values the items at the default cost type. For example, if you choose Quarter1 as the cost type and Quarter1 has Frozen as the default cost type, then the application

values the item at the Quarter1 cost. If Quarter1 is not available, then it values the items at the Frozen cost type. An asterisk (*) next to the total indicates the unit cost is from the default cost type.

5. Choose one of the following **Report** options:

   - Detail - Include detail information. If you choose the Subinventory, Itemsort option, then the report prints the elemental cost for all items in each subinventory. If you choose either theItem or Category, Item sortoption, then the report prints the elemental cost for each subinventory the item has an on-hand balance.

   - Summary - Include only summary information. If you choose the Subinventory, Itemsortoption, then the report prints the elemental cost distribution for each subinventory. If you choose either the Item or Category, Item sortoption, then the report prints the elemental cost distribution for each item.

6. Select a **Currency**. You can run this report for any defined currency. When you enter a currency other than the ledger currency, item costs are converted to the selected currency using the End of period rate you choose in the Exchange Rate field. Your ledger currency is the default.

7. Select an **Exchange Rate**. If you choose a currency other than your ledger currency, then the application displays the most recent End of period rate as the default. However, you can choose any prior End of period rate.

8. Select a **Category Set**. The application reports the value of all items associated with this category set. The category set defined for your costing functional area is the default.

9. **Categories From/To**. Select a beginning and an ending category to restrict the report to a range of categories.

10. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.

11. **Cost Group From/To**. Select a beginning and ending cost group to restrict the report to a range of cost groups.

12. **Display Negative Quantities Only**. Select Yes or No to indicate whether to report only items with negative quantities.

13. **Display Zero Costs Only**. Select Yes or No to indicate whether to report only items with zero costs in the chosen cost type.

14. **Include Expense Items**. Select Yes or No to indicate whether to include expense items on the report.

15. **Include Expense Subinventories**. Select Yes or No to indicate whether to include expense subinventories on the report.

16. **Include Zero Quantities**. Select Yes or No to indicate whether to report items with zero on-hand quantities.

17. Include **Unvalued Transactions**. Select Yes or No to indicate whether to report unvalued transactions. These are transactions that have no accounting entries because they have not been valued by the Material Cost Transaction Processor.

    Important: If you set this option to Yes and you have unvalued transactions, the balance reported will not tie to your general ledger balances.

18. **Include Intransit**. Select Yes or No to indicate whether to display valuation of on-hand, or onhand plus intransit.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide* and

Entering Period Rates, *Oracle General Ledger User's Guide*.

Intransit Standard Cost Adjustment Report

This report lists preliminary standard cost adjustments to inventory, or final (historical) adjustments made to the standards by the cost update process.

Report submission:

You can submit this report in three ways:

- Before the cost update, to simulate the cost update intransit valuation adjustments. See: Reporting Pending Adjustments, page 4-11.

- As part of the standard cost update process, to print the final intransit valuation adjustments. See: Updating Pending Costs to Frozen Standard Costs, page 4-13.

- For historical reporting for a prior cost update. See: Reporting Cost Update Adjustments, page 4-18.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*

Intransit Value Report

Use the Intransit Value Report to report the value and quantity of items in intransit inventory. These are items that are being transferred between organizations using the intransit transfer method. They have been issued by the sending organization but not yet received by the receiving organization. For the current organization, this report includes transfers out where the Free On Board (FOB) point is receipt, and transfers in, where the FOB point is shipment. The FOB point determines who owns the items. If there is a possibility that an average costing organization owns the intransit inventory, this report shows the Owning Cost Group (OCG), regardless of how the *Only Display Inventory You Own* parameter is set. The following table illustrates what is or is not displayed, based upon the current organization, the owning organization, and the setting of the *Only Display Inventory You Own (ODIYO)* parameter.

The report also displays intransit value as of a user-specified date.

Current Org	Owning Org.	ODIYO Parm.	OCG Displayed?	OCG Column value	Unit cost column displayed?	Intransit, Transfer Charges, Freight Charge displayed?
Standard	Standard	Yes	No	NULL	Yes	No
Standard	Standard	No	Yes	NULL	No	Yes
Average	Average	No	Yes	OCG	No	Yes
Average	Average	Yes	Yes	OCG	No	Yes
Average	Average	No	Yes	OCG	No	Yes
Average	Standard	No	Yes	NULL	No	Yes

Note that the common cost group is displayed for those average costing transactions that involve non-project manufacturing organizations or where the owning cost group is unknown. In standard costing organizations, where cost groups are not applicable, the cost group is null.

Report submission:

In the Submit Requests window, select the report name.

Use the Request Cost and Period Close Reports form and enter **Intransit Value Report** in the Name field to submit the report.

To enter report parameters:

1. Enter a **Title** for the report.

2. Enter an **As of Date**. If a date is specified, then the report will display value as of the specified date. If a date is not specified, then the report will display current value.

3. Choose one of the following **Sort Options**:

   - Item - Sort by inventory item. This is the default.
   - Category, Item - Sort by category and then by item
   - Freight Carrier - Sort by freight carrier and then by item
   - Transfer Organization - Sort by transfer organization and then by item
   - Shipment Number - Sort by shipment number and then by item

4. Select a **Cost Type**. The default cost type is *Frozen* for standard costing organizations. The cost type field is disabled for average costing organizations.

   If you choose a different cost type, then the application values the items at this cost type. For example, if you choose Quarter1 as the cost type and Quarter1 has Frozen as the default cost type, then the application values the item at the Quarter1 cost. An asterisk (*) next to the total indicates the unit cost is from the default cost type.

5. Choose one of the following **Report Options**:

   - Detail - Print the details of each intransit shipment and a summary by item for all shipments within the sort option you choose in the Sort Option field. This is the default.
   - Summary - Print only item information

6. Select a **Currency**. You can run this report for any defined currency. When you enter a currency other than the ledger currency, item costs are converted to the selected currency using the End of period rate you choose in the Exchange Rate field. Your ledger currency is the default.

7. Choose an **Exchange Rate**. If you choose a currency other than your ledger currency, Cost Management displays the most recent End of period rate as the default. However, you can choose any prior End of period rate.

8. Select a **Category Set**. Cost Management reports the value of intransit inventory for items associated with this category set. The category set defined for the costing functional area is the default.

9. **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.

10. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.

11. **Include Pending Receipts**. Select Yes or No to indicate whether to include pending receipts in the report. These are transfers to the current organization where the FOB Point is Shipment.

12. **Include Shipments**. Select Yes or No to indicate whether to include shipments in the report. These are transfers from the current organization where the FOB Point is Receipt.

13. **Only Display Inventory You Own**. Select Yes or No to indicate whether to display only the items you own. If you set this option to No, the system prints all items from or to the current organization regardless of ownership.

    Important: If you set this option to No, then the report balance will not tie to your intransit inventory general ledger balance.

14. **Quantities By Revision**. Select Yes or No to indicate whether to display item quantities by the revision of the item on the report. If you choose Yes and you maintain inventory balances by revision, the system prints a separate row and quantity for each revision with an on-hand balance.

15. **Include Expense Items**. Choose Yes or No to indicate whether to include expense items on the report.

16. **Display Zero Costs Only**. Select Yes or No to indicate whether to report only items with zero costs in the chosen cost type.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*,

Defining Inter-Organization Shipping Networks, *Oracle Inventory User's Guide*,

Overview of Standard Costing, page 4-1,

Overview of Average Costing, page 5-1, and

Entering Period Rates, *Oracle General Ledger User's Guide*.

Inventory Master Book Report

Use the Inventory Master Book Report if you are in a country with a fiscal inventory

reporting requirement.

Use the Inventory Master Book Report for reporting inventory transactions on a periodic basis to support internal and external auditing.

Report submission:

In the Submit Requests window, select the report name.

To enter report parameters:

1. Select one of the following **Level of Detail** options.
    - Detail - Report detail by transaction date, ordered by transaction
    - Intermediate - Report detail by transaction date, ordered by transaction
    - Summary - Report only summary information, receipt quantity total and issue quantity total
2. **Dates From/To**. Enter the beginning and ending dates to restrict the report to a date range of inventory transactions.
3. **Subinventories From/To**. Select a beginning and an ending subinventory to restrict the report to a range of subinventories.
4. **Items From/To**. Select a beginning and an ending item to restrict the report to a range of assembly items.
5. Select a **Category Set**. The value of all items associated with this category set are reported. The category set defined for the costing functional area is the default.
6. **Categories From/To**. Select the beginning and ending categories to restrict the report to a range of categories.
7. **ABC Assignment Group**. Select the group to restrict the report to a specific ABC Assignment group.
8. **ABC Class**. If you selected an ABC Assignment group, then you can further restrict the report to a specific ABC Class by selecting the class.
9. **Display Cost**. Include or exclude transaction values.

Inventory Standard Cost Adjustment Report

Use the Inventory Standard Cost Adjustment Report to review either preliminary standard cost adjustments to inventory, or to show the final adjustments made to the standards by the cost update process.

Report submission:

You can submit this report in three ways:

- Before the cost update, to simulate the cost update inventory valuation adjustments. See: Reporting Pending Adjustments, page 4-11.
- As part of the standard cost update process, to print the final inventory valuation adjustments. See: Updating Pending Costs to Frozen Standard Costs, page 4-13.
- For historical reporting for a prior cost update. See: Reporting Cost Update Adjustments, page 4-18.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*

Inventory Subledger Report

Use the Inventory Subledger Report to show quantity, valuation, and detailed item information for the subinventories you specify.

Report submission:

In the Submit Requests window, select the report name.

To enter report parameters:

1. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.
2. Select a **Category Set**. The application reports the value of all items associated with this category set. The category set you defined for the costing functional area is the default.
3. **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.
4. **Subinventory From/To**. Select a beginning and an ending subinventory to restrict the report to a range of subinventories.
5. Select a **Currency**. You can run this report for any defined currency. When you enter a currency other than the ledger currency, item costs are converted to the selected currency using the End of period rate you choose in the Exchange Rate field. Your ledger currency is the default.
6. Choose an **Exchange Rate**. If you choose a currency other than your ledger

currency, then the application displays the most recent End of period rate as the default. However, you can choose any prior end of period rate.

7. **Quantities by Revision**. Select Yes or No to indicate whether to display item quantities by the revision of the item on the report.

8. **Negative Quantities Only**. Select Yes or No to indicate whether to report only items with negative quantities.

9. **Include Expense Items**. Select Yes or No to indicate whether to include expense items on the report.

10. **Include Zero Quantities**. Select Yes or No to indicate whether to report items with zero quantities.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Entering Period Rates, *Oracle General Ledger User's Guide*.

Inventory Value Report - by Subinventory

Use the Inventory Value Report - by Subinventory to display quantity, valuation, and detailed item information for the subinventories you specify. The report also displays onhand value as of a specified date.

Report submission:

In the Submit Requests window, select the report name.

Use the Request Cost and Period Close Reports window and enter **Inventory Value Report - by Subinventory** in the Name field to submit the report.

To enter report parameters:

1. Enter a report **Title**.

2. Enter an **As of Date**. If a date is specified, then the report will display value as of the specified date. If a date is not specified, then the report will display current value.

3. Select a **Cost Type**. If you choose a cost type other than Frozen or Average (depending on your costing method), the system values the items at this cost type. If that cost type is not available, the system values the items at the default cost type. For example, if you choose Quarter1 as the cost type and Quarter1 has Frozen as the default cost type, the system values the item at the Quarter1 cost. If Quarter1 is not

available, it values the items at the Frozen cost type. An asterisk (*) next to the total indicates the unit cost is from the default cost type.

4. Choose one of the following **Sort Options**:

   - Item - Sort by inventory item
   - Category, Item - Sort by category and then by item
   - Subinventory, Item - Sort by subinventory and then by item

5. Choose one of the following **Report Options**:

   - Detail - Include detail. If you choose the Subinventory, Itemsortoption, then the report prints all items in each subinventory. If you choose either theItem or Category, Item sortoption, then the report prints the subinventory where the item has an on-hand balance.
   - Summary - Include only summary information. If you choose the Subinventory, Itemsortoption, then the report prints the elemental cost distribution for each subinventory. If you choose either the Item or Category, Item sortoption, then the report prints one line for each item showing the quantity and extended value.

6. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.

7. Select a **Category Set**. The system reports the value of all items associated with this category set. The category set you defined for the costing functional area is the default.

8. **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.

9. **Subinventory From/To**. Select a beginning and an ending subinventory to restrict the report to a range of subinventories.

10. Select a **Currency**. You can run this report for any defined currency. When you enter a currency other than the ledger currency, item costs are converted to the selected currency using the End of period rate you choose in the Exchange Rate field. Your ledger currency is the default.

11. Choose an **Exchange Rate**. If you choose a currency other than your ledger currency, then the application displays the most recent End of period rate as the default. However, you can choose any prior End of period rate.

12. **Quantities by Revision**. Select Yes or No to indicate whether to display item

quantities by the revision of the item on the report.

13. **Negative Quantities Only**. Select Yes or No to indicate whether to report only items with negative quantities.

14. **Display Zero Costs Only**. Select Yes or No to indicate whether to report only items with zero costs.

15. **Include Expense Items**. Select Yes or No to indicate whether to include expense items on the report.

16. **Include Zero Quantities**. Select Yes or No to indicate whether to report items with zero quantities.

17. **Include Unvalued Transactions**. Select Yes or No to indicate whether to report unvalued transactions. These are transactions that have no accounting entries because they have not been valued by the Material Cost Transaction Processor.

    Important: If you set this option to Yes and you have unvalued transactions, the balance reported will not tie to your general ledger balances.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide* and

Entering Period Rates, *Oracle General Ledger User's Guide*.

Inventory Value Report - by Cost Group

Use this report to display onhand value by cost group for a given PJM/WMS organization. The report also displays onhand value as of a specified date.

To enter report parameters:

1. Enter a report **Title**.

2. Enter an **As of Date**. If a date is specified, then the report will display value as of the specified date. If a date is not specified, then the report will display current value.

3. Select a **Cost Type**. If you choose a cost type other than Frozen or Average (depending on your costing method), the system values the items at this cost type. If that cost type is not available, the system values the items at the default cost type. For example, if you choose Quarter1 as the cost type and Quarter1 has Frozen as the default cost type, the system values the item at the Quarter1 cost. If Quarter1 is not

available, it values the items at the Frozen cost type. An asterisk (*) next to the total indicates the unit cost is from the default cost type.

4. Choose one of the following **Sort Options**:

   - Item - Sort by inventory item
   - Category, Item - Sort by category and then by item
   - Subinventory, Item - Sort by subinventory and then by item

5. Choose one of the following **Report Options**:

   - Detail - Include detail. If you choose the Subinventory, Itemsortoption, then the report prints all items in each subinventory. If you choose either theItem or Category, Item sortoption, then the report prints the subinventory where the item has an on-hand balance.
   - Summary - Include only summary information. If you choose the Subinventory, Itemsortoption, then the report prints the elemental cost distribution for each subinventory. If you choose either the Item or Category, Item sortoption, then the report prints one line for each item showing the quantity and extended value.

6. Select a **Cost Type**.

7. Select a **Currency**. You can run this report for any defined currency. When you enter a currency other than the ledger currency, item costs are converted to the selected currency using the End of period rate you choose in the Exchange Rate field. Your ledger currency is the default.

8. Choose an **Exchange Rate**. If you choose a currency other than your ledger currency, then the application displays the most recent End of period rate as the default. However, you can choose any prior End of period rate.

9. Select a **Category Set**. The system reports the value of all items associated with this category set. The category set you defined for the costing functional area is the default.

10. Enter a **Category To/From**. Select a beginning and an ending category to restrict the report to a range of categories.

11. **Items From/To**. Select a beginning and an ending item to restrict the report to a range of items.

12. **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.

13. **Cost Group From/To**. Select a beginning and ending cost group to restrict the report to a range of cost groups.

14. **Quantities by Revision**. Select Yes or No to indicate whether to display item quantities by the revision of the item on the report.

15. **Negative Quantities Only**. Select Yes or No to indicate whether to report only items with negative quantities.

16. **Include Expense Items**. Select Yes or No to indicate whether to include expense items on the report.

17. Include **Expense Subinventories**. Select Yes or No to indicate whether to include expense subinventories on the report.

18. **Include Zero Quantities**. Select Yes or No to indicate whether to report items with zero quantities.

19. **Display Zero Cost Only**. Select Yes or No to indicate whether to report items with zero cost.

20. **Include Unvalued Transactions**. Select Yes or No to indicate whether to report unvalued transactions. These are transactions that have no accounting entries because they have not been valued by the Material Cost Transaction Processor.

    Important: If you set this option to Yes and you have unvalued transactions, the balance reported will not tie to your general ledger balances.

Invoice Transfer to Inventory Report

Use the Invoice Transfer to Inventory Report to provide detailed invoice information to support the cost update interface transactions created by the Invoice Transfer processor. The report displays the invoice price variance amounts of all the invoice distribution lines for each PO distribution.

Report submission:

In the Submit Requests window, select the report name.

To enter report parameters:

1. Select one of the following **Report Options**:

   - Batch Number (optional) - Enter the batch number

- Item (optional) - Select specific items, all items

Related Topics

Transferring Invoice Variance, page 5-20

Item Cost Reports

Use the Item Cost Reports to analyze item costs for any cost type.

> **Note:** You can add more cost reports. Please see the *Oracle Bills of Materials Technical Reference Manual* for additional information.

Report submission:

In the Submit Requests window, select the report name.

Use the Item Cost Information Reports form and enter **Item Cost Reports** in the Name field to submit the reports.

To enter report parameters:

1. Choose one of the following **Report Sort** options:
   - Category - Sort by category and then by item within the category
   - Item - Sort by item
2. Select a **Cost Type**.
3. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.
4. Select a **Category Set**. Item costs associated with this category set are reported. The category set defined for the costing functional area is the default.
5. Category From/To. Select a beginning and an ending category to restrict the report to a range of categories.
6. Choose one of the following **Report Name** options:
   - Activity Summary - Report item costs by activity and department
   - Activity by Flexfield Segment Value - Report item costs by the descriptive flexfield segment you enter

- Activity by Operation - Report item costs by activity and operation sequence number
- Element - Report item costs by cost element and cost level
- Element by Activity - Report item costs by cost element and activity
- Element by Department - Report item costs by cost element and department
- Element by Operation - Report item costs by cost element and operation sequence number
- Element by Subelement - Report item costs by cost element and subelement
- Operation Summary by Level - Report item costs by operation sequence number and cost level
- Operation by Activity - Report item costs by operation sequence number and activity
- Operation by Subelement - Report item costs by operation sequence number and subelement
- Subelement - Report item costs by subelement
- Subelement by Activity - Report item costs by subelement and activity
- Subelement by Department - Report item costs by subelement and department
- Subelement by Flexfield Segment Value - Report item costs by the descriptive flexfield segment you enter
- Subelement by Operation - Report item costs by subelement and operation sequence number

7. Flexfield Option. Enter the descriptive flexfield segment to report item costs. You can only enter a value in this field if you selected either the Activity by Flexfield Segment Valueor Subelement by Flexfield Segment Valuereport.

8. Choose one of the following **Report Template** options:
   - Cost summary - Report item costs summarized as a single level
   - Cost summary by level - Report item costs summarized by this and previous level. This level is the cost or value added at the current level of an assembly. Previous level is the material, material overhead, outside processing, resource and overhead costs of the components used in the manufacture of an assembly.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Layer Inventory Value Report - FIFO/LIFO Costing

Use the Layer Inventory Value Report - FIFO/LIFO Costing to show the quantity, unit cost and value of your on-hand inventory. If you run this report using either the FIFO or LIFO cost type, depending on the costing method, the subinventories (stock) and intransit items are valued at FIFO or LIFO costs.

You can run this report for an item/item range, item category or cost group.

Report submission:

In the Submit Requests window, select the report name.

To enter report parameters:

1. Select a **Cost Group** option: All cost groups or specific cost group.

2. Choose one of the following **Report** options:

   - Summary - Include only summary information

   - Detail - Include detail, showing the layer on-hand quantity, item cost by cost element and extended value for the selected items

3. Choose one of the following **Sort** options:

   - Item - Sort by inventory item. The system displays this option as the default.

   - Category, Item - Sort by category, and then by item within category

4. Item From/To. Select a beginning and an ending item to restrict the report to a range of items.

5. Select a **Category Set**. The value of all inventory types, subinventories, intransit inventory and receiving inspection is reported for items associated with this category set. The default is the category set you defined for your costing functional area.

6. **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.

7. Select a **Currency**. You can run this report for any defined currency. When you select a currency other than the ledger currency, item costs are converted to the

selected currency using the End of period rate you choose in the Exchange Rate field.

8. Select an **Exchange Rate**. If you choose a currency other than the ledger currency, the system displays the most recent End of period rate as the default. However, you can choose any prior End of period rate.

9. **Include Zero Cost Layers**. Select Yes or No to indicate whether to print zero cost items only in the report. Select No to find valuation issues.

10. **Include Expense Subinventories**. Select Yes or No to indicate whether to include expense subinventories in the report. When you select Yes, this option includes quantities for asset items in expense subinventories. To include all items in expense subinventories, select Yes for both the Include Expense Items and the Include Expense Subinventories parameters.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Margin Analysis Reports

Use the Margin Analysis Reports to report sales revenue, cost of goods sold, and gross margin information for each item shipped/invoiced within the specified date range. These report earned revenue versus recognized COGS, and you can print both summary and detail information. The detail report provides the information by customer, order, and line number.

> **Note:** With Release 11*i*, there are now two Margin Analysis Reports. In general, this discussion refers to both reports. The new report, Margin Analysis for Order Management, works with the new Order Management system. The old report, still entitled Margin Analysis in the reports menu, enables you to create reports from old builds. The procedures for creating the two reports vary slightly. These differences are further explained in the Prerequisites section of this discussion and in Submitting a Margin Analysis Load Run, page 13-35.

Margin Analysis Reports display sales revenue, cost of goods sold, and gross margin information for all inventory organizations within an operating unit.

You can combine the Customer Name, Sales Representative, Sales Channel, and Industry parameters to restrict the report to a single customer, sales representative, sales channel, and industry.

Prerequisites:

Margin Analysis Report for Order Management

The Margin Analysis Report for Order Management requires Oracle Order Management, Oracle Inventory, and Oracle Receivables. If you are missing one of these applications, then the report does not run.

Run this report from tables populated by submission of the Margin Analysis Load Run program. The first time that this program runs under Order Management, it populates empty tables. Subsequent submission of the program appends data to the tables, but the tables are never purged. A continuous build is created. See: Submitting a Margin Analysis Load Run, page 13-35.

Since the continuous build is based on valuation cost types (standard or average), the cost type is selected when you submit the report.

With the Application Technology Multi-Organization Access Control (MOAC), the SRS window for this report includes an Operating Unit List of Values that lists the Operating Units attached to the Responsibility's Security Profile.

Margin Analysis Report

This report is provided for backwards compatibility. You may continue to run reports from old builds, however, you cannot create any new builds. You may, however, purge the builds by name.

Report submission:

In the Submit Requests window, select the report name.

To enter report parameters:

1. Select an **Operating Unit** (for the continuous build.) This parameter is only available for the Margin Analysis Report for Order Management.

2. Select a **Build Name** (for old builds) from previous submissions of the Margin Analysis Load Run. This is the data from which the Margin Analysis report is derived. This parameter is not available for the Margin Analysis Report for Order Management.

3. Choose one of the following **Report** options:

   - Summary - Include only summary information

   - Detail - Include customer detail, such as sold to customer, order type, order number, line type, RMA/invoice number, and line number.

4. Select one of the following **Sort** options:

- Item - Sort by item (default). Line type, RMA/invoice number, and line number are included when using a detail report option.

- Category, Item - Sort by category and then by item within the category. The displayed categories are from the master organization for the organization submitting the report. Line type, RMA/invoice number, and line number are included when using a detail report option.

- Order, Item - Sort the report by order and then by item within the order. This sort option is only available with the Summary report option.

5. Select the sales **Order Number**.

6. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.

7. Select a **Category Set**. Cost Management reports items associated with this category set. The category set defined for the costing functional area is the default. The displayed category sets are from the item master organization of the organization submitting the report.

8. **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.

9. **Margin Percentage From/To**. To restrict the report to a range of margin percentages, select a beginning margin and an ending margin. You can enter a negative value.

10. Select a **Cost Type** (for the Continuous Build.). This parameter is only available for the Margin Analysis for Order Management Report.

11. Select a **Currency**. You can run this report for any defined currency. When you enter a currency other than the ledger currency, the reported revenue and costs are converted to the selected currency using the End of period rate or Average period rateyou choose in the Exchange Rate field. Your ledger currency is the default.

12. Select an **Exchange Rate**. If you choose a currency other than the ledger currency, then the most recent End of period rate or Average period rateis the default, depending on how the CST:Exchange Rate Type profile option is set. However, you can choose any prior rate from the list.

13. Select the **Customer Types** to report.

14. Select the **Customer Names** to report.

15. Select the **Sales Representative** to report.

16. Select the **Sales Channel** to report.

17. Select the **Industry** to report.

18. Select the **Sales Territory** to report.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*,

Entering Period Rates, *Oracle General Ledger User's Guide*,

Purging a Margin Analysis Load Run, *Oracle Cost Management User's Guide*.

Submitting a Margin Analysis Load Run

You must run the Margin Analysis Load Run program in order to create the build from which Margin Analysis reports are derived.

When you upgraded to Release 11i with Order Management, all the Order Entry data was migrated to Order Management tables, allowing you to create a new margin build.

You create this new margin build the first time that you run the Margin Analysis Load Run program.

Subsequently, you rerun the Margin Analysis Load Run program to increment or refresh the build.

> **Note:** When Oracle Order Management is installed, the Margin Analysis Load Run (or Build) tables are continuous and ongoing. The build cannot be purged.

To submit a margin analysis load run:

1. Navigate to the Requests window.

2. Select Margin Analysis Load Run.

3. Select the following parameters:
   - From Date (Null or a user-defined date)
     - Null (default) - from last load when the load option is increment
     - Null - from the first sales order when the load option is refresh
   - To Date - user-defined (defaults to current date)

- Overlap Days - intended to pick up transactions in interface tables (default 5 days)
- Load Option
  - Increment - appends to the build since last load and refreshes data in Overlap Days
  - Refresh - overwrites all data from the From Date minus the Overlaps Days to the To Date

    With null as the From Date, Refresh will completely rebuild the table to the To Date (which could be a long process)

4. Select okay.

Related Topics

Margin Analysis Report, page 13-32 and

Standard Request Submission, *Oracle Applications User's Guide*.

Purging a Margin Analysis Load Run

You can purge only those previous margin analysis load runs which are not continuous. Margin Analysis Load Runs created with Oracle Order Management installed are continuous and cannot be purged.

To purge a margin analysis load run:

1. Navigate to the Purge Margin Analysis Run window.
2. Enter the load name to purge.

Related Topics

Margin Analysis Report, page 13-32

Standard Request Submission, *Oracle Applications User's Guide*.

Overhead Report

Use the Overhead Report to report overhead information.

Report submission:

In the Submit Requests window, select the report name.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Use the Request Cost and Period Close Reports form and enter **Overhead Report** in the Name field to submit the report.

Period Close Reconciliation Report

This concurrent program and report is used to create summarized transaction records, the final step in closing your accounting period. It displays the differences between accounted value and inventory in the Discrepancy column. The inventory value is used as the baseline for calculation for the next period summarization values.

The Period Close Reconciliation report can be run at any time during the period. If it is generated for an open period, you are creating a simulation, or snapshot of the period.

If the program is run for an accounting period that is not in Closed status, the report reads directly from a temporary table, The simulation status is indicated in the report title.

To submit the Period Reconciliation concurrent program and report:

1. Navigate to the Period Close Reconciliation Report Request window to display the Parameters window.
2. In the Sort Option field, select how the results are to be sorted on the report.

   Your choices are by Cost Group, Subinventory, or Item - in any sort combination.
3. In the Period field, the current open accounting period displays.

   You can enter previously summarized periods to review the data.
4. In the Run to Date field, enter the ending date for records to summarize.

   This value enables you to choose a date, for reconciliation purposes, where a discrepancy occurred in an open period.
5. In the Cost Group From and To fields, you have the option to specify a range of cost groups.
6. In the Subinventory From and To fields. you have the option to specify a range of subinventory locations.
7. In the Item From and To fields. you have the option to specify a range of items.
8. In the Currency and Exchange Rate fields, select the currency used for this Inventory Organization and the exchange rate defined.

9. Choose OK to display the Request window.

10. Choose Submit to submit this request.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Period Summarization Process, page 10-3

Period Close Pending Transactions Report

The Period Close Pending Transactions Report provides details of transactions preventing period close.

To submit the Period Close Pending Transactions Report:

1. Navigate to the Period Close Pending Transaction Report Request window to display the Parameters window.

2. Select an **Organization Name**.

3. Enter an **Accounting Period**.

4. Select a **Resolution Type** to restrict the report to resolution required or resolution recommended. Valid values are All, Resolution Required, and Resolution Recommended.

5. Select a **Transaction Type** to further restrict the report to particular transaction types.

6. Choose Submit to submit this request.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Period Summarization Process, page 10-3

Receiving Value Report

Use the Receiving Value Report to display item quantity, valuation, and detailed receipt information for the receiving inspection location. If you run the report using the Detail report option, then the report also displays details of the quantity in Receiving Inspection for each receiving shipment. Each line displays the quantity remaining in Receiving Inspection for the parent Receive transaction.

The report also displays receiving value as of a specified date.

Report submission:

In the Submit Requests window, select the report name.

Use the Request Cost and Period Close Reports form and enter **Receiving Value Report** in the Name field to submit the report.

To enter report parameters:

1. Enter an **As of Date**. If a date is specified, then the report will display value as of the specified date. If a date is not specified, then the report will display current value.

2. Select the **Organization** to restrict the report to a specific organization.

3. Choose one of the following **Report** options:

   - Detail - Include detail receipt information, such as receipt date, receipt number, shipment number, current location, deliver-to location, packing slip, document type, document number, and item revision.

   - Summary - Include only summary information for the item, such as item description, quantity, average unit price, and total purchase value.

4. Choose one of the following **Sort** options:

   - Category - Sort by category set and category

   - Item - Sort by item

   - Location - Sort by current receiving location and then by item

   - Vendor - Sort by vendor and then by item

5. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of items.

6. Select a **Category Set**. The value of all items associated with this category set is reported. The category set defined for the costing functional area is the default.

7. **Category From/To**. Select a beginning and an ending category to restrict the report to a range of categories.

8. Select a **Currency**. You can run this report for any defined currency. When you enter a currency other than your ledger currency, the item costs are converted to the selected currency using the End of period rate you choose in the Exchange Rate field.

9. Choose an **Exchange Rate**. If you choose a currency other than your ledger currency, then the most recent End of period rate is the default. However, you can choose any prior End of period rate.

10. **Quantities by Revision**. Select Yes or No to indicate whether to display item quantities by the revision of the item on the report. You can see revision quantities only when you choose Detail for the Report Option.

11. **Include One-Time Items**. Select Yes or No to indicate whether to display one-time (description) items in the report.

12. **Include Period End Accruals**. Select Yes or No to indicate whether to display period end accrual PO shipment receipts in the report. Otherwise, the report will show online accruals only.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Transaction Value Historical Summary Report - Average/FIFO/LIFO Costing

Use the Transaction Historical Value Summary Report - Average/FIFO/LIFO Costing to report past item values. The report calculates historical balances based on a rollback date. The report rolls back all of the transactions for the item to the date that you specify and prints the value as of that date. In addition, you can specify the source type. The report sums the transactions for the item and reports the value by source type. The report aggregates transaction source types not selected for a specific column in the Other column of the report.

You can use the report totals to determine the gross change in monetary value of a cost group for a period of time. For example, if you have two periods open and you want to see the prior period's inventory balance, you can roll back all transactions to the beginning date of the period. In another example, you can generate the report and put the rollback date as of your last physical inventory. This would allow you to audit the source transaction values that have created the change from the last physical inventory to the current inventory value.

You can also use this report to measure the monetary value throughput for the inventory or a cost group from a date that you specify. For example, you can analyze the source type sales orders and inventory transfers for the value transacted for the last month. By contrast, you can run the quantity option for the same source types and see the number of units transacted for the same period.

Finally, you can use the report to analyze the source of the transactions that have raised and lowered the quantity or value for the items by category. This is a useful tool for sales or purchasing evaluations of item categories.

Report submission:

In the Submit Requests window, select the report name.

To enter report parameters:

1. Enter a report **Title**.

2. Enter an **As of Date**. If a date is specified, then the report will display value as of the specified date and time. If a date is not specified, then the report will display current value.

3. Choose one of the following **Cost Group** options:

   - Specific Cost Group - Show the report for a specific cost group only

   - All Cost Groups - Show the report for all cost groups

4. Enter a specific cost group. The report shows past values associated with items in this cost group. This option is only available if the Cost Group Option parameter is set to Specific Cost Group.

5. Choose one of the following **Sort By** options:

   - Item - Sort by inventory item

   - Category - Sort the report by category, then by inventory item

6. **Rollback to this Dat**e. Enter a date from which you want to report past values.

7. Enter a **Category Set**. The report shows past values associated with items in this category set.

8. **Categories From/To** (Optional). Enter beginning and ending categories to restrict the report to a range of categories.

9. **Items From/To** (Optional). Enter beginning and ending items to restrict the report to a range of items.

10. **Source Type for Column One** (Optional). Enter a transaction source type. The report enumerates transaction quantities or value associated with this transaction source type. Source types not selected for a specific column are aggregated as Other in the report.

11. **Source Type for Column Two** (Optional). Enter a transaction source type. The report enumerates transaction quantities or value associated with this transaction source type.

12. **Source Type for Column Three** (Optional). Enter a transaction source type. The report enumerates transaction quantities or value associated with this transaction source type.

13. **Source Type for Column Four** (Optional). Enter a transaction source type. The report enumerates transaction quantities or value associated with this transaction source type.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Supply Chain Consolidated Bills of Material Cost Report

Use the Supply Chain Consolidated Bills of Material Cost Report to report assembly costs across multiple organizations, costing methods, and currencies - connected to sourcing rules. This report consolidates usage quantities of components across all bill levels; that is, it lists total quantities of each component used in the parent assembly regardless of level. The system prints a single row for each component on the bill of material even if it appears on the bill of material for multiple subassemblies. The report contains a Basis/Yield type column for displaying the component type as lot or item.

You can report costs in inventory organizations using all costing methods. You can define sourcing rules to simulate costs, and report the results from those rules.

Report Submission:

You can submit this report as part of the Supply Chain Cost Rollup process, or when reporting item costs. Only an historical report is printed when reporting item costs. A cost rollup is not performed. Cost Rollup uses costs stored as the result of a prior cost rollup. Oracle recommends that you run this report using a past rollup to ensure that the appropriate information is available for the report. If you do not choose a past rollup, the report may not balance.

Use the Indented Bills of Material Cost Report form and enter Indented Bills of Material Cost Report in the Name field to submit the Indented Bills of Material Cost Report.

To enter report parameters:

1. **Description**. Optionally enter any descriptive text referencing this request.

2. Select a value in the **Cost Type** field.

   Cost type determines how the rollup is performed. If an item does not already have cost information in this cost type, costs from the organization default cost type are used. If costs do not exist in the default cost type, then costs from the current organization's valuation cost type are used.

Note: Every time the Supply Chain Cost Rollup program is generated, costs are overwritten from previous rollups for the cost type specified.

See: Defining Cost Types, page 2-13.

3. **Organization**. You can use the default current organization, or leave this field blank. The Organization and Range fields are used together to specify the list of the top level assemblies to roll up.
   - If you select the current organization, then the top level assemblies are rolled up from this organization.
   - If the field is blank, then the top level assemblies are from all organizations are rolled up.

4. Optionally, select a value for the Assignment Set. Once you have defined your sourcing rules and bills of distribution, assign them to particular items and/or organizations. These groupings are called assignment sets. This is where sourcing strategies are defined for a particular supply chain network. See: Setting up the Supply Chain, *Oracle Advanced Planning Implementation and User's Guide*.

5. If you selected an Assignment Set, then select a **Buy Cost Type**.

   If you specified a sourcing rule, then all the costs defined in Buy Cost Type are summed in the material cost. For example:
   - If both the destination and buy cost types are set up as Pending, then the process searches for pending costs.
   - If there are no pending costs, then the process then searches for default cost type.
   - If there are no default costs in the current organization, then the process then searches for the current organization's valuation cost type.

     See: Defining Costing Information, *Oracle Inventory User's Guide*.

     For configure to order items, select the value for the CTO Cost Type defined in the profile option, BOM:Buy Cost Type for Configurations. See: Configuration Item Cost Rollup, *Oracle Configure to Order Implementation Manua*l.

     See: Defining Costing Information, *Oracle Inventory User's Guide*.

6. Select a **Conversion Type** from the list of values. This is the currency conversion type used if currency values need to be converted across organizations.

7. Select the **Range** of items to roll up.

Your choices are: All items, Category, Range of items, Specific item, or Zero cost items.

If you select Zero cost items, then the rollup includes zero cost items in the current and the default cost types that have the attribute, Based on Rollup, enabled.

> **Note:** Inactive items are not rolled up unless you select a Specific Item that is inactive.

8. Select a **Rollup Option**. Your choices are:

   - *Full cost rollup:* Performs a bill of material explosion for assemblies, and then builds the cost of assemblies starting with the lowest level, and works up the structure to top level assemblies.

   - *Single-level cost rollup:* Assigns new standard costs to the top assembly, but not to the lower-level assemblies.

9. If you selected a request type that prints a report, then select a **Report Type**. Your choices are:

   - *Consolidated:* Prints the Supply Chain Consolidated Bill of Material Cost report, which lists total quantities of each component used in the parent assembly regardless of level.

   - *Detail Indented:* Prints the Indented Supply Chain Bill of Material Cost report, which lists detailed cost structure by level.

     See: Supply Chain Consolidated Bills of Material Cost Report, page 13-42, and Supply Chain Indented Bills of Material Cost Report, page 13-46

10. If you selected a request type that prints a report, then in the Material Detail, Material Overhead Detail, and Routing Detail fields, indicate if you want these fields to display on the report. Your choices are Yes or No.

    If you select Yes, then Material, Material Overhead, and Routing detail subelements display on the report.

    > **Note:** If you select No, then you limit the amount of subelement detail and reduce the size of the report.

11. **Report Number of Levels**. Select the number of levels to display on the report. For example, if your assembly had 20 levels and you enter 10 in this field, then the costs for levels 1 to 10 would be detailed. The costs for levels 11 to 20 would be summarized as previous level costs.

12. **Enter theEffective Date** to determine the structure of the bill of material to use in

the cost rollup. You can use this to roll up historical and future bill structures using current rates and component costs.

13. **Include Unimplemented ECOs**. Select Yes or No to indicate whether to include unimplemented ECOs in the bill structure.

14. Select an **Alternate Bill** to copy the structure of the bill. Otherwise, the primary bill structures are used. By selecting an alternate bill, you can get an indented bill of material cost report that reflects the frozen cost, even if the bill structures have changed. Set the cost type to snapshot the bill structure. When you run this report, specify the same alternate bill that you set up in the cost type.

15. Optionally, enter an **Alternate Routing** for the assembly to roll up, if applicable, for the Range that you selected.

    For example, if an alternate routing is specified, all items specified in the range are still rolled up:

    - The items that do have an associated routing with that name are rolled up using that routing.

    - The items that do not have an associated routing with that name will continue to be rolled up using the primary routing.

      See: Primary and Alternate Routings, *Oracle Bills of Material User's Guide*.

16. **Engineering Bills**. Select Yes or No to indicate whether to report engineering bills.

17. Optionally, enter a **Specific Item** to roll up:

    - If you selected Specific Item in the Range field, then select an item.

    - If you selected Category in the Range field, then select either a category set or a specific category.

      If you select a category set, then item costs are rolled up for items associated with this category set. The default is the category set defined for your costing functional area.

    - If you selected Range of items, then enter From and To values to specify the range of items for which to roll up costs.

18. Select a **Category Set**. Indented bill cost information is reported for items associated with this category set. The default is the category set you defined for your functional area.

19. **Specific Category**. Select a specific category to restrict the report to a range of categories. Indented bill cost information is reported for items associated with these category sets.

20. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of assembly items.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Rolling Up Supply Chain Costs, page 11-1

Supply Chain Indented Bills of Material Cost Report

This report lists item costs by level, detailiing assembly costs by subelement to the lowest level of your bill. Each item is detailed regardless of the number of levels it appears at on the bill. You can report item costs across multiple organizations, costing methods, and currencies - connected to sourcing rules.

The report contains a Basis/Yield type column for displaying the component type as Lot or Item.

Report submission:

You can submit this report as part of the cost rollup process, or when reporting item costs. Only an historical report is printed when reporting item costs. A cost rollup is not performed. It uses costs stored as the result of a prior cost rollup. Oracle recommends you run this report using a past rollup to ensure that the appropriate information is available for the report.

Use the Indented Bills of Material Cost Report form and enter **Indented Bills of Material Cost Report** in the Name field to submit the Indented Bills of Material Cost Report.

To enter report parameters:

1. Enter a **Description**. Optionally enter any descriptive text referencing this request.

2. Select a value in the **Cost Type** field.

   Cost type determines how the rollup is performed. If an item does not already have cost information in this cost type, costs from the organization default cost type are used. If costs do not exist in the default cost type, then costs from the current organization's valuation cost type are used.

   > **Note:** Every time the Supply Chain Cost Rollup program is generated, costs are overwritten from previous rollups for the cost type specified.

   See: Defining Cost Types, page 2-13.

3. Enter an **Organization**. You can use the default current organization, or leave this field blank. The Organization and Range fields are used together to specify the list of the top level assemblies to roll up.

   - If you select the current organization, then the top level assembly items are rolled up from this organization.
   - If the field is blank, then the top level assembly items are from all organizations are rolled up.

4. Optionally, select a value for **Assignment Set**. Once you have defined your sourcing rules and bills of distribution, assign them to particular items and/or organizations. These groupings are called assignment sets. This is where sourcing strategies are defined for a particular supply chain network. See: Setting up the Supply Chain, *Oracle Advanced Planning Implementation and User's Guide*.

5. If you selected an Assignment Set, select a **Buy Cost Type**.

   If you specified a sourcing rule, all the costs defined in Buy Cost Type are summed in the material cost. For example:

   - If both the destination and buy cost types are set up as Pending, the process searches for pending costs.
   - If there are no pending costs, the process then searches for default cost type.
   - If there are no default costs in the current organization, the process then searches for the current organization's valuation cost type. See: Defining Costing Information, *Oracle Inventory User's Guide*.

     For configure to order items, select the value for the CTO Cost Type defined in the profile option, BOM:Buy Cost Type for Configurations. See: Configuration Item Cost Rollup, *Oracle Configure to Order Implementation Manua*l.

     See: Defining Costing Information, *Oracle Inventory User's Guide*.

6. Select a **Conversion Type** from the list of values. This is the currency conversion type used if currency values need to be converted across organizations.

7. Select the **Range** of items to roll up.

   Your choices are: All items, Category, Range of items, Specific item, or Zero cost items.

   If you select Zero cost items, then the rollup includes zero cost items in the current and the default cost types that have the attribute, Based on Rollup, enabled.

   > **Note:** Inactive items are not rolled up unless you select a Specific Item that is inactive.

8. Select a **Rollup Option**. Your choices are:

   - *Full cost rollup:* Performs a bill of material explosion for assemblies, and then builds the cost of assemblies starting with the lowest level, and works up the structure to top level assemblies.

   - *Single-level cost rollup:* Assigns new standard costs to the top assembly, but not to the lower-level assemblies.

9. If you selected a request type that prints a report, then select a **Report Type**. Your choices are:

   - *Consolidated:* Prints the Supply Chain Consolidated Bill of Material Cost report, which lists total quantities of each component used in the parent assembly regardless of level.

   - *Detail Indented:* Prints the Indented Supply Chain Bill of Material Cost report, which lists detailed cost structure by level.

     See: Supply Chain Consolidated Bills of Material Cost Report, page 13-42, and Supply Chain Indented Bills of Material Cost Report, page 13-46

10. If you selected a request type that prints a report, in the **Material Detail**, **Material Overhead Detail**, and **Routing Detail** fields, indicate if you want these fields to display on the report. Your choices are Yes or No.

    If you select Yes, then Material, Material Overhead, and Routing detail subelements display on the report.

    > **Note:** If you select No, then you limit the amount of subelement detail and reduce the size of the report.

11. **Report Number of Levels**. Select the number of levels to display on the report. For example, if your assembly had 20 levels and you enter 10 in this field, then the costs for levels 1 to 10 would be detailed. The costs for levels 11 to 20 would be summarized as previous level costs.

12. Enter the **Effective Date** to determine the structure of the bill of material to use in the cost rollup. You can use this to roll up historical and future bill structures using current rates and component costs.

13. **Include Unimplemented ECOs**. Select Yes or No to indicate whether to include unimplemented ECOs in the bill structure.

14. Select an **Alternate Bill** to copy the structure of the bill. Otherwise, the primary bill structures are used. By selecting an alternate bill, you can get an indented bill of material cost report that reflects the frozen cost, even if the bill structures have

changed. Set the cost type to snapshot the bill structure. When you run this report, specify the same alternate bill that you set up in the cost type.

15. Optionally, enter an **Alternate Routing** for the assembly to roll up, if applicable, for the Range that you selected.

    For example, if an alternate routing is specified, all items specified in the range are still rolled up:

    - The items that do have an associated routing with that name are rolled up using that routing.
    - The items that do not have an associated routing with that name will continue to be rolled up using the primary routing.

      See: Primary and Alternate Routings, *Oracle Bills of Material User's Guide*.

16. **Engineering Bill**. Select Yes or No to indicate whether to report engineering bills.

17. Optionally, enter a **Specific Item** to roll up:

    - If you selected Specific Item in the Range field, then select an item.
    - If you selected Category in the Range field, then select either a category set or a specific category.

      If you select a category set, then item costs are rolled up for items associated with this category set. The default is the category set defined for your costing functional area.

    - If you selected Range of items, then enter From and To values to specify the range of items for which to roll up costs.

18. Select a **Category Set**. Indented bill cost information is reported for items associated with this category set. The default is the category set you defined for your functional area.

19. **Specific Category**. Select a specific category to restrict the report to a range of categories. Indented bill cost information is reported for items associated with these category sets.

20. **Item From/To**. Select a beginning and an ending item to restrict the report to a range of assembly items.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

Rolling Up Supply Chain Costs, page 11-1

WIP Standard Cost Adjustment Report

The WIP Standard Cost Adjustment Report lists either preliminary standard cost adjustments to work in process, or the final adjustments made to the standards by the cost update process. The report also displays the basis type.

> **Note:** You can only obtain this report if you have Oracle Work in Process installed.

Report submission:

You can submit this report in three ways:

- Before the cost update, to simulate the cost update work in process valuation adjustments. See: Reporting Pending Adjustments, page 4-11.
- As part of the standard cost update process, to print the final work in process valuation adjustments. See: Updating Pending Costs to Frozen Standard Costs, page 4-13.
- For historical reporting for a prior cost update. See: Reporting Cost Update Adjustments, page 4-18.

Related Topics

Standard Request Submission, *Oracle Applications User's Guide*.

A

Windows and Navigator Paths

This appendix covers the following topics:

- Windows and Navigator Paths

Windows and Navigator Paths

For windows described in other manuals:

BOM	Oracle Bills of Material User's Guide
CAP	Oracle Capacity User's Guide
ENG	Oracle Engineering User's Guide
Flex	Oracle Applications Flexfields Manual
GL	Oracle General Ledger User's Guide
HR	Oracle Human Resources User's Guide
PO	Oracle Purchasing User's Guide
MRP	Oracle Master Scheduling/MRP and Oracle Supply Chain Planning User's Guide
SYS	Oracle System Administrator's Guide
User	Oracle Applications User's Guide
WIP	Oracle Work in Process User's Guide

Text in brackets ([ ]) indicates a button. Although your system administrator may have customized your navigator, typical navigator paths are presented in the following table:

Window Name	Navigation Path
Account Alias (See: Defining Account Aliases, *Oracle Inventory User's Guide* Inventory)	Setup > Account Assignments > Account Aliases
Calendar, *Oracle General Ledger User's Guide*	Setup > Financials > Accounting Calendar > Accounting
Activities, page 2-17	Setup > Activities
Activity Costs, page 2-17	Setup > Activities > Activity Costs
Accrual Write Off, *Oracle Purchasing User's Guide*	Periodic Costing > Periodic Close Cycle > Accrual Write Off
Alternates, *Oracle Bills of Material User's Guide*	Setup > Alternates
Bill Components Comparison	Operational Analysis > View Bills > Comparison
Bill Details	Operational Analysis > View Bills > Bills > [Bill Details]
Bills of Material	Operational Analysis > View Bills > Bills
Bill Components Comparison (See **BOM**)	Operational Analysis > View Bills > Comparison
Categories	Setup > Categories > Category Codes
Categories (See **INV**)	Setup > Categories > Category Codes
Category Accounts, *Oracle Inventory User's Guide*	Setup > Category Accounts
Category Set, *Oracle Inventory User's Guide*	Setup > Categories > Category Sets
Change Organization (See **MRP**)	Change Organization
Close Discrete Jobs (See **WIP**)	Discrete Jobs > Close Discrete Jobs > Close Discrete Jobs (Form)

Window Name	Navigation Path
Close Discrete Jobs	Discrete Jobs > Close Discrete Jobs > Close Discrete Jobs (SRS)
Close Discrete Jobs (See **WIP**)	Discrete Jobs > Close Discrete Jobs > Close Discrete Jobs (SRS)
Collect Revenue Recognition Information	COGS Recognition > Collect Revenue Recognition Information
Copy Period Costs	Periodic Costing > Copy Period Costs
Cost Groups, page 2-75	Setup > Cost Groups
Cost Types, page 2-13	Setup > Cost Types
Currencies	Setup > Financials > Currencies > Currencies
Currencies (See **GL**)	Setup > Financials > Currencies > Currencies
Daily Rates, *Oracle General Ledger User's Guide*	Setup > Financials > Currencies > Daily Rates
Daily Rates (See **GL**)	Setup > Financials > Currencies > Daily Rates
Default Category Sets, *Oracle Inventory User's Guide*	Setup > Categories > Default Category Sets
Default WIP Accounting Classes for Categories	Setup > Account Assignments > Category Default WIP Classes
Descriptive Elements, *Oracle Bills of Material User's Guide*	Operational Analysis > View Bills > Bills > [Elements]
Detailed On-hand Quantities (See **INV**)	Operational Analysis > View Material > On-hand Quantities > [Detailed] > [Find]
Employee Labor Rates	Setup > Employees > Labor Rates
Employee Labor Rates (See **HR**)	Setup > Employees > Labor Rates
Expenditure Types for Cost Elements	Setup > Expenditure Types for Cost Elements

Window Name	Navigation Path
Freight Carriers	Setup > Account Assignments > Freight Carriers
Freight Carriers (See **INV**)	Setup > Account Assignments > Freight Carriers
General Ledger Transfer	Accounting Close Cycle > View General Ledger Transfers
General Ledger Transfers (See **INV**)	Accounting Close Cycle > View General Ledger Transfers
Generate COGS Recognition Events	COGS Recognition > Generate COGS Recognition Events
GL Accounts	Setup > Account Assignments > Accounts
GL Accounts (See **GL**)	Setup > Account Assignments > Accounts
Import Period Costs, page 9-39	Periodic Costing > Import Period Costs
Indented Bills of Material	Item Costs > View Costed Indented Bills > [Find]
Item Attributes	Operational Analysis > View Material > Item Information > [Attributes]
Item Attributes (See **INV**)	Operational Analysis > View Material > Item Information > [Attributes]
Item Categories	Operational Analysis > View Material > Item Information > [Categories]
Item Categories (See **INV**)	Operational Analysis > View Material > Item Information > [Categories]
Item Costs, page 3-3	Item Costs > Item Costs > Item Costs Summary > [Costs]
Item Costs Details, page 3-3	Item Costs > Item Costs > [New]

Window Name	Navigation Path
Item Cost History, page 5-25	Item Costs > Item Cost History > [Cost History]
Item Cost Inquiry, page 9-24	Periodic Costing > Item Cost Inquiry
Item Costs Summary, page 3-3	Item Costs > Item Costs
Item On-hand Quantities (See **INV)**	Operational Analysis > View Material > On-hand Quantities > [Item] > [Find]
Item Revisions	Operational Analysis > View Material > Item Information > [Revisions]
Item Revisions (See **INV**)	Operational Analysis > View Material > Item Information > [Revisions]
Item Revisions	Operational Analysis > View Bills > Bills > [Find] > [Revision]
Item Search	Operational Analysis > View Material > Item Search > [Find]
Item Search (See **INV**)	Operational Analysis > View Material > Item Search > [Find]
Item WhereUsed	Operational Analysis > View Bills > Item Usages
Item WhereUsed (See **BOM**)	Operational Analysis > View Bills > Item Usages
Inventory Accounting Periods	Accounting Close Cycle > Inventory Accounting Periods
Inventory Accounting Periods (See **INV**)	Accounting Close Cycle > Inventory Accounting Periods
Mass Edit Cost Information, page 2-44	Cost > Cost Mass Edits > Mass Edit Cost Information
Material and receiving transactions, page 9-27	Periodic Costing > View Transactions > Material and Receiving Transactions

Window Name	Navigation Path
Material Overhead Absorption Rules, page 2-22	Setup > Sub-Elements > Material Overhead Absorption Rules
Material Overhead Defaults, page 2-40	Setup > Subelements > Defaults
Material Subelements, page 2-20	Setup > Subelements > Material
Material Transactions, *Oracle Cost Management User's Guide*	View Transactions > Material Transactions
Material Transactions (See **INV**)	View Transactions > Material Transactions
Material Transaction Distributions, page 3-18	View Transactions > Material Distributions > [Find]
Org Cost Group/Cost Type Associations, page 9-13	Periodic Costing > Setup > Org Cost Group/Cost Type Association
Organization	Setup > Account Assignments > Organizations
Organization Cost Groups, page 9-11	Periodic Costing > Setup > Organization Cost Group
Organizations (See **INV**)	Setup > Account Assignments > Organizations
Organization Parameters	Setup > Account Assignments > Organization Parameters
Organization Parameters (See **INV**)	Setup > Account Assignments > Organization Parameters
Overhead Rates, page 2-22	Setup > Subelements > Overheads > [Rates]
Overheads, page 2-22	Setup > Subelements > Overheads
Pending Transactions	View Transactions > Pending Material Transactions > [Find]
Pending Transactions (See **INV**)	View Transactions > Pending Material Transactions > [Find]

Window Name	Navigation Path
Pending Transactions	Accounting Close Cycle > Inventory Accounting Periods > [Pending]
Pending Transactions (See **INV**)	Accounting Close Cycle > Inventory Accounting Periods > [Pending]
Periodic Absorption Cost Processor	Periodic Costing > Periodic Cost
Periodic Account Assignments, page 9-17	Periodic Costing > Setup > Periodic Account Assignments
Periodic Accounting Periods, page 9-31	Periodic Costing > Periodic Close Cycle > Periodic Accounting Periods
Periodic Acquisition Cost, page 9-19	Periodic Costing > Periodic Acquisition Cost
Periodic Cost (Processor), page 9-23	Periodic Costing > Periodic Cost
Periodic Cost Update, page 9-39	Periodic Costing > Periodic Cost Update
Periodic Distributions, page 9-24	Periodic Costing > Periodic Distributions
Period Rates	Setup > Financials > Currencies > Period Rates
Period Rates (See **GL**)	Setup > Financials > Currencies > Period Rates
Period Types, page 2-12	Setup > Financials > Accounting Calendar > Types
Period Types (See **GL**)	Setup > Financials > Accounting Calendar > Types
Persons	Setup > Employees > Persons
Persons (See **HR**)	Setup > Employees > Persons
Project Cost Transfer, page 8-17	Projects > Control > Project Cost Transfer
Purchase Order Headers	Operational Analysis > View Purchases > Purchase Orders

Window Name	Navigation Path
Purchase Orders (See **PO**)	Operational Analysis > View Purchases > Purchase Orders
Purchasing Options	Setup > Account Assignments > Purchasing Options
Purchasing Options (See **PO**)	Setup > Account Assignments > Purchasing Options
Receiving Options	Setup > Account Assignments > Receiving Options
Receiving Options (See **PO**)	Setup > Account Assignments > Receiving Options
Receipt Transactions Summary	View Transactions > Receiving Transactions
Receipt Transactions Summary (See **PO**)	View Transactions > Receiving Transactions
Record Order Management Transactions	COGS Recognition > Record Order Management Transactions
Reference Designators See **BOM**	Operational Analysis > View Bills > Bills > [Designators]
Report Standard Cost Adjustments	Report > Cost > Adjustment
Requisition Headers Summary	Operational Analysis > View Purchases > Requisitions
Requisitions (See **PO**)	Operational Analysis > View Purchases > Requisitions
Resource Overhead Associations, page 2-22	Setup > Subelements > Overheads > [Resources]
Resource WhereUsed	Operational Analysis > View Routings > Resource Usage
Resource WhereUsed (See **BOM**)	Operational Analysis > View Routings > Resource Usage

Window Name	Navigation Path
Revision On-hand Quantities (See **INV**)	Operational Analysis > View Material > On-hand Quantities > [Revision] > [Find]
Resources	Setup > Subelements > Resources
Resources (See **BOM**)	Setup > Subelements > Resources
Routing Details	Operational Analysis > View Routings > Routings > [Routing Details]
Routing Details (See **BOM**)	Operational Analysis > View Routings > Routings > [Routing Details]
Routing Revisions	Operational Analysis > View Routings > Routings > [Routing Revisions]
Routing Revisions (See **BOM**)	Operational Analysis > View Routings > Routings > [Routing Revisions]
Routings	Operational Analysis > View Routings > Routings
Ledger	Setup > Financials > Books
Ledger (See **GL**)	Setup > Financials > Books
Shipping Networks	Setup > Account Assignments > Shipping Network
Shipping Networks (See **INV**)	Setup > Account Assignments > Shipping Network
Standard Cost History, page 4-20	Item Costs > Standard Cost Update > View Cost History
Standard Cost Update	Item Costs > Standard Cost Update > Update Costs
Standard Operations	Operational Analysis > View Routings > Standard Operations

Window Name	Navigation Path
Standard Operations (See **BOM**)	Operational Analysis > View Routings > Standard Operations
Subinventories Summary	Setup > Account Assignments > Subinventories
Subinventories Summary (See **INV**)	Setup > Account Assignments > Subinventories
Subinventory On-hand Quantities (See **INV**)	Operational Analysis > View Material > On-hand Quantities > [Subinventory] > [Find]
Substitute Components	Operational Analysis > View Bills > Bills > [Find] > [Substitutes]
Substitute Components (See **BOM**)	Operational Analysis > View Bills > Bills > [Find] > [Substitutes]
Summarize Transactions	View Transactions > Transaction Summaries
Summarize Transactions (See **INV**)	View Transactions > Transaction Summaries
Transaction Calendar	Setup > Financials > Accounting Calendar > Transaction
Transaction Calendar (See **GL**)	Setup > Financials > Accounting Calendar > Transaction
Transfer Invoice Variance, page 5-20	Item Costs > Average Cost Update >Transfer Invoice Variance
Transfer to General Ledger, page 9-34	Periodic Costing > Periodic Close Cycle>Transfer to General Ledger
Update Average Cost, page 5-16	Item Costs > Average Cost Update > Update Costs
Update Layer Cost, page 6-24	Item Costs > Layer Cost Update > Update Costs
Update Periodic Costs , page 9-39	Periodic Costing > Update Periodic Costs

Window Name	Navigation Path
View Bills of Material	Operational Analysis > View Bills > Bills
View Discrete Jobs	Operational Analysis > View Work in Process > Discrete Jobs
View Item Costs Details, page 3-3	Item Costs > Item Costs > [Views] > [Details]
View Item Costs Summary, page 3-3	Item Costs > Item Costs > [Views]
View Material Requirements	Operational Analysis > View Work in Process > Material Requirements
View Material Requirements (See **WIP**)	Operational Analysis > View Work in Process > Material Requirements
View Material Transactions, page 3-26	View Transactions > Material Transactions
View Move Transactions	View Transactions > Move Transactions
View Operations	Operational Analysis > Work in Process > Operations
View Pending Resource Transactions (See **WIP**)	View Transactions > View Pending Resource Transactions
View Repetitive Schedules	Operational Analysis > View Work in Process > Repetitive Schedules
View Resource Requirements	Operational Analysis > View Work in Process > Resource Requirements
View Resource Requirements (See **WIP**)	Operational Analysis > View Work in Process > Resource Requirements
View Resource Transactions	View Transactions > Resource Transactions > [Find]
View Resource Transactions (See **WIP**)	View Transactions > Resource Transactions > [Find]

Window Name	Navigation Path
View Standard Cost Update, page 4-22	Item Costs > Standard Cost Update > View Cost Update
View Transaction Layer Cost, page 6-35	View Transactions > Material Transaction Layer Cost
View WIP Layers	Discrete Jobs > View WIP Layer Cost
WIP Accounting Classes, *Oracle Cost Management User's Guide*	Setup > Account Assignments > WIP Accounting Classes
WIP Accounting Classes (See **WIP**)	Setup > Account Assignments > WIP Accounting Classes
WIP Account Classes, page 2-75	Setup > Cost Groups > [WIPAccounting Classes]
WIP Jobs and Schedules, page 3-22	View Transactions > WIP Value Summary > [Find]
WIP Transactions, page 9-29	Periodic Costing > View Transactions > WIP Transactions
WIP Transaction Distributions, page 3-19	View Transactions > WIP Value Summary > [Find] > [Distributions]
WIP Value Summary, page 3-22	View Transactions > WIP Value Summary > [Find] > [Value Summary]

B

Cost Management Alerts

Oracle Cost Management Alerts

Cost Management includes two pre-coded alerts you can use with or without customizing:

- Zero Cost Items notifies you of items that are costed but have zero frozen costs
- Zero Cost Account Distributions notifies you of inventory transactions for items without standard costs

Zero Cost Items

This alert notifies you of items that are costed but have zero frozen costs.

Alert Type - Periodic

Periodicity - On-Demand

Inputs - Organization

Zero Cost Account Distributions

This alert notifies you of inventory transactions for items without standard costs.

Alert Type - Periodic

Periodicity - On Demand

Inputs - Organization

C

Oracle Cost Management Client Extensions

Client Extensions

Oracle Cost Management provides flexible cost processing. However, many companies have business requirements that are unique to their company or country. To address these unique requirements, Cost Management provides subprograms which enable you to extend the functionality of the product to implement and automate company-specific business rules. In other words, subprograms provide extensibility by letting you tailor the PL/SQL language to suit your needs. For this reason these subprograms are commonly known as client extensions.

> **Note:** Extensions are applicable to all organizations unless the client extension is designed to restrict its use.

The following tables lists the Cost Management client extensions and their predefined template function files. The template function files are stored in the Cost Management admin/sql directory.

> **Note:** Accounting Entry Extensions are obsolete for Release 12. If you have implemented Accounting Entry Extensions and are upgrading to Release 12, then you must implement the logic in those extensions by customizing the base Costing SLA rules.

Standard Cost Client Extensions	Package Specification File	Package Body File
Account Generation Extension, page C-11	CSTSCHKS.pls	CSTSCHKB.pls

Average Cost Client Extensions	Package Specification File	Package Body File
Transaction Cost Extension, page C-9	CSTACHKS.pls	CSTACHKB.pls
Account Generation Extension, page C-11	CSTACHKS.pls	CSTACHKB.pls
Cost Processing Cutoff Date Extension, page C-20	CSTACHKS.pls	CSTACHKB.pls
Project Cost Collector Transaction Client Extension, page C-21	CSTCCHKS.pls	CSTCCHKB.pls
Project Cost Collector Accounting Extension, page C-26	CSTPMHKS.pls	CSTPMHKB.pls
Period Close Check for Shipping Transactions, page C-31	CSTINVRS.pls	CSTINVRB.pls

In average costing organizations, you can implement Transaction Cost, Account Generation, and Cost Processing Cutoff Date client extensions. In standard costing, you can only implement the Account Generation extension.

To define company specific rules using client extensions, design and write these rules using PL/SQL functions; these functions are called during specific points in the normal processing flow of Cost Management.

These functions that you write are *extensions* rather than *customizations* because they are supported features within the product and are easily upgradable between releases of the product. Customizations are changes made to the base product and are not supported nor easily upgraded.

> **Important:** You are responsible for the support and upgrade of the logic within the functions that you write, which may be impacted by changes between releases of the Oracle Applications.

This essay provides a general overview of client extensions and their implementation as well as specific information about the client extensions available in Cost Management.

Related Topics

Types of Client Extensions, page C-3

Implementing Client Extensions, page C-3

Determining Your Business Needs, page C-4

Designing Client Extensions, page C-4

Writing PL/SQL Procedures/Functions, page C-6

Storing Your Functions, page C-8

Types of Client Extensions

You can implement the following extensions to help you address your company's business requirements.

Transaction Cost Extension

You can use this extension to reset the elemental costs of transactions in average costing organizations.

Account Generation Extension

You can use this extension to provide alternative accounts per your requirements for account distributions. These accounts are picked and used by the cost processor when the cost processor performs accounting distributions. You can use this extension in a standard or average costing organization.

Cost Processing Cutoff Date Extension

You can use this extension to process only transactions up through a user-specified date. You can only use this extension in average costing organizations.

Related Topics

Client Extensions, page C-1

Transaction Cost Extension, *Oracle Cost Management User's Guide*

Account Generation Extension, *Oracle Cost Management User's Guide*

Costs Processing Cutoff Date Extension, page C-20

Implementing Client Extensions

The implementation of client extensions primarily consists of the following three steps:

- Determining your business requirements

- Designing client extension logic
- Modifying appropriate template function files using PL/SQL

Each of these steps requires a specific expertise. The analysis and design portions require an implementation team member who is functionally knowledgeable about the company specific business rules, the implementation of Cost Management for your company, and the conceptual flow of the client extensions. The PL/SQL coding portion requires an implementation team member who is technically knowledgeable with PL/SQL and the Cost Management data structures.

Determining Your Business Requirements

The first step of implementing client extensions is to determine if you need to use the client extensions. You can do this by following these steps, which are part of the process of any Cost Management implementation:

1. Clearly define and document your company specific business requirements and rules.
2. Determine if these business rules are handled by the normal functionality of Cost Management.
3. For those business rules not handled by the normal functionality, review the client extensions and determine if a client extension can help address the specific business rules, based on your documented business requirements.

Designing Client Extensions

Designing your client extension is the most significant part of implementing client extensions. This design cycle involves the following aspects:

1. Understand the appropriate client extension, including its intended purpose, its processing flow, the predefined place that it is called, and its input values.
2. Define and document the requirements and logic of your business rules under all possible conditions. This logic includes the required inputs, the calculations performed, and the corresponding outputs.
3. Determine the data elements required to drive your rules and how you will select or derive each of the required elements. Define additional implementation data and document additional business functions of using the system based on the requirements of your business rules.

Determining Data Elements

Predefined Parameters

Cost Management provides predefined parameters for each client extension. The program which calls and executes the client extension passes in values for the predefined parameters, which define the context of what transaction is being processed.

Derived Information

You can derive additional information from the predefined parameters. For example, a client extension may have a predefined parameter of TRANSACTION_ID, which is the identifier of the transaction. Your business rule needs transaction type, so you derive the transaction type from the TRANSACTION_ID.

Example of Designing a Client Extension

Let's use the earlier extension example to illustrate these design steps.

1. After studying client extensions, you have decided to use the account generation extension to implement the following policy:

   You should only use product line accounts for subinventory transfers

2. You define the logic for the account generation extension as:

   IF transaction is (subinventory_transfer) THEN Find out Product Line Account for this item, organization, and subinventory RETURN Accounts

3. Determine what input data and output data is required. Per the above example, the data required and its source is listed in the following table:

Input	Type of Parameter
Transaction identifier	Predefined
Organization identifier	Predefined
Inventory item identifier	Derived
Subinventory Code	Predefined
Transaction Action	Derived

The SQL script for capturing the derived data listed in the above table is as follows:

```
SELECT Transaction_action, inventory_item
  identifier
FROM mtl_material_transactions
WHERE transaction identifier = current transaction
```

The following outputs must be derived from these inputs:

```
SELECT product line accounts
FROM mtl_category_accounts
WHERE inventory_item_id = current item identifier
AND organization_id = current organization identifier
AND subinventory_code = subinventory code
```

Writing PL/SQL Functions/Procedures

To help you to write PL/SQL functions for client extensions, we first provide you with a brief technical background of PL/SQL functions. Then, we provide you with information on how to use predefined functions and parameters in writing your own functions. We recommend that you read the PL/SQL User's Guide and Reference to learn more about PL/SQL.

Packages

Packages are database objects that group logically related PL/SQL types, objects, and subprograms. Packages usually consist of two files: a package specification file and a package body file. The specification file is the interface to your applications; it declares the types, variables, constants, exceptions, cursors, and subprograms available for use in the package. It contains the name of the package and functions function declarations. The package body defines cursors and subprograms, contains the actual PL/SQL code for the functions, and so implements the specification.

Functions

Functions are subprograms within a package that are invoked by the application, perform a specific action, and compute a value. Functions define what parameters will be passed in as context for the program, how the inputs are processed, and what output is returned. A function consists of the following elements:

- *Inputs* - Each function has predefined input parameters, which must be passed in the predefined order. The parameters identify the transaction being processed and the context in which the program is called. You can derive additional inputs from any Oracle table based on the pre-defined input parameters.

- *Logic* - The function uses the inputs and performs any logical processing and calculations. The program can be a simple program, such that it returns a fixed number, or it can be a complex algorithm that performs a number of functions.

- *Outputs* - Each function returns whatever value you de-fine it to return. For example, your function for account generation extensions may return a null value if the transaction passes all val-idation rules; or an error message if validation fails.

Syntax for Functions

A function consists of two parts: the specification and the body. The function specification begins with the keyword FUNCTION and ends with the function name or

a parameter list. The function body begins with the keyword IS and ends with the keyword END followed by an optional function name. The function body has three parts: a declarative part, an executable part, and an optional error handling part. You write functions using the following syntax:

```
FUNCTION name [ (parameter [, parameter,...]) ] RETURN
DATATYPE IS
   [local declarations]
  BEGIN
executable statements
   [EXCEPTION
    exception handlers]
  END [name];
```

The parameter syntax above expands to the following syntax:

```
parameter_name [IN | OUT | IN OUT] datatype [{:= | DEFAULT}
expr]
```

For more information, refer to the *PL/SQL User's Guide and Reference Manual*.

Using Template Functions

Cost Management provides you with template functions for each client extension that you can use to write your own functions. Each function contains predefined parameters that are passed into the function by the program that calls the function; you cannot change these predefined input parameters. The Client Extensions Table: page C – 2 lists each client extension and its predefined template function filenames. The template function files are stored in the Cost Management admin/sql directory.

- Suggestion: Review the appropriate files before you design and implement a client extension. They provide a lot of useful information, including the predefined input parameter list and example case studies.

- Suggestion: You should make a copy of these template files in a directory used by your company to store code that you have written. You should make changes to these copies of the files instead of writing directly into these template files. These template files will be replaced when the software is upgraded between releases. Use your modified files to reinstall your functions after an upgrade to a new release of Cost Management.

Writing Logic in Your PL/SQL Functions

You write the logic in the PL/SQL functions based on the functional specifications created during the design process. Before you begin to write the client extension PL/SQL functions, you should have a clear understanding of the client extension functions; including the inputs and outputs, the error handling of the extension, along with any example functions provided for each extension. Read the appropriate client extension essays and template functions to obtain detailed information about the client extensions.

As you determine how to best write the client extension, you should consider these

issues:

- Can I derive every derived input parameter based on the data structures known?
- What outputs should the client extension return?
- How does the client extension handle exceptions?
- Are there functions which I can write which are reusable across similar client extensions?
- How I can write logical, well commented code that is easy to maintain and debug?
- How do I test and debug this client extension?
- Are there any performance considerations in the client extension? If so, what are they and how do I address them?

> **Important:** You must not commit data within your PL/SQL function. Cost Management processes that call your functions handle the commit logic.

Storing Your Functions

After you write your functions and ensure that the specification file correctly includes any functions that you have defined, you need to compile and store the functions in the database in the Applications Oracle username. You must install the package specification before the package body.

The syntax for compiling and storing PL/SQL functions is included in the template function files. Assuming you have written your functions using copies of these template function files, you can use these steps to compile and store your functions:

Change to the directory in which your files are stored (use the command that is appropriate to your operating system).

```
$ sqlplus <apps username> / <apps password>
SQL> @<spec_filename>.pls
SQL> @<body_filename>.pls
```

For example, use the following commands to install your account generation extension (assuming your Oracle Applications Oracle username/password is apps/apps):

```
$ sqlplus apps/apps
SQL> @CSTPSCHK.pls apps apps @ CSTSCHKS.pls
SQL> @CSTPSCHK.pls apps apps @ CSTSCHKB.pls
```

If you encounter compilation errors in trying to create your packages and its functions, then you must debug the errors, correct your package definitions, and try to create your packages again. You must successfully compile and store your package and its functions in the database before you can use the client extensions in Cost Management.

Testing Your Functions

After you have created your client extension functions, you must test your client extension definitions within the processing flow of Cost Management to verify the results are as you expect.

Transaction Cost Extension

The Transaction Cost Extension allows you to reset the transaction costs by cost element and by level in an average costing organization.

Processing

Cost Management calls the transaction cost extensions for most transactions at the time of processing. The three exceptions are Average Cost Update transactions, in an average costing organization, a Common Issue to Project Work in Process transaction, in a project manufacturing costing organization, and Interorganization Transfer transactions.

You should ensure that the cost element by level costs is in MTL_CST_ACTUAL_COST_DETAILS according to your requirements.

Return Values of Function

When this extension is called, the system determines whether it has been implemented and returns a value accordingly. The return values are as follows:

- 1 - The extension has been used and costs have been reset by cost element and by level.
- 0 - The extension has not been used.

Related Topics

Client Extensions, page C-1

Writing Transaction Cost Extensions, page C-9

PL/SQL User's Guide and Reference

Oracle Bills of Material Technical Reference Manual, Release 12

Writing Transaction Cost Extensions

Cost Management provides a template package and function that you use as the basis of your transaction cost extension functions. The name of the package is CSTPACHK.

Print out and review the following files before you begin writing transaction costing

extensions. The files are located in the Cost Management admin/sql directory.

- **CSTACHKS.pls** - Transaction Cost Extension Package Specifica-tion Template. If you create functions within the package, outside the predefined function, you must also modify this package.

- **CSTACHKB.pls** - Transaction Cost Extension Package Body Template. This file contains the function that you modify to implement transaction cost ex-tensions. You can define as many functions as you like within this package or within the pre-defined function.

> **Tip:** After you write the function, do not forget to compile it and store it in the database. See: Storing Your functions, page C-8.

Package Function

actual_cost_hook

The following table lists the parameters for Transaction Cost type extensions.

Parameter	Usage	Type	Description
i_org_id	IN	NUMBER	The organization that the cur-rent transaction is done in
i_txn_id	IN	NUMBER	Transaction identifier
i_layer_id	IN	NUMBER	The costing layer this transac-tion item corresponds to. Us-ing the layer_id, one can ob-tain the current average cost stored in cst_quantity_layers
i_cost_type	IN	NUMBER	The valuation cost type the cost processor is running for.
i_user_id	IN	NUMBER	User identifier
i_login_id	IN	NUMBER	Login identifier

Parameter	Usage	Type	Description
i_req_id	IN	NUMBER	Request ID for program
i_prg_appl_id	IN	NUMBER	Application ID of program
i_prg_id	IN	NUMBER	Program identifier
l_err_num	OUT	NUMBER	Error number
l_err_code	OUT	NUMBER	Error code
l_err_msg	OUT	VARCHAR2	Error message

Error Handling

l_err_num

This parameter indicates the processing status of your extension as follows:

1_err_num = 0 - The extension executed successfully.

1_err_num <> 0 - An error occurred and the extension did not process successfully.

l_err_code and l_err_msg

Values for error_code, l_err_code, and error_explanation, l_err_msg, are stored in the MTL_MATERIAL_TRANSACTIONS table.

Related Topics

Client Extensions, page C-1

Transaction Cost Extension, *Oracle Cost Management User's Guide*

Oracle Bills of Material Technical Reference Manual, Release 12

Account Generation Extension

The Account Generation Extension allows you to provide alternative accounts. The Account Generation Extension has two template functions: one for material and scrap transactions and another for standard cost update transactions.

Note: Although the resulting accounts are provided as default accounts

if these extensions are used, it is not recommended to write new extensions. You should use Subledger Accounting (SLA) to derive custom accounts. See: Oracle Subledger Accounting Implementation Guide.

Processing

Cost Management calls the Account Generation extension each time standard or average costing material or standard cost update transactions are performed.

Return Values of Function

When this extension is called the system determines whether it has been implemented and returns a value accordingly. The return values are as follows:

- **–1** - The extension was not used and the normal default accounts should be used.
- **>0** - The extension was used and the user specified accounts should be used.

Related Topics

Client Extensions, page C-1

Writing Account Generation Extensions for Standard Costing, page C-12

Writing Account Generation Extensions for Average Costing, page C-17

PL/SQL User's Guide and Reference

Oracle Bills of Material Technical Reference, Release 12

Writing Account Generation Extensions for Standard Costing

Cost Management provides a template package and functions as a basis for account generation type extensions. The name of the template package is CSTPSCHK.

Print the following files before you begin writing Account Generation type extensions. The files are located in the Cost Management admin/sql directory.

- **CSTSCHKS.pls** - Account Generation Type Extension Package Specification Template. If you create functions outside the predefined function within the CSTPSCHK package, you must also modify this file to include those new functions.
- **CSTSCHKB.pls** - Account Generation Type Extension Package Body Template. This file contains the function that you can modify to implement the Ac-count Generation type extension.

Tip: After you write the function, do not forget to compile it and store it in the database. See: Writing PL/SQL Functions/Procedures, page C-6.

Package Function for Material and Scrap Transactions

You can use this function for either material or scrap transactions.

std_get_account_id

The following table lists the parameters for Account Generation type extensions that provide alternate material transaction accounts in standard costing organizations.

Parameter	Usage	Type	Description
i_org_id	IN	NUMBER	The organization that the actual cost worker is running in
i_txn_id	IN	NUMBER	Transaction identifier
i_debit_credit	IN	NUMBER	Transaction type; debit or credit
i_acct_line_type	IN	NUMBER	Accounting line type
i_cost_element_id	IN	NUMBER	Cost element identifier
i_resource_id	IN	NUMBER	Resource identifier
i_subinv	IN	VARCHAR2	Subinventory involved
i_exp	IN	NUMBER	Expense or asset account indicator
i_snd_rcv_org	IN	NUMBER	Sending or receiving organization indicator
i_txn_type_id	IN	NUMBER	Transaction type identifier

Parameter	Usage	Type	Description
i_txn_act_id	IN	NUMBER	Transaction action identifier
i_txn_src_type_id	IN	NUMBER	Transaction source type identifier
i_item_id	IN	NUMBER	Item identifier
i_cg_id	IN	NUMBER	Cost group identifier
o_err_code	OUT	VARCHAR2	Output error code. Can be any SQL code.
o_err_num	OUT	NUMBER	Output error number
o_err_msg	OUT	VARCHAR2	Error message

Additional Information About Parameters

Debit/Credit

The valid values of i_debit_credit are as follows and indicate whether the traction is a debit or a credit:

- **i_debit_credit = 1** Indicates a debit.
- **i_debit_credit = –1** Indicates a credit.

Expense Account Indicator

The valid values of i_exp are:

- **i_exp = 0** - Expense item transaction.
- **i_exp = 1** - Asset item transaction.

Sending/Receiving Organization

The valid values of i_snd_rcvg_org are:

- **i_snd_rcvg_org = 1** - The organization (i_org_id) is a sending orga-nization for inter –organization transactions.
- **i_snd_rcvg_org = 2** - The organization (i_org_id) is a receiving or-ganization for inter–organization transactions.

Error Handling

o_err_num

This parameter indicates the processing status of your extension as follows:

- **o_err_num = 0** - The extension executed successfully.
- **o_err_num <> 0** - An error condition has occurred and the ex-tension did not process successfully.

o_err_code and o_err_msg

Values for error_code, o_err_code, and error_explanation, o_err_msg, are stored in the MTL_MATERIAL_TRANSACTIONS table.

Package Function for Standard Cost Update Transactions

std_get_update_acct_id

The following table lists the parameters for Account Generation type extensions that provide alternate cost update accounts in standard costing organizations.

Parameter	Usage	Type	Description
i_org_id	IN	NUMBER	The organization that the cost distributor is running in
i_update_id	IN	NUMBER	Cost update session identifier
i_debit_credit	IN	NUMBER	Type of transaction, debit or credit
i_cost_element_id	IN	NUMBER	Cost element identifier
i_acct_line_type	IN	NUMBER	The accounting line type
i_resource_id	IN	NUMBER	Resource identifier
i_subinv	IN	VARCHAR2	Subinventory identifier

Parameter	Usage	Type	Description
i_exp	IN	NUMBER	Expense or asset account indicator
i_snd_rcv_org	IN	NUMBER	Sending or receiving organization indicator
o_err_code	OUT	VARCHAR2	Output error code. Can be any SQL code.
o_err_num	OUT	NUMBER	Output error number
o_err_msg	OUT	VARCHAR2	Error message

Additional Information About Parameters

Debit/Credit

The valid values of i_debit_credit are as follows and indicate whether the traction is a debit or a credit:

- **i_debit_credit = 1** - Indicates a debit.
- **i_debit_credit = –1** - Indicates a credit.

Expense Account Identifier

The valid values of i_exp are:

- **i_exp = 0** - The transaction is an asset transaction.
- **i_exp <> 0** - The transaction is an expense transaction.

Error Handling

o_err_num

This parameter indicates the processing status of your extension as follows:

- **o_err_num = 0** - The extension executed successfully.
- **o_err_num <> 0** - An error condition has occurred and the ex-tension did not process successfully.

o_err_code and o_err_msg

Values for error_code, o_err_code, and error_explanation, o_err_msg, are stored in the MTL_MATERIAL_TRANSACTIONS table.

Related Topics

Client Extensions, page C-1

Account Generation Extension, page C-11

Writing Account Generation Extensions for Average Costing, page C-17

Oracle Bills of Material Technical Reference Manual, Release 12

Writing Account Generation Extensions for Average Costing

Cost Management provides a template package and function for account generation type extensions. The name of the template package is CSTPACHK.

Print the following files before you begin writing Accounting Generation type extensions. The files are located in the Cost Management admin/sql directory.

- **CSTACHKS.pls** - Accounting Generation Type Extension Pack-age Specification Template. If you create func-tions outside the predefined function within the CSTPACHK package, you must also modify this file to include those new func-tions.

- **CSTACHKB.pls** - Accounting Generation Type Extension Pack-age Body Template. This file contains the function that you can modify to implement the Account Generation type extension.

  Tip: After you write the function, do not forget to compile it and store it in the database. See: Writing PL/SQL Functions/Procedures, page C-6.

Package Function for Material Transactions

get_account_id

The following table lists the parameters for Account Generation type extensions that provide alternate material transaction accounts in average costing organizations.

Parameter	Usage	Type	Description
i_org_id	IN	NUMBER	The organization that the actual cost worker is running in

Parameter	Usage	Type	Description
i_txn__id	IN	NUMBER	Transaction identifier
i_debit_credit	IN	NUMBER	Transaction type; debit or credit
i_acct_line_type	IN	NUMBER	Accounting line type
i_cost_element_id	IN	NUMBER	Cost element Identifier
i_resource_id	IN	NUMBER	Resource identifier
i_subinv	IN	VARCHAR2	Subinventory involved (optional)
i_exp	IN	NUMBER	Expense or asset account identifier
i_snd_rcv_org	IN	NUMBER	Sending or receiving organization identifier
i_txn_type_id	IN	NUMBER	Transaction type identifier
i_txn_type_id	IN	NUMBER	Transaction action identifier
i_txn_src_type_id	IN	NUMBER	Transaction source type identifier
i_item_id	IN	NUMBER	Item identifier
i_cg_id	IN	NUMBER	Cost group identifier
o_err_code	OUT	VARCHAR2	Output error code. Can be any SQL code.
o_err_nun	OUT	NUMBER	Output error number
o_err_msg	OUT	VARCHAR2	Error message

Additional Information About Parameters

Debit/Credit

The valid values of i_debit_credit are as follows and indicate whether the transaction is a debit or a credit:

- **i_debit_credit = 1** - Indicates a debit.
- **i_debit_credit = –1** - Indicates a credit.

Expense Account Identifier

The valid values of i_exp are:

- **i_exp = 0** - The transaction is an asset transaction.
- **i_exp <> 0** - The transaction is an expense transaction.

Sending/Receiving Organization

The valid values of i_snd_rcvg_org are:

- **i_snd_rcvg_org = 1** - The organization (i_org_id) is a sending orga-nization.
- **i_snd_rcvg_org = 2** - The organization (i_org_id) is a receiving or-ganization.

Error Handling

o_err_num

This parameter indicates the processing status of your extension as follows:

- **o_err_num = 0** - The extension executed successfully.
- **o_err_num <> 0** - An error condition has occurred and the ex-tension did not process successfully.

o_err_code and o_err_msg

Values for error_code, o_err_code, and error_explanation, o_err_msg, are stored in the MTL_MATERIAL_TRANSACTIONS table.

Related Topics

Client Extensions, page C-1

Account Generation Extension, page C-11

Writing Account Generation Extensions for Standard Costing, page C-12

Oracle Bills of Material Technical Reference Manual, Release 12

Cost Processing Cutoff Date Extension

The Cost Processing Cutoff Date Extension allows you to cost (process) transactions up through a user–specified date.

Processing

Cost Management calls the cost processing cutoff date extension as each transaction is processed.

Return Values of Function

- **Date** (DD–MON–YYYY) - The extension was invoked and costs were processed up through the date returned.
- **SYSDATE + 1** - The extension was not used.

For example, if the return value is 01–DEC–1998, the system processes all costs up to 11:59:59 pm on 30–NOV–1998.

Related Topics

Client Extensions, page C-1

PL/SQL User's Guide and Reference

Oracle Bills of Material Technical Reference Manual

Writing Cost Processing Cutoff Date Extensions

Cost Management provides a template package and function that you use as the basis of your cost processing cutoff date extension functions. The name of the template package is CSTPACHK.

Print the following files before you begin writing Cost Processing Cutoff Date type extensions. The files are located in the Cost Management admin/sql directory.

- **CSTACHKS.pls** - Cost Processing Cutoff Date Type Extension Package Specification Template. If you create functions outside the predefined function within the CSTPSCHK package, you must also modify this file to include those new functions.
- **CSTACHKB.pls** - Cost Processing Cutoff Date Extension Package Body Template. This file contains the function that you can modify to implement the Cost Processing Cutoff Date type extension.

Tip: After you write the function, do not forget to compile it and store it in the database. See: Writing PL/SQL Functions/Procedures, page C-6.

Package Function for Material and Scrap Transactions

get_date

You can use this function for either material or scrap transactions. The following table lists the parameters for the Cost Processing Cutoff Date extension.

Parameters

Parameter	Usage	Type	Description
i_org_id	IN	NUMBER	The organization that the current transaction is done in
o_error_message	OUT	VARCHAR2	Error message

Related Topics

Client Extensions, page C-1

Oracle Bills of Materials and Oracle Configurator Technical Reference Manual, Release 12

Project Cost Collector Transaction Client Extension

The Project Cost Collector Transaction client extension provides the user the flexibility to control the logic of inserting records into the Projects interface table (PA_TRANSACTIONS_INTERFACE_ALL) for each inventory transaction.

An example of this flexibility might be providing the ability to write individual records by serial number.

Processing

The extension is invoked for each cost record of an inventory transaction. If activated, the Cost Collector does not insert a record in the Projects interface table, but relies on the customized code to do so.

Return Values of Function

When this extension is called the system determines whether it has been implemented

and returns a value accordingly. The return values are as follows:

Returns a non–zero value in variable o_hook_used if being used.

Writing Project Cost Collector Transaction Client Extension

Cost Management provides a template package and function that you use as the basis of your cost processing cutoff date extension functions. The name of the template package is CST_COST_COLLECTOR_HOOK.

Print the following files before you begin writing Cost Collector Transaction Client Extensions. The files are located in the Cost Management admin/sql directory.

- **CSTCCHKS.pls** - Project Cost Collector Transaction Extension Package Specification Template.
- **CSTCCHKB.pls** - Project Cost Collector Transaction Extension Body Template.

> **Tip:** After you write the function, do not forget to compile it and store it in the database. See: Writing PL/SQL Functions/Procedures, page C-6.

Package Function

pm_invtxn_hook

The following table lists the parameters for Project Cost Collector Transaction Extensions.

Parameter	Usage	Type	Description
p_transaction_id	IN	NUMBER	Transaction identifier
p_organization_id	IN	NUMBER	Organization identifier
p_transaction_action_id	IN	NUMBER	Transaction action identifier
p_transaction_source_type_id	IN	NUMBER	Transaction source type identifier
p_type_class	IN	NUMBER	Type class identifier (=1 if proj miscellaneous transactions)

Parameter	Usage	Type	Description
p_project_id	IN	NUMBER	Project identifier
p_task_id	IN	NUMBER	Task identifier
p_transaction_date	IN	DATE	Transaction date
p_primary_quantity	IN	NUMBER	Transaction quantity
p_cost_group_id	IN	NUMBER	Cost group identifier
p_transfer_cost_group_id	IN	NUMBER	Transfer cost group
p_inventory_item_id	IN	NUMBER	Item
p_transaction_source_id	IN	NUMBER	Transaction source
p_to_project_id	IN	NUMBER	Destination project ID
p_to_task_id	IN	NUMBER	Destination task ID
p_source_project_id	IN	NUMBER	Source project ID
p_source_task_id	IN	NUMBER	Source task ID
p_transfer_transaction_id	IN	NUMBER	Transfer transaction identifier
p_primary_cost_method	IN	NUMBER	Organization's cost method
p_acct_period_id	IN	NUMBER	Inventory accounting period
p_exp_org_id	IN	NUMBER	Expenditure organization
p_distribution_account_id	IN	NUMBER	Distribution account

Parameter	Usage	Type	Description
p_proj_job_ind	IN	NUMBER	Flag to indicate a project job
p_first_matl_se_exp_type	IN	VARCHAR2	First material subelement expenditure type
p_inv_txn_source_literal	IN	VARCHAR2	Inventory transaction source literal
p_cap_txn_source_literal	IN	VARCHAR2	Capital transaction source literal
p_inv_syslink_literal	IN	VARCHAR2	Inventory system linkage literal
p_bur_syslink_literal	IN	VARCHAR2	Burden system linkage literal
p_wip_syslink_literal	IN	VARCHAR2	Work in process system linkage literal
p_user_def_exp_type	IN	NUMBER	Flag to indicate user defined expenditure type profile option
p_transfer_organization_id	IN	NUMBER	Transfer organization
p_flow_schedule	IN	NUMBER	Flag to indicate a flow schedule
p_si_asset_yes_no	IN	NUMBER	Flag to indicate an asset subinventory
p_transfer_si_asset_yes_no	IN	NUMBER	Flag to indicate an asset transfer subinventory
p_exp_type	IN	NUMBER	Expenditure type

Parameter	Usage	Type	Description
p_dr_code _combination_id	IN	NUMBER	Debit account
p_cr_code _combination_id	IN	NUMBER	Credit account
p_raw_cost	IN	NUMBER	Raw cost
p_burden_cost	IN	NUMBER	Burden cost
o_hook_used	OUT	NUMBER	Flag to indicate if this extension is being used
o_err_ num	OUT	VARCHAR2	Error number
o_err_code	OUT	VARCHAR2	Error code
o_err_msg	OUT	VARCHAR2	Error message

Error Handling

o_err_num

This parameter indicates the processing status of your extension as follows:

- **o_err_num = 0** - The extension executed successfully.
- **o_err_num <> 0** - An error condition has occurred and the ex-tension did not process successfully.

o_err_code and o_err_msg

Values for error_code, o_err_code, and error_explanation, o_err_msg, are stored in the MTL_MATERIAL_TRANSACTIONS table.

Related Topics

Client Extensions, page C-1

Writing Transaction Cost Extensions, page C-9

PL/SQL User's Guide and Reference

Project Cost Collector Accounting Extension

This extension gives the users the flexibility to pass accounts to the project interface. The extension may be used for passing custom capitalization accounts.

Processing

This extension is invoked for each cost record of an inventory or WIP transaction.

Return Values of Function

When this extension is called the system determines whether it has been implemented and returns a value accordingly. The return values are as follows:

Returns True if being used.

Writing Project Cost Collector Accounting Extension

Cost Management provides a template package and function that you use as the basis of your cost processing cutoff date extension functions. The name of the template package is CST_PRJMFG_ACCT_HOOK.

Print the following files before you begin writing Cost Collector Accounting Extensions. The files are located in the Cost Management admin/sql directory.

- **CSTPMHKS.pls** - Project Cost Collector Accounting Extension Package Specification Template.
- **CSTPMHKB.pls** - Project Cost Collector Accounting Extension Body Template.

> **Tip:** After you write the function, do not forget to compile it and store it in the database. See: Writing PL/SQL Functions/Procedures, page C-6.

Package Function

pm_use_hook_acct

The following table lists the parameters for Project Collector Accounting Extensions.

Parameter	Usage	Type	Description
p_transaction_id	IN	NUMBER	Transaction identifier

Parameter	Usage	Type	Description
p_transaction_action_id	IN	NUMBER	Transaction action identifier
p_transaction_source_type_id	IN	NUMBER	Transaction source type identifier
p_organization_id	IN	NUMBER	Organization identifier
p_inventory_item_id	IN	NUMBER	Item identifier
p_cost_element_id	IN	NUMBER	Cost element
p_resource_id	IN	NUMBER	Subelement identifier
p_primary_quantity	IN	NUMBER	Transaction quantity expressed in primary unit of measure
p_transfer_organization_id	IN	NUMBER	Transfer organization identifier
p_fob_point	IN	NUMBER	FOB point identifier
p_wip_entity_id	IN	NUMBER	WIP entity identifier
p_basis_resource_id	IN	NUMBER	Basis subelemnt for resource based overheads
o_dr_code_combination_id	OUT	NUMBER	Debit account
o_cr_code_combination_id	OUT	NUMBER	Credit account

Related Topics

Client Extensions, page C-1

Writing Transaction Cost Extensions, page C-9

PL/SQL User's Guide and Reference

Periodic Average Costing Account Generation Extension

The Periodic Average Costing Account Generation Extension lets you provide alternative accounts.

Processing

Cost Management calls the Account Generation extension each time a transaction is processed by the Periodic Distributions Processor.

Return Values of Function

When this extension is called, the application determines if it has been implemented, and returns a value accordingly. The return values are as follows:

- –1 The extension was not used and the normal default accounts should be used.
- >0 The extension was used and the user specified accounts should be used. The return value should be a valid code_combination_id from the GL_CODE_COMBINATIONS table for the ledger associated with the cost group.

Writing Account Generation Extensions for Periodic Average Costing

Cost Management provides a template package and function for account generation extension for Periodic Average Costing. The name of the template package is CSTPAPHK.

Print the following files before you begin writing Periodic Average Costing Account extensions. The files are located in the Cost Management patch/115/sql directory.

- **CSTAPHKS.pls** Account Generation Extension Package Specification Template. If you create functions outside the predefined function within the CSTPACHK package, then you must also modify this file to include those new functions.
- **CSTAPHKB.pls** Account Generation Extension Package Body Template. This file contains the function get_account_id that you can modify to implement the Account Generation extension.

  Tip: After you write the function, do not forget to compile it and store it in the database. See: Writing PL/SQL Functions/Procedures, page C-6.

Package Function for Periodic Average Costing Account Generation client extension get_account_id

The following table lists the parameters for Account Generation extension that provide alternate accounts in Periodic Average Costing.

Parameter	Usage	Type	Description
I_TXN_ID	IN	NUMBER	Transaction Identifier
I_LEGAL_ENTITY	IN	NUMBER	Legal Entity Identifier
I_COST_TYPE_ID	IN	NUMBER	Cost Type being processed
I_COST_GROUP_ID	IN	NUMBER	Cost Group being processed
I_DR_FLAG	IN	BOOLEAN	Flag indicating if this is the debit line
I_ACCT_LINE_TYPE	IN	NUMBER	Accounting Line Type
I_COST_ELEMENT_ID	IN	NUMBER	Cost Element Identifier
I_RESOURCE_ID	IN	NUMBER	Resource Identifier
I_SUBINV	IN	VARCHAR2	Subinventory on the transaction
I_EXP	IN	BOOLEAN	Expense or Asset identifier
O_Err_Num	OUT	NUMBER	Output Error Number
O_Err_Code	OUT	VARCHAR2	Output Error Code – can be any SQL error code
O_Err_Msg	OUT	VARCHAR2	Output Error Message

Additional Information About Parameters

Debit/Credit

The valid values of i_dr_flag are as follows and indicate whether the accounting entry is a debit or a credit:

- *i_dr_flag = TRUE* Indicates a debit
- *i_dr_flag = FALSE* Indicates a credit

  (*TRUE and FALSE* are pre-defined PL/SQL constants that can be assigned to BOOLEAN variables).

Expense Account Identifier

The valid values of i_exp are:

- *i_exp = TRUE* The transaction is an expense distribution.
- *i_exp = FALSE* The transaction is an asset distribution.

  (TRUE and FALSE are pre-defined PL/SQL constants that can be assigned to BOOLEAN variables).

Error Handling

o_err_num

This parameter indicates the processing status of your extension as follows:

- *o_err_num = 0* The extension executed successfully.
- *o_err_num <> 0* An error condition has occurred and the extension did not process successfully.

o_err_code and o_err_msg

Values for o_err_code, and o_err_msg can be viewed in the Periodic Distributions Processor Log file.

Related Topics

Client Extensions, page C-1

Writing Transaction Cost Extensions, page C-9

PL/SQL User's Guide and Reference

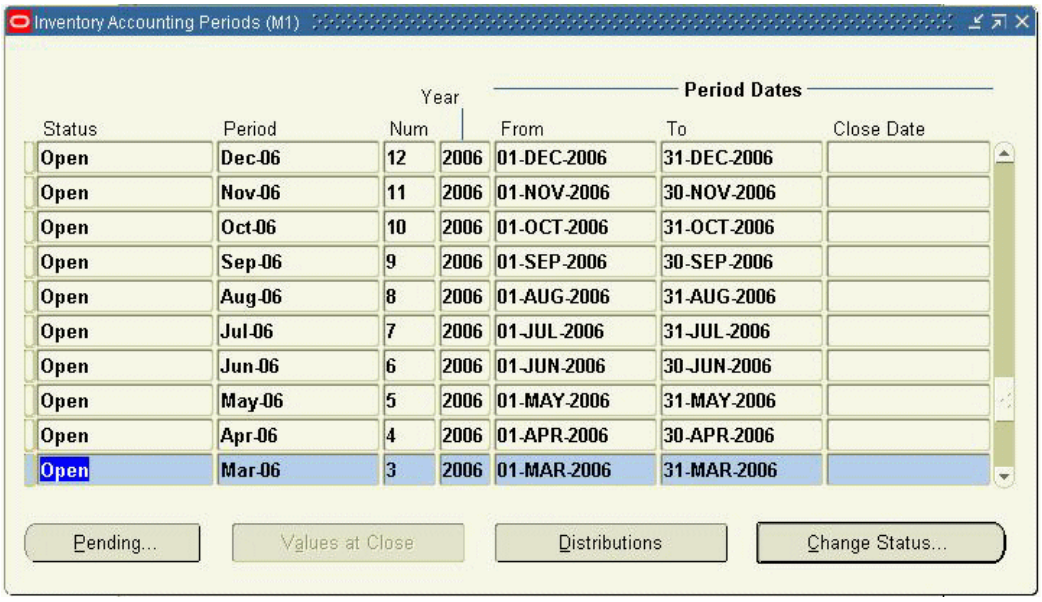
Oracle Bills of Material Technical Reference Manual, Release 12

Period Close Check for Shipping Transactions

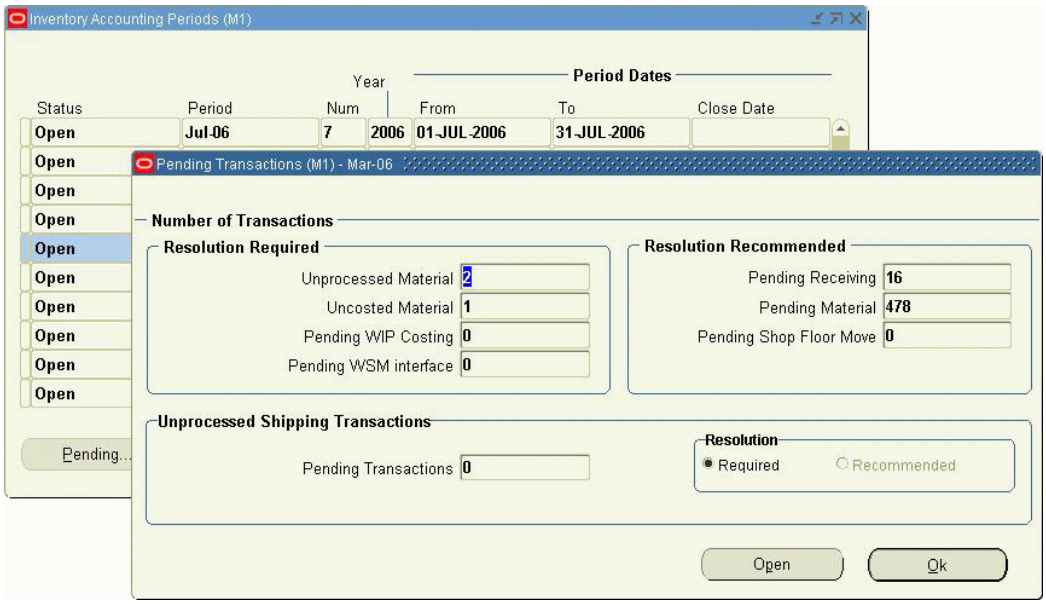
The Period Close Check for Shipping Transactions client extension (CST_PeriodCloseOption_PUB.Get_ShippingTxnHook_Value) checks for pending transactions that prevent the period close program from processing. You can use this client extension to specify whether Shipping Transactions should be Resolution Required or Resolution Recommended. If you modify the code in the client extension procedure to return a value of 1 instead of 0 (default), then resolution of shipping transactions becomes optional. By default, the resolution of shipping transactions is required.

After a sales order is Ship Confirmed in the Oracle Manufacturing Shipping application, the inventory quantities must be depleted for the items in the sales order, and this is accomplished by running the Inventory Interface concurrent program. This concurrent program inserts rows into the Mtl_transaction_interface table. You can run the deferred transactions at a later date.

The Period Close process checks for unprocessed shipping transactions. You can view unprocessed transactions from the Inventory Accounting Periods window by selecting an Open accounting period, and choosing the Pending option to open the Pending Transactions window.



The Pending Transactions window displays the Resolution settings for shipping transactions.



You can also set up system alerts and view notifications in the Oracle Applications Manager (OAM) console. Set up system alerts by selecting System Alert Setup in the System Alerts- Notification window.

See: System Alerts, page 10-9 ,

Period Close Diagnostics, page 10-8.

For details on setting up System Alerts, see the *Oracle Applications System Administrator's Guide.*

D

Oracle Cost Management Workflows

Account Generation Extension Workflow

The Account Generation Extension workflow is called from the Account Generator Client Extension. The workflow is designed to provide a graphical user interface to the Client Extension, as well as additional features such as drag and drop functionality. The workflow, like the Client Extension, allows you to specify the accounts for distribution based on the type of transaction or to define your own business functions to generate the desired accounts.

> **Note:** Although these accounts are provided as default accounts, it is not recommended to write new extensions. You should use Subledger Accounting (SLA) to derive custom accounts. See: Oracle Subledger Accounting Implementation Guide.

You may choose to continue using the Account Generator Client Extension without using the workflow, by turning off the call to the workflow within the client extension.

If you choose to use the workflow, then modify the workflow rather than the Client Extension.

The Account Generation Extension workflow has two item types: the Standard Costing Workflow Item Type and Average Costing Workflow Item Type. Each of these workflow item types has 19 processes, one for each accounting line type. Line types identify which accounts are used, for example, inventory valuation or WIP variance accounts. Each process can be initiated from the Account Generation Client Extension, based on the costing method and the accounting line type. For standard costing transactions, the **std_get_account_id** package function is called. For average costing transactions the **get_account_id package** function is called. See: Account Generation Extension, page C-11.

Related Topics

Customizing the Account Generation Process, page D-2

The Workflow Item Type, page D-4

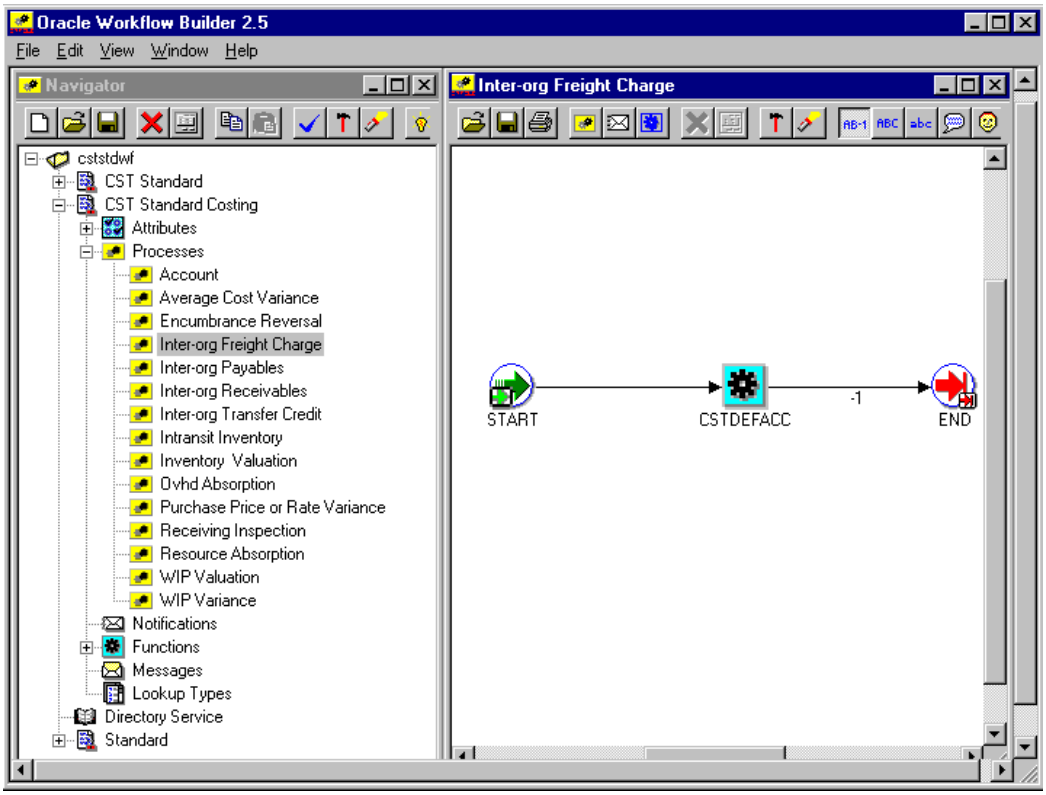
Summary of the Account Generation Process, page D-7

Account Generation Workflow Process Activities, page D-8

Customizing the Account Generation Extension Processes

You can customize the use of the Account Generation Extension workflow processes, or you can use the default. When the processes are executed, they end by returning a user–defined account number which by default returns (–1). This default causes the distribution processor to perform distributions using the system–defined accounts.

You can view a workflow process in a Process window using Oracle Workflow Builder.



Displaying the Process in Oracle Workflow Builder

You can displaying the process in Oracle Workflow Builder in three steps:

1. Choose Open from the File menu, and connect to the database.

2. Expand the data source, then the item type branch within that data source.

3. Expand the Processes branch within your item type, then double-click on a process activity to display the diagram of the process in a Process window.

Required Modifications

There are no required modifications.

Customization Examples

Although you can use the Account Generation Extension workflow processes as is, you may wish to customize them to accommodate your organization's specific needs. For example, you can:

- Customize the Inventory Valuation Workflow process using one or more of the five seeded functions that return product line accounts.

- Add new functions that return accounts specific to your organization's needs.

Turning Off the Account Generation Extension Workflow

You can turn off the workflow, for example, if you find that it is using too much overhead. You do this in the client extension that calls the workflow, by commenting out lines of code and substituting this line.

```
return -1;
```

For Standard Costing

Comment out these lines in the function std_get_account_id() of CSTSCHKB.pls.

```
SELECT  transaction_type_id,
    transaction_action_id,
    transaction_source_type_id,
    inventory_item_id
INTO   l_txn_type_id,
    l_txn_act_id,
    l_txn_src_type_id,
    l_item_id
FROM   MTL_MATERIAL_TRANSACTIONS
WHERE   transaction_id = I_TXN_ID;

l_account_num := CSTPSCWF.START_STD_WF(i_txn_id,
  l_txn_type_id,l_txn_act_id,
  l_txn_src_type_id, i_org_id,
  l_item_id, i_cost_element_id,
  i_acct_line_type, i_subinv,i_cg_id,i_resource_id,
  wf_err_num, wf_err_code, wf_err_msg);
o_err_num := NVL(wf_err_num, 0);
o_err_code := NVL(wf_err_code, 'No Error in
  CSTPSWF.START_STD_WF');
o_err_msg := NVL(wf_err_msg, 'No Error in
  CSTPSWF.START_STD_WF');
```

```
return l_account_num;
```

For Average Costing

Comment out these lines in the function get_account_id() of CSTACHKB.pls.

```
SELECT  transaction_type_id,
    transaction_action_id,
    transaction_source_type_id,
    inventory_item_id,
    nvl(cost_group_id, -1)
INTO   l_txn_type_id,
    l_txn_act_id,
    l_txn_src_type_id,
    l_item_id,
    l_cg_id
FROM   MTL_MATERIAL_TRANSACTIONS
WHERE   transaction_id = I_TXN_ID;

l_account_num := CSTPACWF.START_AVG_WF(i_txn_id,
  l_txn_type_id,l_txn_act_id,
  l_txn_src_type_id,i_org_id, l_item_id,
  i_cost_element_id,i_acct_line_type,
  l_cg_id,i_resource_id, wf_err_num,
  wf_err_code, wf_err_msg);
o_err_num := NVL(wf_err_num, 0);
o_err_code := NVL(wf_err_code, 'No Error in
  CSTPAWF.START_AVG_WF');
o_err_msg := NVL(wf_err_msg, 'No Error in
  CSTPAWF.START_AVG_WF');

-- if -1 then use default account, else use this account for
distribution

return l_account_num;
```

Creating a New Custom Process

You can create a new custom process and use it as a subprocess within one of the 19 processes provided.

Related Topics

Account Generation Workflow Processes

The Account Generation Workflow Item Types

Summary of the Account Generation Process

The Account Generation Extension Workflow Item Types

The Account Generation Extension workflows are associated with two item types:

- Standard Costing
- Average Costing

These item types identify all account generation workflow processes available.

- Account
- Accrual
- Avg Cost Variance
- Clearing Account
- Encumbrance Reversal
- Interorg Freight Charge
- Interorg Payable
- Interorg Receivable
- Interorg Transfer Credit
- Intransit Inventory
- Inventory Valuation
- Overhead Absorption
- Profit in Inventory
- Purchase Price or Rate Variance
- Receiving Inspection
- Resource Absorption
- Retroactive Price Adjustment
- WIP Valuation
- WIP Variance

The Account Generation Extension workflow item types also have several attributes associated with them. These attributes reference information in the demonstration application tables. The attributes are used and maintained by function activities throughout the process, as presented in the following tables.

Standard Costing Account Generation Item Type Attributes

Display Name	Description	Type
Org ID	Organization	Number
Item ID	Inventory Item ID	Number
Subinventory Code	Subinventory Code	Test
Transaction ID	Transaction ID	Number
Account Generated	Account Generated	Number
Cost Element ID	Cost Element ID	Number
Cost Group ID	Cost Group ID	Number
Error Number	Error number is –1 for errors, 0 for no errors	Number
Error Message	System error message	Test
Resource ID	Resource ID	Number
Error Code	System Error code	Test
Transaction Type ID	Transaction Type ID	Number
Transaction Action ID	Transaction Action ID	Number
Transaction Source Type ID	Transaction Source Type ID	Number

Average Costing Account Generation Item Type Attributes

Display Name	Description	Type
Org ID	Organization	Number
Item ID	Inventory Item ID	Number
Transaction ID	Transaction ID	Number

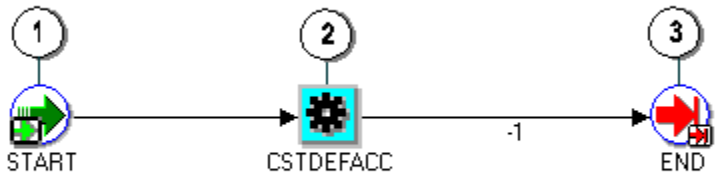
Display Name	Description	Type
Account Generated	Account Generated	Number
Cost Element ID	Cost Element ID	Number
Cost Group ID	Cost Group ID	Number
Error Number	Error number is –1 for errors, 0 for no errors	Number
Error Message	System error message	Test
Resource ID	Resource ID	Number
Error Code	System Error code	Test
Transaction Type ID	Transaction Type ID	Number
Transaction Action ID	Transaction Action ID	Number
Transaction Source Type ID	Transaction Source Type ID	Number

Summary of the Account Generation Extension Workflow

To view the properties of any of the processes, select the process in the navigator tree, then choose Properties from the Edit menu.

When you display the Process window for an Account Generation Extension process, you see that the process consists of three unique activities, several of which are reused to comprise the three activity nodes that appear in each workflow process diagram. The nodes are numbered for referencing below, but the numbers are not part of the process diagram.

As illustrated in the following diagram, all of the processes in the Account Generation Extension workflow have the same structure and therefore only one is shown in this document.



Each of the workflows processes is launched from the Account Generation Client Extension. The exact workflow process called is dependent on the costing method (standard or average) and the accounting line type.

The workflow begins at node 1 with the Start activity. At node 2, the default account (–1) is returned. Node 3 is the end activity.

Account Generation Workflow Extension Process Activities

This section provides a description of each activity listed by the activity's display name. You can create all the components for an activity in the graphical Oracle Workflow Builder except for the PL/SQL stored procedures that the function activities call. All function activities execute PL/SQL stored procedures which you must create and store in the Oracle RDBMS. The naming convention for the PL/SQL stored procedures used in the Account Generation Extension workflow processes are:

```
CSTPSCWF.<PROCEDURE> (for standard costing)
```

```
CSTPACWF.<PROCEDURE> (for average costing)
```

CSTPSCWF or CSTPACWF are the names of the packages that group the procedures used by each process for standard and average costing respectively. <PROCEDURE> represents the name of the procedure.

STANDARD COSTING

CSTPSCWF is the name of the package.

Standard Costing Procedures

The following procedures are used:

- START_STD_WF
- GET_DEF_ACC

The following procedures are seeded to return product line accounts but are not used:

- GET_STD_MTL_PLA
- GET_STD_MO_PLA

- GET_STD_RES_PLA
- GET_STD_OSP_PLA
- GET_STD_OVH_PLA
- GET_STD_CE

AVERAGE COSTING

CSTPACWF is the name of the package.

Average Costing Procedures

The following procedures are used:

- START_AVG_WF
- GET_DEF_ACC

The following procedures are seeded but not used:

- GET_AVG_MTL_PLA
- GET_AVG_MO_PLA
- GET_AVG_RES_PLA
- GET_AVG_OSP_PLA
- GET_AVG_OVH_PLA
- GET_AVG_CE

Start (Node 1)

This is a Standard function activity that simply marks the start of the process.

- Function – WF_STANDARD.NOOP
- Result Type – None
- Required – Yes
- Prerequisite – None

Get Default Account (Node 2)

This function activity returns (–1) to indicate that the extension has not been used.

- Function – CSTPSCWF.GET_DEF_ACC (for standard costing)

CSTPACWF.GET_DEF_ACC (for average costing)

- Result Type – (–1)
- Required – Yes
- Prerequisite Activities – None

End (Node 3)

This is a Standard function activity that simply marks the end of the process.

- Function – WF_STANDARD.NOOP
- Result Type – None
- Required – Yes
- Prerequisite – None

E

Product Line Accounting Setup

Product Line Accounting

Product line accounting makes it possible for you to do all of the following:

- Default WIP accounting classes based on product line categories when converting planned orders to execution orders
- Default WIP accounting classes based on product line categories when defining discrete jobs, associating repetitive assemblies and lines, and when performing work order-less completions
- Perform distributions using these default WIP classes and their valuation and variance accounts
- Track work in process and inventory transactions by product line

Implementing Product Line Accounting

To implement product line accounting, you must complete your product line accounting setup, then define and implement the Account Generation client extension. If you do not implement this extension, then the default WIP accounting classes defined in the Category Default WIP Accounting Classes window are used, but the accounts defined in the Category Accounts window are not, therefore your implementation will be incomplete.

> **Note:** Although these accounts are provided as default accounts, if these extensions are used, then it is not recommended to write new extensions. You should use Subledger Accounting (SLA) to derive custom accounts. See: Oracle Subledger Accounting Implementation Guide.

See: Account Generation Extension, page C-11

See also: Client Extensions, page C-1 and Product Line Accounting Setup, page E-2

Product Line Accounting Setup

Prerequisites

Optionally, define a default category set and assign it to the Product Line Functional area.

See: Defining Category Sets, *Oracle Inventory User's Guide* and Defining Default Category Sets, *Oracle Inventory User's Guide*

To setup product line accounting, you must:

1. Create product line categories and associate them with the default category set you assigned to the Product Line Functional Area.

2. Define category accounts in the Category Accounts window. See: Defining Category Accounts, page 2-70.

   You can define category accounts for product line accounting in both standard and average costing organizations.

3. Define the WIP Accounting Classes that you plan to use as your default WIP accounting classes. See: WIP Accounting Classes, *Oracle Work in Process User's Guide* and Defining WIP Accounting Classes, *Oracle Work in Process User's Guide*.

4. Associate WIP accounting classes with categories. See: Associating WIP Accounting Classes with Categories, page 2-72.

   You can define WIP accounting classes at the category level in standard costing organization and at the cost group/category level in average costing organization.

   Important: As of Release 11*i*, the Inter-organization Shipping Network window does not support additional product line accounts.

For more information about how default WIP Accounting Classes are used see: WIP Accounting Classe Defaults, *Work in Process User's Guide*.

Related Topics

Product Line Accounting, page E-1

F

Character Mode Forms and Corresponding GUI Windows

Oracle Cost Management Character Mode Forms and Corresponding GUI Windows

The following table matches character mode forms with their corresponding GUI windows or processes. This information supplements Windows and Navigator Paths in the product online documentation. Text in brackets ([ ]) indicates a button.

The GUI Navigator paths are based on the Cost Manager GUI US1 responsibility.

For more information on any window, navigate to the window and choose the help icon.

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
Assign Descriptive Security Rules	Define Security Rules
\Navigate Setup Flexfields Descriptive Security Assign	Navigator: Setup > Flexfields > Descriptive > Security > Define
Assign Key Flexfield Security Rules	Assign Security Rules
\Navigate Setup Flexfields Key Security Assign	Navigator: Setup > Flexfields > Key > Security > Assign
Assign Security Rules	Assign Security Rules
\Navigate Setup Flexfields Validation Security Assign	Navigator: Setup > Flexfields > Validation > Security > Assign

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
Change Organization	Organizations
\Navigate Other ChangeOrg	Navigator: Change Organization
Close Accounting Period	Inventory Accounting Periods
\Navigate Period Close	Navigator: Accounting Close Cycle > Inventory Accounting Periods
Close Discrete Jobs	Close Discrete Jobs
\Navigate CloseJobs	Navigator: Discrete Jobs > Close Discrete Jobs > Close Discrete Jobs (SRS) or Navigator: Discrete Jobs > Close Discrete Jobs > Close Discrete Jobs (Forms)
Compare Bills of Material	Bill Components Comparison
\Navigate Inquiry BOM Bill Compare	Navigator: Operational Analysis > View Bills > Comparison
Copy Item Cost Information	Copy Cost Information
\Navigate ItemCost Copy	Navigator: Cost Mass Edits > Copy Cost Information
Define Account Alias	Account Aliases
\Navigate Setup SystemAcct AcctAlias	Navigator: Setup > Account Assignments > Account Aliases
Define Accounting Flexfield Combination	GL Accounts
\Navigate Setup Financial Accounts	Navigator: Setup > Account Assignments > Accounts
Define Activities	Activities
\Navigate Setup Activity	Navigator: Setup > Activities
Define Alternates	Alternates
\Navigate Setup Alternates	Navigator: Setup > Alternates

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
Define Calendar	Accounting Calendar
\Navigate Setup Financial Calendar Periods	Navigator: Setup > Financials > Accounting Calendar > Accounting
Define Category	Categories
\Navigate Setup Category Name	Navigator: Setup > Categories > Category Codes
Define Category Set	Category Set
\Navigate Setup Category Set	Navigator: Setup > Categories > Category Sets
Define Cost Type	Cost Types
\Navigate Setup CostType	Navigator: Setup > Cost Types
Define Cross-Validation Rule	Cross-Validation Rules
\Navigate Setup Flexfields Key Rules	Navigator: Setup > Flexfields > Key > Rules
Define Currency	Currencies
\Navigate Setup Financial Currencies Define	Navigator: Setup > Financials > Currencies > Currencies
Define Daily Rates	Daily Rates
\Navigate Setup Financial Currencies Rates Daily	Navigator: Setup > Financials > Currencies > Daily Rates
Define Default Category Sets	Default Category Sets
\Navigate Setup Category Defaults	Navigator: Setup > Categories > Default Category Sets
Define Default Material Overhead	Material Overhead Defaults
\Navigate Setup Sub-Element Defaults	Navigator: Setup > Sub-Elements > Defaults
Define Descriptive Flexfield Segments	Descriptive Flexfield Segments
\Navigate Setup Flexfields Descriptive Segments	Navigator: Setup > Flexfields > Descriptive > Segments

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
Define Descriptive Security Rule	Define Security Rules
\Navigate Setup Flexfields Descriptive Security Define	Navigator: Setup > Flexfields > Descriptive > Security > Define
Define Descriptive Segment Values	Segment Values
\Navigate Setup Flexfields Descriptive Values	Navigator: Setup > Flexfields > Descriptive > Values
Define Employee Labor Rate	Employee Labor Rates
\Navigate Setup Employee Rates	Navigator: Setup > Employees > Labor Rates
Define Freight Carriers	Freight Carriers
\Navigate Setup SystemAcct FrtCarrier	Navigator: Setup > Account Assignments > Freight Carriers
Define Item Costs	Item Costs Summary
\Navigate ItemCost Define	Navigator: Item Costs > Item Costs and Item Costs Navigator: Item Costs > Item Costs > [Costs] and Item Costs Details Navigator: Item Costs > Item Costs > [New]
Define Key Flexfield Security Rule	Define Security Rules
\Navigate Setup Flexfields Key Security Define	Navigator: Setup > Flexfields > Key > Security > Define
Define Key Flexfield Segments	Key Flexfield Segments
\Navigate Setup Flexfields Key Segments	Navigator: Setup > Flexfields > Key > Segments
Define Key Segment Values	Segment Values
\Navigate Setup Flexfields Key Values	Navigator: Setup > Flexfields > Key > Values

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
Define Material Sub-Elements	Material Subelements
\Navigate Setup Sub-Element Material	Navigator: Setup > Sub-Elements > Material
Define Organization Parameters	Organization Parameters
\Navigate Setup SystemAcct Organization	Navigator: Setup > Account Assignments > Organization Parameters
Define Organization Shipping Network	Shipping Networks
\Navigate Setup SystemAcct InterOrg	Navigator: Setup > Account Assignments > Shipping Network
Define Overhead	Overhead Rates
\Navigate Setup Sub-Element Overhead	Navigator: Setup > Sub-Elements > Overheads > [Rates] and Overheads Navigator: Setup > Sub-Elements > Overheads and Resource Overhead Associations Navigator: Setup > Sub-Elements > Overheads > [Resources]
Define Period Rates	Period Rates
\Navigate Setup Financial Currencies Rates Period	Navigator: Setup > Financials > Currencies > Period Rates
Define Period Types	Period Types
\Navigate Setup Financial Calendar Types	Navigator: Setup > Financials > Accounting Calendar > Types
Define Resource	Resources
\Navigate Setup Sub-Element Resource	Navigator: Setup > Sub-Elements > Resources

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
Define Rollup Groups	Rollup Groups
\Navigate Setup Flexfields Key Groups	Navigator: Setup > Flexfields > Key > Groups
Define Security Rule	Define Security Rules
\Navigate Setup Flexfields Validation Security Define	Navigator: Setup > Flexfields > Validation > Security > Define
Define Segment Values	Segment Values
\Navigate Setup Flexfields Validation Values	Navigator: Setup > Flexfields > Validation > Values
Define Ledger	Ledger
\Navigate Setup Financial Books	Navigator: Setup > Financials > Books
Define Shorthand Aliases	Shorthand Aliases
\Navigate Setup Flexfields Key Aliases	Navigator: Setup > Flexfields > Key > Aliases
Define Subinventory	Subinventories Summary
\Navigate Setup SystemAcct Subinventory	Navigator: Setup > Account Assignments > Subinventories
Define Value Set	Value Sets
\Navigate Setup Flexfields Validation Sets	Navigator: Setup > Flexfields > Validation > Sets
Define WIP Accounting Class	WIP Accounting Classes
\Navigate Setup SystemAcct WipClass	Navigator: Setup > Account Assignments > WIP Accounting Classes
Enter Employee	Enter Person
\Navigate Setup Employee Enter	Navigator: Setup > Employees > Persons
Mass Edit Item Accounts	Mass Edit Item Accounts
\Navigate ItemCost MassEdit Account	Navigator: Cost Mass Edits > Mass Edit Item Accounts

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
Mass Edit Item Cost Information	Mass Edit Cost Information
\Navigate ItemCost MassEdit Cost	Navigator: Cost Mass Edits > Mass Edit Cost Information
Open Accounting Periods	Inventory Accounting Periods
\Navigate Period Open	Navigator: Accounting Close Cycle > Inventory Account Periods
Purge Cost Information	Purge Cost Information
\Navigate ItemCost Purge	Navigator: Cost Mass Edits > Purge Cost Information
Purge Standard Cost Update History	Purge Standard Cost History
\Navigate ItemCost Update Purge	Navigator: Item Costs > Standard Cost Update > Purge Cost Update History
Request Bill of Material Reports	Report Item Cost Information
\Navigate Report BOM	Navigator: Reports > Cost > Item
Request Chart of Accounts Reports	Request Chart of Accounts Reports
\Navigate Report Account	Navigator: Report > Account
Request Cost Audit Reports	Audit Information Report
\Navigate Report Audit	Navigator: Report > Audits
Request Cost Setup Reports	Request Cost Setup Reports
\Navigate Report Setup	Navigator: Report > Setup [Submit a New Request]
Request Interface Managers	Interface Managers
\Navigate Other InterfaceMgr	Navigator: Setup > Interface Managers
Request Inventory Reports	Request Value Reports
\Navigate Report INV	Navigator: Report > Value > Item [Submit a New Request]

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
Request Item Cost Reports	Report Item Cost Information
\Navigate Report Cost Item	Navigator: Report > Cost > Item [Submit a New Request]
Request Margin Analysis Reports	Request Analysis Reports
\Navigate Report Margin	Navigator: Report > Operational Analysis
Request MRP Cost Reports	Request Analysis Reports
\Navigate Report MRP	Navigator: Report > Operational Analysis
Request Purchasing Reports	Request Analysis Reports
\Navigate Report PUR	Navigator: Report > Operational Analysis
Request Work in Process Reports	Request Transaction Reports
\Navigate Report WIP	Navigator: Report > Transactions
Run Reports	Obsolete in GUI
\Navigate Report	
Search Items	Item Search
\Navigate Inquiry Item Catalog	Navigator: Operational Analysis > View Material > Item Search
Transfers Transactions to General Ledger	General Ledger Transfer
\Navigate Period GLTransfer	Navigator: Accounting Close Cycle > General Ledger Transfers
Update Accounting Periods	Inventory Accounting Periods
\Navigate Period Update	Navigator: Accounting Close Cycle > Inventory Accounting Periods
Update Average Cost	Update Average Cost
\Navigate ItemCost Update Update	Navigator: Item Costs > Average Cost Update > Update Costs

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
Update Personal Profile Options	Personal Profile Values
\Navigate Other Profile	Navigator: Setup > Profiles
Update Standard Costs	Standard Cost Update
\Navigate ItemCost Update Update	Navigator: Item Costs > Standard Cost Update > Update Costs
View Activities	Activities
\Navigate Inquiry Setup Activity	Navigator: Setup > Activities
View Bill of Material Details	Bills of Material
\Navigate Inquiry BOM Bill Detail	Navigator: Operational Analysis > View Bills > Bills
View Component Item Requirements	View Material Requirements
\Navigate Inquiry WIP Components	Navigator: Operational Analysis > View Work in Process > Material Requirements
View Concurrent Requests	Requests
\Navigate Other Request	Navigator: Requests Choose: [View Output] - to view Request Output [View Log] button - to view Request Log Use the Menu to choose: Tools Menu > Managers - to view Manager Log
View Cost Type	Cost Types
\Navigate Inquiry Setup CostType	Navigator: Setup > Cost Types
View Department	Departments
\Navigate Inquiry Setup Department	Navigator: Operational Analysis > View Routings > Departments

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
View Discrete Job \Navigate Inquiry WIP Discrete Job	View Discrete Jobs Navigator: View Work in Process > Discrete Jobs
View Indented Bill of Material \Navigate Inquiry BOM Bill Indented	Indented Bills of Material Navigator: Item Costs > ViewCosted Indented Bills > [Find]
View Item Attributes \Navigate Inquiry Items Attributes	Find Item Information Navigator: Operational Analysis > View Materials> Item Information
View Item Cost Information \Navigate Inquiry Cost Item	View Item Costs Details Navigator: Item Costs > Item Costs > [Views] > [Details] and View Item Costs Summary Navigator: Item Costs > Item Costs > [Views]
View Item Quantities \Navigate Inquiry INV Onhand Item	Item On-hand Quantities Navigator: Operational Analysis > View Material > On-hand Quantities
View Item Standard Cost History \Navigate Inquiry CostHistory	Standard Cost History Navigator: Item Costs > Standard Cost Update > View Cost History
View Item Status \Navigate Inquiry Item Status	Use the Inventory responsibility and See: Inventory Character Mode Forms and Corresponding GUI Windows
View Item Usage \Navigate Inquiry BOM WhereUsed Item	Item WhereUsed Navigator: Operational Analysis > View Bills > Item Usages

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
View Job Lot Composition \Navigate Inquiry WIP Discrete Lot	Use the Work in Process responsibility and See: Work in Proceess Character Mode Forms and Corresponding GUI Windows.
View Jobs by Assembly \Navigate Inquiry WIP Discrete Assembly	View Discrete Jobs Navigator: Operational Analysis > View Work in Process > Discrete Jobs (by Assembly)
View Locator Quantities \Navigate Inquiry INV Onhand Locator	Use the Inventory responsibility and See: Inventory Character Mode Forms and Corresponding GUI Windows.
View Material Overhead Defaults \Navigate Inquiry Setup Defaults	Material Overhead Defaults Navigator: Setup > Sub-Elements > Defaults
View Material Sub-Elements \Navigate Inquiry Setup Material	Material Subelements Navigator: Setup > Sub-Elements > Material
View Negative Inventory Information \Navigate Inquiry INV Onhand Negative	Use the Inventory responsibility and See: Inventory Character Mode Forms and Corresponding GUI Windows.
View Overhead \Navigate Inquiry Setup Overhead	Overheads Navigator: Setup > Sub-Elements > Overheads
View Pending Interface Activity \Navigate Inquiry Transact Interface	Use the Inventory responsibility and See: Inventory Character Mode Forms and Corresponding GUI Windows.
View Pending WIP Transactions \Navigate Inquiry WIP Interface	Pending Move Transactions Navigator: View Transactions > Pending Move Transactions and Pending Resource Transactions Navigator: View Transactions > Pending Resource Transactions

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
View Period Close Information	Inventory Accounting Periods
\Navigate Inquiry INV PeriodClose	Navigator: Accounting Close Cycle > Inventory Accounting Periods
View Purchase History	Supplier Item Catalog
\Navigate Inquiry PUR PoHistory	Navigator: Operational Analysis > View Purchases > Purchase Item History
View Purchase Order Distributions	Purchase Order Distributions
\Navigate Inquiry PUR PoDistributions	Navigator: Operational Analysis > View Purchases > Purchase Orders > [Find]
View Purchase Order	Purchase Orders
\Navigate Inquiry PUR Purchases	Navigator: Operational Analysis > View Purchases > Purchase Orders
View Receiving Transactions	Receiving Transactions
\Navigate Inquiry PUR Receipts	Navigator: View Transactions > Receiving Transactions
View Requisition Distributions	Requisition Header Summary
\Navigate Inquiry PUR ReqDistributions	Navigator: Operational Analysis > View Purchases > Requisitions
View Repetitive Schedules by Assembly	View Repetitive Schedules Summary
\Navigate Inquiry WIP Repetitive	Navigator: Operational Analysis > View Work in Process > Repetitive Schedules (by Assembly) [Find]
View Reports	Requests
\Navigate Report View	Navigator: Requests
	To view Manager Log:
	Navigator: Requests > Tools menu > Managers
View Resource	Resources
\Navigate Inquiry Setup Resource	Navigator: Setup > Sub-Elements > Resources

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
View Resource Usage	Resource WhereUsed
\Navigate Inquiry BOM WhereUsed Resource	Navigator: Operational Analysis > View Routings > Resource Usage
View Routing	Routings
\Navigate Inquiry BOM Routing	Navigator: Operational Analysis > View Routings > Routings
View Standard Cost History	Standard Cost History
\Navigate Inquiry CostHistory	Navigator: Item Costs > Standard Cost Update > View Cost History
View Standard Cost Updates	View Standard Cost Update
\Navigate Inquiry Cost Update	Navigator: Item Costs > Standard Cost Update > View Cost Update
View Subinventory Quantities	Item On-hand Quantities
\Navigate Inquiry INV Onhand Subinventory	Navigator: Operational Analysis > View Material > On-hand Quantities
View Transaction Distributions	Material Transaction Distributions
\Navigate Inquiry INV Distribution	Navigator: View Transactions > Material Distributions > [Find]
View Transactions	Material Transactions
\Navigate Inquiry INV Transactions	Navigator: View Transactions > Material Transactions
View Transactions by Source Type	Material Transactions
\Navigate Inquiry INV Source	Navigator: View Transactions > Material Transactions
View WIP Operations	View Operations
\Navigate Inquiry WIP Operations	Navigator: Operational Analysis > View Work in Process > Operations

Character Mode Form and Menu Path	GUI Window or Process, and Navigation Path
View WIP Transactions	View Move Transactions
\Navigate Inquiry WIP Transactions	Navigator: View Transactions > Move Transactions and View Resource Transactions Navigator: Transactions > Resource Transactions
View WIP Value	WIP Value Summary
\Navigate Inquiry WIP Value	Navigator: View Transactions > WIP Value Summary > WIP Jobs and Schedules > [Value Summary]

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SLA Costing Events - Accounting

SLA Costing Events Model

Event Entity: WIP Accounting Events

Event Class Name	Journal Line Types	Event Type Name
WIP Absorption	Work in Process Valuation	Resource Absorption
	Estimated Scrap Absorption	
	Overhead Absorption	Resource Overhead Absorption
	Resource Absorption	
	Resource Rate Variance	Estimated Scrap Absorption
Outside Processing	Work in Process Valuation	Outside Processing Transaction
	Resource Absorption	
	Overhead Absorption	Shop Floor Delivery for Direct Items
	Receiving Inspection	IPV Transfer to Work Order
	Purchase Price Variance	

Event Class Name	Journal Line Types	Event Type Name
	Offset	
WIP Variance	Work in Process Valuation	Period Close Variance
	Work in Process Variance	Job Close Variance
		Final Completion Variance
WIP Lot	Work in Process Valuation	WIP Lot Split
	Offset	WIP Lot Merge
		WIP Lot Update Quantity
		WIP Lot Bonus
WIP Cost Update	Work in Process Valuation	WIP Cost Update
	Cost Update Adjustment	

Event Entity: Receiving Accounting Events

Event Class Name	Journal Line Types	Event Type Name
Receipt into Receiving Inspection	Accrual	Receipt into Receiving Inspection
	Receiving Inspection	Return to Vendor
	Clearing	Logical Receipt
		Logical Return to Vendor
	Intercompany Accrual	

Event Class Name	Journal Line Types	Event Type Name
	Intercompany COGS	
Delivery to Expense Destination	Charge	Delivery to Expense
	Receiving Inspection	Return to Receiving Inspection from Expense
Period End Accrual	Accrual	Period End Accrual
	Charge	
Retroactive Price Adjustment to Receipt	Accrual	Retroactive Price Adjustment to Receipt
	Retroactive Price Adjustment	
	Intercompany Cost of Goods Sold	
	Receiving Inspection	
Retroactive Price Adjustment to Delivery	Retroactive Price Adjustment	Retroactive Price Adjustment to Delivery
	Charge	
	Receiving Inspection	

Event Entity: Accrual Write-Off Events

Event Class Name	Journal Line Types	Event Type Name
Accrual Write-Off Event	Accrual	Accrual Write-Off
	Account	
	Offset	

Event Class Name	Journal Line Types	Event Type Name
	Exchange Rate Variance	

Event Entity: Material Accounting Events

Event Class Name	Journal Line Types	Event Type Name
PO Delivery into Inventory	Inventory Valuation	Return to Receiving Inspection from Inventory
	Receiving Inspection	PO Delivery into Inventory
	Clearing	PO Delivery Adjustment
	Material Overhead Absorption	
	Purchase Price Variance	
	Cost Variance	Logical PO Delivery into Inventory
	Shikyu Variance	Logical PO Delivery Adjustment
	Offset	Logical PO Delivery into Inventory
		Logical Return to Receiving Inspection from Inventory
Sales Order Issue	Inventory Valuation	RMA Return
	Cost of Goods Sold	RMA Receipt
	Deferred COGS	Sales Order Issue
	Cost Variance	COGS Recognition
	Cost Update Adjustment	Logical Sales Order Issue
		Logical RMA Receipt

Event Class Name	Journal Line Types	Event Type Name
		Backdated COGS Recognition
		COGS Recognition Adjustment
Internal Order to Expense	Inventory Valuation	Internal Order Issue to Expense
	Offset	Internal Order Receipt into Expense
	Interorg Profit (OPM)	Internal Order Receipt into Expense, no Transfer Pricing
	Interorg Receivables	Internal Order Receipt into Expense, Transfer Pricing
	Interorg Payables	Internal Order Issue to Expense, no Transfer Pricing
		Internal Order Issue to Expense, Transfer Pricing
WIP Material	Inventory Valuation	WIP Component Issue
	Work in Process Valuation	WIP Negative Component Issue
	Material Overhead Absorption	WIP Component Return
	Cost Variance	WIP Negative Component Return
	Offset	WIP Assembly Completion
		WIP Assembly Return
		WIP Assembly Scrap
		WIP Assembly Scrap Return
Consigned Inventory Ownership Transfer	Inventory Valuation	Transfer from Consigned to Regular Inventory

Event Class Name	Journal Line Types	Event Type Name
	Accrual	Transfer from Regular to Consigned Inventory
	Material Overhead Absorption	
	Purchase Price Variance	
	Cost Variance	
Miscellaneous	Inventory Valuation	Move Order Issue
	Offset	Account Alias Issue
	Cost Variance	Account Issue
		Account Receipt
		Account Alias Receipt
		Miscellaneous Issue
		Miscellaneous Receipt
		Project Contract Issue
		Inventory Lot Translate
		Internal Requisition Receipt Adjustment
		Shipment Receipt Adjustment
		Cycle Count Adjustment
		Physical Inventory Adjustment
Intraorganization Transfer	Inventory Valuation	Move Order Transfer
	Cost Variance	Internal Order Transfer

Event Class Name	Journal Line Types	Event Type Name
	Offset	Cycle Count Transfer
		Physical Inventory Transfer
		Subinventory Transfer
		Cost Group Transfer
		Planning Transfer
		Internal Order Staging Transfer
		Sales Order Staging Transfer
Direct Interorg Shipment	Inventory Valuation	Direct Interorg Shipment
	Interorg Receivables	Direct Interorg Shipment, No Transfer Price
	Interorg Transfer Credit	Direct Interorg Shipment, Transfer Price
	Interorg Freight Charge	
	Interorg Payables	
	Material Overhead Absorption	
	Offset	
	Purchase Price Variance	
	Interorg Profit (OPM)	
Direct Interorg Receipt	Inventory Valuation	Direct Interorg Receipt
	Interorg Receivables	Direct Interorg Receipt, No Transfer Price

Event Class Name	Journal Line Types	Event Type Name
	Interorg Transfer Credit	Direct Interorg Receipt, Transfer Price
	Interorg Freight Charge	
	Interorg Payables	
	Material Overhead Absorption	
	Offset	
	Purchase Price Variance	
	Cost Variance	
Intransit Interorg Shipment for FOB Receipt	Inventory Valuation	Intransit Interorg Shipment for FOB Receipt
	Intransit Valuation	
	Offset	
Sender-side Intransit Interorg Receipt for FOB Receipt	Intransit Valuation	Sender-side Intransit Interorg Receipt for FOB Receipt without Transfer Pricing
	Interorg Profit (OPM)	Sender-side Intransit Interorg Receipt for FOB Receipt with Transfer Pricing
	Interorg Transfer Credit	
	Interorg Freight Charge	
	Interorg Receivables	
	Cost of Goods Sold	
	Offset	

Event Class Name	Journal Line Types	Event Type Name
Recipient-side Intransit Interorg Receipt for FOB Receipt	Inventory Valuation	Recipient-side Intransit Interorg Receipt for FOB Receipt without Transfer Pricing
	Interorg Payables	Recipient-side Intransit Interorg Receipt for FOB Receipt with Transfer Pricing
	Material Overhead Absorption	
	Purchase Price Variance	
	Intercompany Expense	
	Profit in Inventory	
	Cost Variance	
	Offset	
Sender-side Intransit Interorg Shipment for FOB Shipment	Inventory Valuation	Sender-side Intransit Interorg Shipment for FOB Shipment without Transfer Pricing
	Interorg Profit (OPM)	Sender-side Intransit Interorg Shipment for FOB Shipment with Transfer Pricing
	Interorg Transfer Credit	
	Interorg Receivables	
	Cost of Goods Sold	
	Offset	
Recipient-side Intransit Interorg Shipment for FOB Shipment	Intransit Valuation	Recipient-side Intransit Interorg Shipment for FOB Shipment without Transfer Pricing

Event Class Name	Journal Line Types	Event Type Name
	Interorg Payables	Recipient-side Intransit Interorg Shipment for FOB Shipment with Transfer Pricing
	Interorg Freight Charge	
	Material Overhead Absorption	
	Purchase Price Variance	
	Intercompany Expense	
	Profit in Inventory	
	Cost Variance	
	Offset	
Intransit Interorg Receipt for FOB Shipment	Inventory Valuation	Intransit Interorg Receipt for FOB Shipment
	Intransit Valuation	
	Offset	
Material Cost Update	Inventory Valuation	Standard Cost Update
	Cost Variance	Average Cost Update
	Cost Update Adjustment	IPV Transfer to Inventory
	Intransit Valuation	Layer Cost Update
Retroactive Price Adjustment	Accrual	Retroactive Price Adjustment
	Retroactive Price Adjusment	
Logical Intercompany	Inventory Valuation	Logical Intercompany Sales Issue

Event Class Name	Journal Line Types	Event Type Name
	Intercompany Accrual	Logical Intercompany Sales Return
	Clearing	Logical Intercompany Shipment Receipt
	Intercompany COGS	Logical Intercompany Receipt Return
	Offset	Logical Intercompany Procurement Receipt
		Logical Intercompany Procurement Return
WIP Material Lot	Work in Process Valuation	Lot Split
	Offset	Lot Merge
		Lot Bonus
		Lot Quantity Update

Event Class Journal Line Type Conditions

Event Entity: WIP Accounting Events

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
WIP Absorption	Work in Process Valuation	Accounting Line Type = 7
	Estimated Scrap Absorption	Accounting Line Type = 29
	Overhead Absorption	Accounting Line Type = 3
	Resource Absorption	Accounting Line Type = 4

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
	Resource Rate Variance	Accounting Line Type = 6
Outside Processing	Work in Process Valuation	Accounting Line Type = 7
	Resource Absorption	Accounting Line Type = 4
	Overhead Absorption	Accounting Line Type = 3
	Receiving Inspection	Accounting Line Type = 5
	Purchase Price Variance	Accounting Line Type = 6
	Offset	Accounting Line Type = 2
WIP Variance	Work in Process Valuation	Accounting Line Type = 7
	Work in Process Variance	Accounting Line Type = 8
WIP Lot	Work in Process Valuation	Accounting Line Type =21 OR Accounting Line Type =22 OR Accounting Line Type =23 OR Accounting Line Type =24 OR Accounting Line Type =26 OR Accounting Line Type =28
	Offset	Accounting Line Type =25 OR Accounting Line Type =27
WIP Cost Update	Work in Process Valuation	Accounting Line Type =7
	Cost Update Adjustment	Accounting Line Type =2

Event Entity: Receiving Accounting Events

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
Receipt into Receving Inspection	Accrual	Receiving Accounting Line Type = 'Accrual'
	Receiving Inspection	Receiving Accounting Line Type = 'Receiving Inspection'
	Clearing	Receiving Accounting Line Type = 'Clearing'
	Intercompany Accrual	Receiving Accounting Line Type = 'IC Accrual'
	Intercompany COGS	Receiving Accounting Line Type = 'IC Cost of Sales'
Delivery to Expense Destination	Charge	Receiving Accounting Line Type = 'Charge'
	Receiving Inspection	Receiving Accounting Line Type = 'Receiving Inspection'
Period End Accrual	Accrual	Receiving Accounting Line Type = 'Accrual'
	Charge	Receiving Accounting Line Type = 'Charge'
Retroactive Price Adjustment to Receipt	Accrual	Receiving Accounting Line Type = 'Accrual'
	Retroactive Price Adjustment	Receiving Accounting Line Type = 'Retroprice Adjustment'
	Intercompany Cost of Goods Sold	Receiving Accounting Line Type = 'IC Cost of Sales'
	Receiving Inspection	Receiving Accounting Line Type = 'Receiving Inspection'

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
Retroactive Price Adjustment to Delivery	Retroactive Price Adjustment	Receiving Accounting Line Type = 'Retroprice Adjustment'
	Charge	Receiving Accounting Line Type = 'Charge'
	Receiving Inspection	Receiving Accounting Line Type = 'Receiving Inspection'

Event Entity: Accrual Write-Off Events

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
Accrual Write-Off Event	Accrual	Line Number =1
	Offset	Line Number =1
	Accrual to Offset ERV	Line Number =2
	Exchange Rate Variance	Line Number =2

Event Entity: Material Accounting Events

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
PO Delivery into Inventory	Inventory Valuation	Accounting Line Type =1
	Receiving Inspection	Accounting Line Type =5
	Clearing	Accounting Line Type =31

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
	Material Overhead Absorption	Accounting Line Type =3
	Purchase Price Variance	Accounting Line Type =6
	Cost Variance	Accounting Line Type =13
	Shikyu Variance	Accounting Line Type =33
	Offset	Accounting Line Type =2
Sales Order Issue	Inventory Valuation	Accounting Line Type =1
	Cost of Goods Sold	Accounting Line Type =35
	Deferred COGS	Accounting Line Type =36
	Cost Variance	Accounting Line Type =13
	Cost Update Adjustment	Accounting Line Type =37
Internal Order to Expense	Inventory Valuation	Accounting Line Type =1
	Offset	Accounting Line Type =2
	Interorg Profit (OPM)	Accounting Line Type =34
	Interorg Receivables	Accounting Line Type =10
	Interorg Payables	Accounting Line Type =9
WIP Material	Inventory Valuation	Accounting Line Type =1
	Work in Process Valuation	Accounting Line Type =7

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
	Material Overhead Absorption	Accounting Line Type =3
	Cost Variance	Accounting Line Type =13
	Offset	Accounting Line Type =2
Consigned Inventory Ownership Transfer	Inventory Valuation	Accounting Line Type =1
	Accrual	Accounting Line Type =16
	Material Overhead Absorption	Accounting Line Type =3
	Purchase Price Variance	Accounting Line Type =6
	Cost Variance	Accounting Line Type =13
Miscellaneous	Inventory Valuation	Accounting Line Type =1
	Offset	Accounting Line Type =2
	Cost Variance	Accounting Line Type =13
Intraorganization Transfer	Inventory Valuation	Accounting Line Type =1
	Cost Variance	Accounting Line Type =13
	Offset	Accounting Line Type =2
Direct Interorg Shipment	Inventory Valuation	Accounting Line Type =1
	Interorg Receivables	Accounting Line Type =10

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
	Interorg Transfer Credit	Accounting Line Type =11
	Interorg Freight Charge	Accounting Line Type =12
	Interorg Payables	Accounting Line Type =9
	Material Overhead Absorption	Accounting Line Type =3
	Offset	Accounting Line Type =2
	Purchase Price Variance	Accounting Line Type =6
	Interorg Profit (OPM)	Accounting Line Type =34
Direct Interorg Receipt	Inventory Valuation	Accounting Line Type =1
	Interorg Receivables	Accounting Line Type =10
	Interorg Transfer Credit	Accounting Line Type =11
	Interorg Freight Charge	Accounting Line Type =12
	Interorg Payables	Accounting Line Type =9
	Material Overhead Absorption	Accounting Line Type =3
	Offset	Accounting Line Type =2
	Purchase Price Variance	Accounting Line Type =6
	Cost Variance	Accounting Line Type =13

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
Intransit Interorg Shipment for FOB Receipt	Inventory Valuation	Accounting Line Type =1
	Intransit Valuation	Accounting Line Type =14
	Offset	Accounting Line Type =2
Sender-side Intransit Interorg Receipt for FOB Receipt	Intransit Valuation	Accounting Line Type =14
	Interorg Profit (OPM)	Accounting Line Type =34
	Interorg Transfer Credit	Accounting Line Type =11
	Interorg Freight Charge	Accounting Line Type =12
	Interorg Receivables	Accounting Line Type =10
	Cost of Goods Sold	Accounting Line Type =2 AND Accounted Amount >0
	Offset	Accounting Line Type =2 AND Accounted Amount <=0
Recipient-side Intransit Interorg Receipt for FOB Receipt	Inventory Valuation	Accounting Line Type =1
	Interorg Payables	Accounting Line Type =9
	Material Overhead Absorption	Accounting Line Type =3

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
	Purchase Price Variance	Accounting Line Type =6
	Intercompany Expense	Accounting Line Type =2 AND Accounted Amount <0
	Profit in Inventory	Accounting Line Type =30
	Cost Variance	Accounting Line Type =13
	Offset	Accounting Line Type =2 AND Accounted Amount >=0
Sender-side Intransit Interorg Shipment for FOB Shipment	Inventory Valuation	Accounting Line Type =1
	Interorg Profit (OPM)	Accounting Line Type =34
	Interorg Transfer Credit	Accounting Line Type =11
	Interorg Receivables	Accounting Line Type =10
	Cost of Goods Sold	Accounting Line Type =2 AND Accounted Amount >0
	Offset	Accounting Line Type =2 AND Accounted Amount <=0
Recipient-side Intransit Interorg Shipment for FOB Shipment	Intransit Valuation	Accounting Line Type =14
	Interorg Payables	Accounting Line Type =9

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
	Interorg Freight Charge	Accounting Line Type =12
	Material Overhead Absorption	Accounting Line Type =3
	Purchase Price Variance	Accounting Line Type =6
	Intercompany Expense	Accounting Line Type =2 AND Accounted Amount <0
	Profit in Inventory	Accounting Line Type =30
	Cost Variance	Accounting Line Type =13
	Offset	Accounting Line Type =2 AND Accounted Amount >=0
Intransit Interorg Receipt for FOB Shipment	Inventory Valuation	Accounting Line Type =1
	Intransit Valuation	Accounting Line Type =14
	Offset	Accounting Line Type =2
Material Cost Update	Inventory Valuation	Accounting Line Type =1
	Cost Variance	Accounting Line Type =13
	Cost Update Adjustment	Accounting Line Type =2
	Intransit Valuation	Accounting Line Type =14
Retroactive Price Adjustment	Accrual	Accounting Line Type =16

Event Class Name	Journal Line Types	Condition to Generate the Journal Line
	Retroactive Price Adjusment	Accounting Line Type =32
Logical Intercompany	Inventory Valuation	Accounting Line Type =1
	Intercompany Accrual	Accounting Line Type =16
	Clearing	Accounting Line Type =31
	Intercompany COGS	Accounting Line Type =2 AND ((Accounted Amount >=0 AND Transaction Action Name =Logical Intercompany Sales) OR (Accounted Amount <=0 AND Transaction Action Name =Logical Intercompany Sales Return))
	Offset	Accounting Line Type =2 AND ((Accounted Amount <=0 AND Transaction Action Name =Logical Intercompany Receipt Return) OR (Accounted Amount >=0 AND Transaction Action Name =Logical Intercompany Receipt))
WIP Material Lot	Work in Process Valuation	Accounting Line Type =21 OR Accounting Line Type =22 OR Accounting Line Type =23 OR Accounting Line Type =24 OR Accounting Line Type =26 OR Accounting Line Type =28
	Offset	Accounting Line Type =25 OR Accounting Line Type =27

Event Class and Journal Line Type Assignments

Receiving Accounting Events

Event Class Name	Journal Line Types	JLT Selected when …
Receipt into Receiving Inspection	Accrual	RALT = 'Accrual'

Event Class Name	Journal Line Types	JLT Selected when …
	Receiving Inspection	RALT = 'Receiving Inspection'
	Clearing	RALT = 'Clearing'
	Intercompany Accrual	RALT = 'IC Accrual'
	Intercompany COGS	RALT = 'IC Cost of Sales'
Delivery to Expense Destination	Charge	RALT = 'Charge'
	Receiving Inspection	RALT = 'Receiving Inspection'
Period End Accrual	Accrual	RALT = 'Accrual'
	Charge	RALT = 'Charge'
Retroactive Price Adjustment to Receipt	Accrual	RALT = 'Accrual'
	Retroactive Price Adjustment	RALT = 'Retroprice Adjustment'
	Intercompany Cost of Goods Sold	RALT = 'IC Cost of Sales'
	Receiving Inspection	RALT = 'Receiving Inspection'
Retroactive Price Adjustment to Delivery	Retroactive Price Adjustment	RALT = 'Retroprice Adjustment'
	Charge	RALT = 'Charge'
	Receiving Inspection	RALT = 'Receiving Inspection'

Material Accounting Events

Event Class Name	Journal Line Types	JLT Selected when …
PO Delivery into Inventory	Inventory Valuation	ALT =1
	Receiving Inspection	ALT =5
	Clearing	ALT =31
	Material Overhead Absorption	ALT =3
	Purchase Price Variance	ALT =6
	Cost Variance	ALT =13
	Shikyu Variance	ALT =33
	Offset	ALT =2
Sales Order Issue	Inventory Valuation	ALT =1
	Cost of Goods Sold	ALT =35
	Deferred COGS	ALT =36
	Cost Variance	ALT =13
	Cost Update Adjustment	ALT =37
Internal Order to Expense	Inventory Valuation	ALT =1
	Offset	ALT =2
	Interorg Profit (OPM)	ALT =34
	Interorg Receivables	ALT =10
	Interorg Payables	Interorg Payables

Event Class Name	Journal Line Types	JLT Selected when …
WIP Material	Inventory Valuation	ALT =1
	Work in Process Valuation	ALT =7
	Material Overhead Absorption	ALT =3
	Cost Variance	ALT =13
	Offset	ALT =2
Consigned Inventory Ownership Transfer	Inventory Valuation	ALT =1
	Accrual	ALT =16
	Material Overhead Absorption	ALT =3
	Purchase Price Variance	ALT =6
	Cost Variance	ALT =13
Miscellaneous	Inventory Valuation	ALT =1
	Offset	ALT =2
	Cost Variance	ALT =13
Intraorganization Transfer	Inventory Valuation	ALT =1
	Cost Variance	ALT =13
	Offset	ALT =2
Direct Interorg Shipment	Inventory Valuation	ALT =1
	Interorg Receivables	ALT =10

Event Class Name	Journal Line Types	JLT Selected when …
	Interorg Transfer Credit	ALT =11
	Interorg Freight Charge	ALT =12
	Interorg Payables	ALT =9
	Material Overhead Absorption	ALT =3
	Offset	ALT =2
	Purchase Price Variance	ALT =6
	Interorg Profit (OPM)	ALT =34
Direct Interorg Receipt	Inventory Valuation	ALT =1
	Interorg Receivables	ALT =10
	Interorg Transfer Credit	ALT =11
	Interorg Freight Charge	ALT =12
	Interorg Payables	ALT =9
	Material Overhead Absorption	ALT =3
	Offset	ALT =2
	Purchase Price Variance	ALT =6
	Cost Variance	ALT =13
Intransit Interorg Shipment for FOB Receipt	Inventory Valuation	ALT =1
	Intransit Valuation	ALT =14
	Offset	ALT =2

Event Class Name	Journal Line Types	JLT Selected when …
Sender-side Intransit Interorg Receipt for FOB Receipt	Intransit Valuation	ALT =14
	Interorg Profit (OPM)	ALT =34
	Interorg Transfer Credit	ALT =11
	Interorg Freight Charge	ALT =12
	Interorg Receivables	ALT =10
	Cost of Goods Sold	ALT =2 **AND** AA >0
	Offset	ALT =2 **AND** AA <=0
Recipient-side Intransit Interorg Receipt for FOB Receipt	Inventory Valuation	ALT =1
	Interorg Payables	ALT =9
	Material Overhead Absorption	ALT =3
	Purchase Price Variance	ALT =6
	Intercompany Expense	ALT =2 **AND** AA <0
	Profit in Inventory	ALT =30
	Cost Variance	ALT =13
	Offset	ALT =2 **AND** AA >=0
Sender-side Intransit Interorg Shipment for FOB Shipment	Inventory Valuation	ALT =1
	Interorg Profit (OPM)	ALT =34
	Interorg Transfer Credit	ALT =11

Event Class Name	Journal Line Types	JLT Selected when …
	Interorg Receivables	ALT =10
	Cost of Goods Sold	ALT =2 **AND** AA >0
	Offset	ALT =2 **AND** AA <=0
Recipient-side Intransit Interorg Shipment for FOB Shipment	Intransit Valuation	ALT =14
	Interorg Payables	ALT =9
	Interorg Freight Charge	ALT =12
	Material Overhead Absorption	ALT =3
	Purchase Price Variance	ALT =6
	Intercompany Expense	ALT =2 **AND** AA <0
	Profit in Inventory	ALT =30
	Cost Variance	ALT =13
	Offset	ALT =2 **AND** AA >=0
Intransit Interorg Receipt for FOB Shipment	Inventory Valuation	ALT =1
	Intransit Valuation	ALT =14
	Offset	ALT =2
Material Cost Update	Inventory Valuation	ALT =1
	Cost Variance	ALT =13
	Cost Update Adjustment	ALT =2

Event Class Name	Journal Line Types	JLT Selected when …
	Intransit Valuation	ALT =14
Retroactive Price Adjustment	Accrual	ALT =16
	Retroactive Price Adjusment	ALT =32
Logical Intercompany	Inventory Valuation	ALT =1
	Intercompany Accrual	ALT =16
	Clearing	ALT =31
	Intercompany COGS	ALT =2 **AND** ((AA >=0 **AND** Transaction Action Name =Logical Intercompany Sales) **OR** (AA <=0 **AND** Transaction Action Name =Logical Intercompany Sales Return))
	Offset	ALT =2 **AND** ((AA <=0 **AND** Transaction Action Name =Logical Intercompany Receipt Return) **OR** (AA >=0 **AND** Transaction Action Name =Logical Intercompany Receipt))
WIP Material Lot	Work in Process Valuation	ALT =21 **OR** ALT =22 **OR** ALT =23 **OR** ALT =24 **OR** ALT =26 **OR** ALT =28
	Offset	ALT =25 **OR** ALT =27

WIP Accounting Events

Event Class Name	Journal Line Types	JLT Selected when …
WIP Absorption	Work in Process Valuation	ALT = 7

Event Class Name	Journal Line Types	JLT Selected when …
	Estimated Scrap Absorption	ALT = 29
	Overhead Absorption	ALT = 3
	Resource Absorption	ALT = 4
	Resource Rate Variance	ALT = 6
Outside Processing	Work in Process Valuation	ALT = 7
	Resource Absorption	ALT = 4
	Overhead Absorption	ALT = 3
	Receiving Inspection	ALT = 5
	Purchase Price Variance	ALT = 6
	Offset	ALT = 2
WIP Variance	Work in Process Valuation	ALT = 7
	Work in Process Variance	ALT = 8
WIP Lot	Work in Process Valuation	ALT =21 **OR** ALT =22 **OR** ALT =23 **OR** ALT =24 **OR** ALT =26 **OR** ALT =28
	Offset	ALT =25 **OR** ALT =27
WIP Cost Update	Work in Process Valuation	ALT =7
	Cost Update Adjustment	ALT =2

Accrual Write-Off Events

Event Class Name	Journal Line Types	JLT Selected when …
Accrual Write-Off Event	Accrual	LN =1
	Account	LN =1
	Offset	LN =2
	Exchange Rate Variance	LN =2

Legend

AA = Accounted Amount

ALT = Accounting Line Type

LN = Line Number

RALT = Receiving Accounting Line Type

TAN = Transaction Action Name

Event Transaction Type Mapping

Receiving Event Transaction Mapping

Existing Transaction Type	Transaction Type it Corrects	Transaction Type Identifier	SLA Event Type Name
Receive		1	Receipt into Receiving Inspection
Deliver		2	Delivery to Expense
Correct	Deliver	3	Delivery to Expense
Correct	Return to Vendor	3	Return to Vendor
Correct	Return to Receiving	3	Return to Receiving

Existing Transaction Type	Transaction Type it Corrects	Transaction Type Identifier	SLA Event Type Name
Correct	Receive	3	Receipt into Receiving Inspection
Correct	Match	3	Receipt into Receiving Inspection
Match		4	Receipt into Receiving Inspection
Return to Receiving		5	Return to Receiving
Return to Supplier		6	Return to Vendor
Retroactive Price Adjustment to Receipt		7	Retroactive Price Adjustment to Receipt
Retroactive Price Adjustment to Delivery		8	Retroactive Price Adjustment to Delivery
Logical Receipt		9	Logical Receipt
Logical Return to Vendor		10	Logical Return to Vendor
Period End Accrual		14	Period End Accrual

WIP Event Transaction Mapping

Existing Transaction Type	Existing Transaction Type ID	Special Case	SLA Event Type Name
Resource transaction	1		Resource Absorption
Overhead transaction	2		Overhead Absorption
Outside processing	3		Outside Processing

Existing Transaction Type	Existing Transaction Type ID	Special Case	SLA Event Type Name
Outside processing	3	IPV transfer to Work Order	IPV Transfer to Work Order
Cost update	4		WIP Cost Update
Period close variance	5		Period Close Variance
Job close variance	6		Job close variance
Final completion variance	7		Final completion variance
WIP Lot Split	11		WIP Lot Split
WIP Lot Merge	12		WIP Lot Merge
WIP Lot Bonus	13		WIP Lot Bonus
WIP Lot Quantity Update	14		WIP Lot Quantity Update
Estimated Scrap Absorption	15		Estimated Scrap Absorption
Estimated Scrap Reallocation	16		Job Close Variance
Direct Shopfloor Delivery	17		Shop Floor Delivery for Direct Items

Inventory Event Transaction Mapping

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
Return to Vendor	1	1		Return to Receiving Inspection from Inventory	Transaction Organization
Transfer to Regular	6	1		Transfer from Consigned to Regular Inventory	Transaction Organization
Logical Return to Vendor	7	1		Logical Return to Receiving Inspection from Inventory	Transaction Organization
Logical PO Receipt Adjustment	11	1		Logical PO Delivery Adjustment	Transaction Organization
Retroactive Price Update	25	1		Retroactive Price Adjustment	Transaction Organization
Logical PO Receipt	26	1		Logical PO Delivery into Inventory	Transaction Organization
PO Receipt	27	1		PO Delivery into Inventory	Transaction Organization
PO Rcpt Adjust	29	1		PO Delivery Adjustment	Transaction Organization
Sales order issue	1	2		Sales Order Issue	Transaction Organization
Logical Sales Order Issue	7	2		Logical Sales Order Issue	Transaction Organization
Sales Order Pick	28	2		Sales Order Staging Transfer	Transaction Organization

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
Account issue	1	3		Account Issue	Transaction Organization
Account receipt	27	3		Account Receipt	Transaction Organization
Move Order Issue	1	4		Move Order Issue	Transaction Organization
Move Order Transfer	2	4		Move Order Transfer	Transaction Organization
WIP Issue	1	5		WIP Component Issue	Transaction Organization
WIP Return	27	5		WIP Component Return	Transaction Organization
WIP assembly scrap	30	5		WIP Assembly Scrap	Transaction Organization
WIP return from scrap	30	5		WIP Assembly Scrap	Transaction Organization
WIP estimated scrap	30	5		WIP Assembly Scrap	Transaction Organization
WIP Completion	31	5		WIP Assembly Completion	Transaction Organization
WIP Byproduct Completion	31	5		WIP Assembly Completion	Transaction Organization
WIP Completion Return	32	5		WIP Assembly Return	Transaction Organization

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
WIP Byproduct Return	32	5		WIP Assembly Return	Transaction Organization
WIP Negative Issue	33	5		WIP Negative Component Issue	Transaction Organization
WIP Negative Return	34	5		WIP Negative Component Return	Transaction Organization
WIP Lot Split	40	5		Lot Split	Transaction Organization
WIP Lot Merge	41	5		Lot Merge	Transaction Organization
WIP Lot Bonus	42	5		Lot Bonus	Transaction Organization
WIP Lot Quantity Update	43	5		Lot Quantity Update	Transaction Organization
Account alias issue	1	6		Account Alias Issue	Transaction Organization
Account alias receipt	27	6		Account Alias Receipt	Transaction Organization
Int Req Intr Rcpt	12	7		Intransit Interorg Receipt for FOB Shipment	Transaction Organization
Int Req Intr Rcpt	12	7	Yes	Sender-side Intransit Interorg Receipt for FOB Receipt, Transfer Pricing	Transfer Organization

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
Int Req Intr Rcpt	12	7	Yes	Recipient-side Intransit Interorg Receipt for FOB Receipt, Transfer Pricing	Transaction Organization
Int Req Intr Rcpt	12	7	No	Sender-side Intransit Interorg Receipt for FOB Receipt, no Transfer Pricing	Transfer Organization
Int Req Intr Rcpt	12	7	No	Recipient-side Intransit Interorg Receipt for FOB Receipt, no Transfer Pricing	Transaction Organization
Int Req Rcpt Adjust	29	7		Internal Requisition Receipt Adjustment	Transaction Organization
Internal Order Xfer	2	8		Internal Order Transfer	Transaction Organization
Int Order Intr Ship	21	8	Yes	Sender-side Intransit Interorg Shipment for FOB Shipment, Transfer Pricing	Transaction Organization
Int Order Intr Ship	21	8	Yes	Recipient-side Intransit Interorg Shipment for FOB Shipment, Transfer Pricing	Transfer Organization
Int Order Intr Ship	21	8		Intransit Interorg Shipment for FOB Receipt	Transaction Organization

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
Int Order Intr Ship	21	8	No	Sender-side Intransit Interorg Shipment for FOB Shipment, no Transfer Pricing	Transaction Organization
Int Order Intr Ship	21	8	No	Recipient-side Intransit Interorg Shipment for FOB Shipment, no Transfer Pricing	Transfer Organization
Internal Order Pick	28	8		Internal Order Staging Transfer	Transaction Organization
Cycle Count Transfer	2	9		Cycle Count Transfer	Transaction Organization
Cycle Count Adjust	4	9		Cycle Count Adjustment	Transaction Organization
Physical Inv Transfer	2	10		Physical Inventory Transfer	Transaction Organization
Physical Inv Adjust	8	10		Physical Inventory Adjustment	Transaction Organization
Standard cost update	24	11		Standard Cost Update	Transaction Organization
RMA Return	1	12		RMA Return	Transaction Organization
Logical RMA Receipt	26	12		Logical RMA Receipt	Transaction Organization
RMA Receipt	27	12		RMA Receipt	Transaction Organization
Miscellaneous Issue	1	13		Miscellaneous Issue	Transaction Organization

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
Field Service Usage	1	13		Miscellaneous Issue	Transaction Organization
Lot Conversion Decrease	1	13		Miscellaneous Issue	Transaction Organization
Deduct Sample Qty	1	13		Miscellaneous Issue	Transaction Organization
Miscellaneous issue	1	13		Cost Group Transfer	Transaction Organization
Field Service Usage	1	13		Cost Group Transfer	Transaction Organization
Lot Conversion Decrease	1	13		Cost Group Transfer	Transaction Organization
Deduct Sample Qty	1	13		Cost Group Transfer	Transaction Organization
Subinventory Transfer	2	13		Subinventory Transfer	Transaction Organization
Backflush Transfer	2	13		Subinventory Transfer	Transaction Organization
Project Borrow	2	13		Subinventory Transfer	Transaction Organization
Project Transfer	2	13		Subinventory Transfer	Transaction Organization
Project Payback	2	13		Subinventory Transfer	Transaction Organization
Planning Transfer	5	13		Planning Transfer	Transaction Organization

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
Transfer to Consigned	6	13		Transfer from Regular to Consigned Inventory	Transaction Organization
Logical Intercompany Sales Issue	9	13		Logical Intercompany Sales Issue	Transaction Organization
Logical Intercompany Shipment Receipt	10	13		Logical Intercompany Shipment Receipt	Transaction Organization
Logical Intercompany Procurement Receipt	10	13		Logical Intercompany Shipment Receipt	Transaction Organization
Intransit Receipt	12	13		Intransit Interorg Receipt for FOB Shipment	Transaction Organization
Intransit Receipt	12	13	Yes	Sender-side Intransit Interorg Receipt for FOB Receipt, Transfer Pricing	Transfer Organization
Intransit Receipt	12	13	Yes	Recipient-side Intransit Interorg Receipt for FOB Receipt, Transfer Pricing	Transaction Organization
Intransit Receipt	12	13	No	Sender-side Intransit Interorg Receipt for FOB Receipt, no Transfer Pricing	Transfer Organization

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
Intransit Receipt	12	13	No	Recipient-side Intransit Interorg Receipt for FOB Receipt, no Transfer Pricing	Transaction Organization
Logical Intercompany Receipt Return	13	13		Logical Intercompany Receipt Return	Transaction Organization
Logical Intercompany Procurement Return	13	13		Logical Intercompany Receipt Return	Transaction Organization
Logical Intercompany Sales Return	14	13		Logical Intercompany Sales Return	Transaction Organization
Intransit Shipment	21	13	Yes	Sender-side Intransit Interorg Shipment for FOB Shipment, Transfer Pricing	Transaction Organization
Intransit Shipment	21	13	Yes	Recipient-side Intransit Interorg Shipment for FOB Shipment, Transfer Pricing	Transfer Organization
Intransit Shipment	21	13		Intransit Interorg Shipment for FOB Receipt	Transaction Organization

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
Intransit Shipment	21	13	No	Sender-side Intransit Interorg Shipment for FOB Shipment, no Transfer Pricing	Transaction Organization
Intransit Shipment	21	13	No	Recipient-side Intransit Interorg Shipment for FOB Shipment, no Transfer Pricing	Transfer Organization
Average cost update	24	13		Average Cost Update	Transaction Organization
Average cost update	24	13		IPV Transfer to Inventory	Transaction Organization
Miscellaneous receipt	27	13		Miscellaneous Receipt	Transaction Organization
Field Service Recovery	27	13		Miscellaneous Receipt	Transaction Organization
Lot Conversion Increase	27	13		Miscellaneous Receipt	Transaction Organization
Shipment Rcpt Adjust	29	13		Shipment Receipt Adjustment	Transaction Organization
Inventory Lot Translate	42	13		Inventory Lot Translate	Transaction Organization
Cost Group Transfer	55	13		Cost Group Transfer	Transaction Organization
Layer Cost Update	24	15		Layer Cost Update	Transaction Organization

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
Project Contract Issue	1	16		Project Contract Issue	Transaction Organization
COGS Recognition	36	2		COGS Recognition Adjustment	Transaction Organization
COGS Recognition	36	2		COGS Recognition	Transaction Organization
Direct Org Transfer	3	13	Yes	Direct Interorg Shipment, Transfer Price	Transaction Organization
Direct Org Transfer	3	13	No	Direct Interorg Shipment, No Transfer Price	Transaction Organization
Direct Org Transfer	3	13	Yes	Direct Interorg Receipt, Transfer Price	Transfer Organization
Direct Org Transfer	3	13	No	Direct Interorg Receipt, No Transfer Price	Transfer Organization
Logical Intransit Shipment	22	8	Yes	Sender-side Intransit Interorg Receipt for FOB Receipt, Transfer Pricing	Transaction Organization
Logical Intransit Shipment	22	13	Yes	Sender-side Intransit Interorg Receipt for FOB Receipt, Transfer Pricing	Transaction Organization

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
Logical Intransit Receipt	15	7	Yes	Recipient-side Intransit Interorg Shipment for FOB Shipment, Transfer Pricing	Transaction Organization
Logical Intransit Receipt	15	13	Yes	Recipient-side Intransit Interorg Shipment for FOB Shipment, Transfer Pricing	Transaction Organization
Int Order Direct Ship	3	8	Yes	Direct Interorg Shipment, Transfer Price	Transaction Organization
Int Order Direct Ship	3	8	No	Direct Interorg Shipment, No Transfer Price	Transaction Organization
Int Order Direct Ship	3	8	Yes	Direct Interorg Receipt, Transfer Price	Transfer Organization
Int Order Direct Ship	3	8	No	Direct Interorg Receipt, No Transfer Price	Transfer Organization
Logical Expense Requisition Receipt	17	7	Yes	Internal Order Receipt into Expense, Transfer Pricing	Transaction Organization
Logical Expense Requisition Receipt	17	7	No	Internal Order Receipt into Expense, no Transfer Pricing	Transaction Organization
Internal order issue	1	8	Yes	Internal Order Issue to Expense, Transfer Pricing	Transaction Organization

Existing Transaction Type	Transaction Action ID	Transaction Source Type ID	Transfer Pricing Enabled	SLA Event Type Name	Event Created In
Internal order issue	1	8	No	Internal Order Issue to Expense, no Transfer Pricing	Transaction Organization
Int Req Direct Org Xfer	3	7	Yes	Direct Interorg Receipt, Transfer Price	Transaction Organization
Int Req Direct Org Xfer	3	7	No	Direct Interorg Receipt, No Transfer Price	Transaction Organization
Direct Org Transfer	3	13	Yes	Direct Interorg Receipt, Transfer Price	Transaction Organization
Direct Org Transfer	3	13	No	Direct Interorg Receipt, No Transfer Price	Transaction Organization
Int Req Direct Org Xfer	3	7	Yes	Direct Interorg Receipt, Transfer Price	Transfer Organization
Int Req Direct Org Xfer	3	7	No	Direct Interorg Receipt, No Transfer Price	Transfer Organization

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