Oracle® Cost Management Documentation Updates

Release 11.0.1

June 1998

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Oracle Cost Management Documentation Updates

Profile Options

CST:Average Costing Option

The documentation for this profile currently reads as follows:

> For average costing organizations, choose the type of average costing. The options are *Inventory and Work in Process* or *Inventory only.*

Profile Option Table	User	System Administrator				Requirements	
(excerpt)	User	User	Resp	App	Site	Required?	Default Value
CST: Average Costing Option					✔	Required	System derived
✔ Indicates by whom and at what level the profile option can be updated.							

Instead, it should read as follows:

> The value of this profile is derived by the system and should not be updated by users or system administrators.

Profile Option Table	User	System Administrator				Requirements	
(excerpt)	User	User	Resp	App	Site	Required?	Default Value
CST: Average Costing Option						NA	System derived

Inventory and Manufacturing Costing Compared

The first sentence in the **Attention** following the introductory paragraph currently reads as follows:

> In all versions of Release 10 and in production releases of Release 10SC prior to production 16, manufacturing *standard* costing was not available, and you could only use inventory average costing.

Instead, it should read as follows:

> In all versions of Release 10 and in production releases of Release 10SC prior to production 16, manufacturing *average* costing was not available, and you could only use inventory average costing.

The introductory paragraph in the section *Setup Scenario and Features* currently reads as follows:

Outlined below are the major features found in *five* typical setup scenarios.

Instead, it should read as follows:

Outlined below are the major features found in six typical setup scenarios.

The bullet points listed under Scenario 5: Average Costing – Distribution Organization (R11 Processor) currently read as follows:

- Costing Method organization parameter is set to Average

- Five cost elements (material, material overhead, resource, outside processing, and overhead)

Instead, they should read as follows:

- Costing Method organization parameter is set to Average

- Five cost elements (material, material overhead, resource, outside processing, and overhead) for cost rollup

- *CST: Average Costing* profile option set to Inventory and Work in Process

Differences Between Inventory and Manufacturing Costing (Table)

Distributions for Inventory Costing currently reads as follows:

Material and material overhead distribution only (material overhead for standard costing only).

Instead, it should read as follows:

Material and material overhead distribution only (material only for average costing using R10 average cost processor)

Cost rollup for Inventory with Bills of Material Costing currently reads as follows:

Cost rollup (Standard Costing Only)

Instead, it should read as follows:

Cost rollup

Shared Costs for Inventory Costing currently reads as follows:

Can share costs

Instead, it should read as follows:

Can share costs (Standard Costing Only)

See: Oracle Inventory Documentation Updates and Inventory and Manufacturing Costing Compared, *Oracle Cost Management User's Guide, Release 11*.

Work in Process Transaction Cost Flow

The second sentence in the paragraph following the diagram currently reads as follows:

> However, if you enter the same account for more than one cost element, the system maintains elemental cost visibility.

Instead, it should read as follows:

> However, even when you enter the same account for more than one cost element, the system maintains elemental cost visibility.

See: Work in Process Transaction Cost Flow, *Oracle Cost Management User's Guide, Release 11*.

Associating Expenditure Types with Cost Elements

Under step 2, the definition for Overhead currently reads as follows:

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

Instead, it should read as follows:

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

The **Attention** following the above referenced definition currently reads as follows:

> You can choose only choose Expenditure Types that are not defined as Rate Required in Oracle Projects.

Instead, it should read as follows:

> You can choose only Expenditure Types that are not defined as Rate Required in Oracle Projects.

See: Associating Expenditure Types with Cost Elements, *Oracle Cost Management User's Guide, Release 11*.

Cost Groups

Correction to Common Cost Group

The first sentence of the second paragraph currently reads as follows:

> The valuation accounts defined in the Organization Parameters window are used as the defaults for this cost group and cannot be changed nor made inactive.

Instead, it should read as follows:

> The valuation accounts defined in the Organization Parameters window are used for this cost group and cannot be changed or made inactive.

Correction to User–Defined Cost Group

Remove the last paragraph in this section.

See: Cost Groups, *Oracle Cost Management User's Guide, Release 11.*

Defining Cost Groups

The following text should be added after the third introductory paragraph:

> You can associate WIP accounting classes with a 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.

Under step 6, the definition for Overhead currently reads:

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

Instead, it should read as follows:

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

See: Defining Cost Groups, *Oracle Cost Management User's Guide, Release 11.*

Inter–Organization Transfers (Standard Costing)

Correction to Issue Transaction

The first paragraph currently reads as follows:

> Depending upon the Freight On Board (FOB) point defined in the inventory organization relationship, the shipment to intransit inventory creates the following accounting entries:

Instead, it should read as follows:

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 interorganization shipping network in defined in the Shipping Networks window. The accounting entries for shipments to intransit inventory are as follows:

Correction to Receipt Transaction

The first paragraph currently reads as follows:

Depending upon the FOB point defined in the organization relationship, the receipt from intransit inventory creates the following accounting entries:

Instead, it should read as follows:

The FOB point influences the accounting entries generated for the shipment to intransit inventory. The FOB point is determined by how the interorganization shipping network in defined in the Shipping Networks window. The accounting entries for receipts from intransit inventory are as follows:

Correction to Direct Inter–Organization Transfer

The first sentence currently reads as follows:

When your organization relationship is set to directly transfer material, Inventory performs both the issue and the receipt transaction at the time of the issue.

Instead, it should read as follows:

When your inter–organization shipping network is set to direct transfer in the Shipping Networks window, an issue and receipt transaction are performed in one step.

Correction to Material Overhead and Inter–Organization Transfers

The first sentence in this section currently reads as follows:

If your item has material overhead(s), you earn material overhead on inter–organization transfers.

Instead, it should read as follows:

If your item has material overhead(s), you earn material overhead on interorganization transfers through intransit inventory.

The accounting entries for the material overhead portion of an interorganization transfer through intransit inventory currently read as follows:

Account	Debit	Credit
Subinventory accounts	XX	
Material Overhead Absorption account		XX

Instead, they should read as follows:

Account	Debit	Credit
Subinventory Material Overhead account	XX	
Material Overhead Absorption account		XX

Remove the **Attention** following this explanation of debits and credits.

The accounting entries for freight and transfer charges when the FOB point is set to Receiving (should say Receipt) currently read as follows:

Account	Organization	Debit	Credit
Inter–Organization Receivable	Sending	XX	
Freight Expense account	Sending		XX
Inter–Organization Receivable	Sending	XX	
Inter–Org. Transfer Credit	Sending		XX
Org. Material account	Receiving	XX	
Inter–Organization Payable	Receiving		XX

Instead, they should read as follows:

Account	Organization	Debit	Credit
Inter–Organization Receivable	Sending	XX	
Freight Expense account	Sending		XX
Inter–Organization Receivable	Sending	XX	
Inter–Org. Transfer Credit	Sending		XX
Subinventory Material account	Receiving	XX	
Inter–Organization Payable	Receiving		XX

Corrections to Expense Subinventories and Expense Items

The first paragraph in this section currently reads as follows:

> When you receive an inter–organization transfer into an expense subinventory or receive an expense inventory item, you have expensed the material and cannot directly issue it. The system assumes the material cost is consumed at the expense location.

Instead, it should read as follows:

> When you receive an inter–organization transfer into an expense subinventory or receive an expense inventory item, you have

expensed the material and cannot directly issue it. Subsequently, you can issue from an expense subinventory only if the Oracle Inventory *INV: Allow Expense to Asset Transfer* profile option is set to Yes.

See: Inter–Organization Transfers, *Oracle Cost Management User's Guide, Release 11.*

Subinventory Transfers (Standard Costing)

The first sentence in the section *Expense Subinventories and Expense Items* currently reads as follows:

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.

Instead, it should read as follows:

You can transfer 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.

See: Subinventory Transfers, *Oracle Cost Management User's Guide, Release 11.*

Assembly Scrap Transactions (Standard Costing)

The accounting entries for scrap transactions currently read as follows:

Account	Debit	Credit
Scrap account	XX	
WIP accounting class valuation accounts @ standard		XX

Instead, they should read as follows:

Account	Debit	Credit
Scrap account	XX	
WIP accounting class valuation accounts @ calculated scrap value		XX

The accounting entries for reverse scrap transactions currently read as follows:

Account	Debit	Credit
WIP accounting class valuation accounts @ standard	XX	
Scrap account		XX

Instead, they should read as follows:

Account	Debit	Credit
WIP accounting class valuation accounts @ calculated scrap value	XX	
Scrap account @ calculated scrap value		XX

See: Assembly Scrap Transaction, *Oracle Cost Management User's Guide, Release 11.*

Setting Up Inventory Average Costing

Important Correction to Prerequisites

The prerequisite "Define activities and activity costs" can be deleted. It is optional.

Important Correction to Setup Steps

Step 2 currently reads as follows:

> Define, at minimum, one cost type to hold the average rates or amounts for resources, resource overhead, and material overhead rates

Instead, it should read as follows:

> Define, at a minimum, one cost type to hold the average rates or amounts for material overhead rates.

See: Setting Up Inventory Average Costing, *Oracle Cost Management User's Guide, Release 11.*

Setting Up Manufacturing Average Costing

Important Correction to Prerequisites

The third sentence in the third paragraph under the "Define Resources" prerequisite currently reads as follows:

> If you apply actual rates and specify that the resource does not charge at standard, you collect actual costs in the job/schedule and recognize a variance at the end of the job or schedule.

Instead, it should read as follows:

> If you apply actual rates and specify that the resource does not charge at standard, you collect actual costs in the job.

The prerequisites "Confirm that the WIP parameters are set as required" and "Confirm that your Work in Process accounting classes and their valuation accounts are properly set up" can be deleted. They are required setup steps if you are a new manufacturing average costing user.

Important Correction to Setup Steps

Add the following text after the first parameter following step 4:

If the Require Scrap Account is set to No, scrap costs remain in the job. See: WIP Parameters, *Oracle Work in Process User's Guide, Release 11*, Assembly Scrap, *Oracle Work in Process User's Guide, Release 11*, and Scrapping Assemblies, *Oracle Work in Process User's Guide, Release 11*.

Also, under Step 4, the second paragraph currently reads as follows:

You must set the appropriate average costing parameters — Default Completion Cost Source, Cost Type, Auto Compute Final Completion, and System Option — to determine how resources and completions are charged.

Instead, it should read as follows:

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 costed.

Step 7 can be deleted.

See: Setting Up Manufacturing Average Costing, *Oracle Cost Management User's Guide, Release 11*.

Average Costing Flows

Corrections to Components Issued to WIP

After the last sentence in the section, add this sentence:

These costs are held and relieved as previous level costs.

Corrections to Assembly Completions Out of WIP

The last sentence of the paragraph before the note currently reads as follows:

As part of a completion transaction, the unit cost of the assembly in the completion subinventory is recalculated when it is different from the unit cost used in the completion transaction.

Instead, it should read as follows:

> 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.

Corrections to WIP Job Closures and Cancellations

In this section, the first condition that can result in a residual job balances currently reads as follows:

> on the elemental level the job was over–relieved resulting in a negative net activity for that elemental level in the WIP Value Summary

Instead, it should read as follows:

> 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

See: Average Costing Flows, *Oracle Cost Management User's Guide, Release 11.*

Updating Average Costs

The first sentence of the introduction currently reads as follows:

> For average cost organizations only, you can directly update the average cost of items to include additional costs, such as freight or invoice price variances.

Instead, it should read as follows:

> 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.

Important Corrections to the Steps

Under Step 2, add the following to the paragraph following the step:

> Since previously costed transactions will be affected, usually the current date should be used.

Under Step 5, append the following words to the last sentence of the paragraph following the step: *by item, by element.*

Step 14 currently reads as follows:

> Optionally, choose the Cost Elements button to update average costs by element level.

Instead, it should read as follows:

> Optionally, choose the Cost Elements button to update average costs by element by level.

See: Updating Average Costs, *Oracle Cost Management User's Guide, Release 11.*

Inventory Average Cost Recalculation

Receipt from Account

Add the following sentence to the last paragraph:

> If this cost is different from the current average cost, the transaction cost is spread elementally proportional to the current average cost elements.

Add the following example after the last paragraph:

> 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: Receipt From Account, *Oracle Cost Management User's Guide, Release 11.*

Issue to Account

The last sentence of the paragraph following the formula currently reads as follows:

However, for this type of transaction, you can override the average cost Inventory suggests and enter your own average cost.

Instead, it should read as follows:

For this type of transaction, you can override the defaulted current average cost with your own cost.

See: Issue To Account, *Oracle Cost Management User's Guide, Release 11.*

Negative Inventory Balances

In the *Negative On–Hand Quantity* section, the first paragraph currently reads as follows:

Inventory handles negative inventory balances as follows:

Instead, it should read as follows:

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.

Important Corrections to Positive or Zero On–Hand Quantity

The heading for this section should be New Balance is Negative or Zero. The text in this section currently reads as follows:

For each receipt transaction, if the new on–hand quantity is positive, Inventory uses the transaction cost (such as the purchase order price) to calculate the average cost.

Instead, it should read as follows:

If the new on–hand quantity is negative or zero, the transaction is costed at the current average cost.

Important Corrections to Negative On–Hand Quantity

The heading for this section should be New Balance is Positive. The text in this section currently reads as follows:

If the new on–hand quantity is negative or zero after the time of the receipt, Inventory splits the transaction into two parts, if necessary:

Instead, it should read as follows:

If the new on–hand quantity is positive after the transaction, the transaction is split into two parts and costed as explained below:

See: Negative Inventory Balances, *Oracle Cost Management User's Guide, Release 11.*

Move Transactions (Average Costing)

When an operation pull backflush transaction occurs as you move assemblies forward in a routing, the accounting entries are currently documented as follows:

Account	Debit	Credit
WIP accounting class valuation accounts	XX	
Subinventory elemental accounts		XX

Instead, they should be documented as follows:

Account	Debit	Credit
WIP accounting class valuation accounts	XX	
Organization Valuation accounts		XX

When you move assemblies backward in a routing and reverse and operation pull backflush transaction, the accounting entries are documented as follows:

Account	Debit	Credit
Subinventory elemental accounts	XX	
WIP accounting class valuation accounts		XX

Instead, they should be documented as follows:

Account	Debit	Credit
Organization Valuation accounts	XX	
WIP accounting class valuation accounts		XX

See: Move Transactions, *Oracle Cost Management User's Guide, Release 11.*

Assembly Scrap Transactions (Average Costing)

The accounting entries for scrap transactions currently read as follows:

Account	Debit	Credit
Scrap account	XX	
WIP accounting class valuation accounts @ predefined amount		XX

Instead, they should read as follows:

Account	Debit	Credit
Scrap account	XX	
WIP Accounting Class Valuation accounts @ calculated scrap value		XX

The accounting entries for reverse scrap transactions currently read as follows:

Account	Debit	Credit
WIP accounting class valuation accounts @ standard	XX	
Scrap account		XX

Instead, they should read as follows:

Account	Debit	Credit
WIP accounting class valuation accounts @ calculated scrap value	XX	
Scrap account		XX

See: Assembly Scrap Transactions, *Oracle Cost Management User's Guide, Release 11.*

Submitting a Margin Analysis Load Run

The first sentence in the first paragraph currently reads as follows:

> Prior to running the Margin Analysis Report, submit the Margin Analysis Load Run to populate temporary tables with margin analysis data for an order number across periods, or for a date range.

Instead, it should read as follows:

> Prior to running the Margin Analysis Report, submit the Margin Analysis Load Run to populate temporary tables with margin analysis data for an order number across periods, or for all orders within a date range.

See: Submitting a Margin Analysis Load Run, *Oracle Cost Management User's Guide, Release 11.*

Margin Analysis Report

The last paragraph in the introductory paragraph currently reads as follows:

> The Margin Analysis Report displays sales revenue, cost of goods sold, and gross margin information for all inventory organizations.

Instead, it should read as follows:

> If Multi–org is enabled, the Margin Analysis Report displays sales revenue, cost of goods sold, and gross margin information

for all inventory organizations within an operating unit. If Multi–org is not enabled, the Margin Analysis Report displays sales revenue, cost of goods sold, and gross margin information for the operating unit that the current organization belongs to.

Additional Parameters Information

The Customer Name, Sales Representative, Sales Channel, and Industry parameters can be combined to restrict the report to a single customer, sales representative, sales channel, and industry.

See: Margin Analysis Report, *Oracle Cost Management User's Guide, Release 11.*

Discrete Job Value Report – Average Costing

Important Corrections to Report Submission Information

The second paragraph currently reads as follows:

This report is automatically submitted when you close standard discrete and project jobs.

Instead, it should read as follows:

This report can be submitted when you close standard discrete and project jobs.

The third paragraph in this section can be deleted. This report can be submitted from both windows that can be used to close jobs.

Important Corrections and Additions to Parameters Information

Under the *Job Selection* parameter, the second sentence for the Project Jobs Only option currently reads as follows:

If it the parameter is not set, you cannot access this field.

Instead, it should read as follows:

If the parameter is not set, you cannot access this field.

Also under the *Job Selection* parameter, the second sentence for the Project and Non–Project Jobs option currently reads as follows:

Report costs all standard discrete and non–standard asset jobs.

Instead, it should read as follows:

Report costs for all standard discrete and non–standard asset jobs.

Under the *Jobs From/To* parameter, add this sentence after the last sentence:

> If your Job Selection option is *Non–Project Jobs Only,* you can only select non–project jobs.

Under the *Status* parameter, the **Attention** is not applicable to average costing and can be deleted.

See: Discrete Job Value Report – Average Costing, *Oracle Cost Management User's Guide, Release 11.*

Client Extensions

It should be noted that extensions are applicable in all organizations unless the client extension is designed to restrict its use.

The paragraph following the table currently reads:

> Client extensions and functions can be used in either average costing organizations or both average and standard costing organizations as indicated below:

Instead, it should read as follows:

> In average costing organizations, you can implement Transaction Cost, Accounting Entry, and Account Generations client extensions. In standard costing organizations, you can only implement Accounting Entry and Account Generation client extensions.

The figure following this table can be deleted.

See: Client Extensions, *Oracle Cost Management User's Guide, Release 11.*

Types of Client Extensions

In the Accounting Entry Extension section, the first sentence currently reads as follows:

> You can use this extension to perform accounting distributions per your unique requirements.

Instead, it should read as follows:

> You can use this extension to generate accounting entries per your unique requirements.

See: Types of Client Extensions, *Oracle Cost Management User's Guide, Release 11.*

Determining Your Business Requirements

Step 3 currently reads as follows:

For those business rules not handled by the normal functionality, review the client extensions and determine whether the client extension can help address the specific business rules, based on your documented business requirements.

Instead, it should read as follows:

For those business rules not handled by the normal functionality, review the client extensions and determine whether a client extension can help address the specific business rules, based on your documented business requirements.

See: Determining Your Business Needs, *Oracle Cost Management User's Guide, Release 11.*

Transaction Cost Extension

The first sentence of the first paragraph currently reads as follows

The Transaction Cost Extension allows you to reset the costs transactions by cost element and by level in an average costing organization.

Instead, it should read as follows:

The Transaction Cost Extension allows you to reset the transaction costs by cost element and by level in an average costing organization.

In the *Processing* section, the first sentence currently reads as follows:

Cost Management calls the transaction cost extensions for each transaction at the time of processing.

Instead, it should read as follows:

Cost Management calls the transaction cost extensions for most transactions at the time of processing. The two exceptions are Average Cost Update transactions, in an average costing organization, and a Common Issue to Project Work in Process transaction, in a project manufacturing costing organization.

See: Transaction Cost Extension, *Oracle Cost Management User's Guide, Release 11.*

Accounting Entry Extensions

The first sentence of the first paragraph currently reads as follows:

The Accounting Entry Extension allows you to perform accounting distributions per your unique requirements.

Instead, it should read as follows:

> The Accounting Entry Extension allows you to generate accounting entries per your unique requirements.

See: Accounting Entry Extension, *Oracle Cost Management User's Guide, Release 11*.

Product Line Accounting Setup

Step 1 currently reads as follows:

> Create product line categories and associate them with the product line category set.

Instead, it should read as follows:

> Create product line categories and associate them with the default category set you assigned to the Product Line Functional Area.

See: Product Line Accounting Setup, *Oracle Cost Management User's Guide, Release 11*.

Project Cost Collector

The first paragraph currently reads as follows:

> The Cost Collector collects the costs of project–related transactions then passes these costs by project and expenditure type or project, task, and expenditure type to the Transaction Import Interface table in Oracle Projects. These transactions can then be imported into Oracle Projects. Non–project transactions, those without a project/task reference, are marked as processed by the cost collector.

Instead, it should read as follows:

> The Cost Collector collects the costs of project–related 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. Non–project transactions, those without a project/task reference, are marked as processed by the Cost Collector, then ignored.

The second and third paragraphs can be deleted.

See: Project Cost Collector, *Oracle Cost Management User's Guide, Release 11*.

Transferring Project Costs

The second sentence in the first paragraph currently reads as follows:

Each of these records includes the project, task (if applicable), and expenditure type reference required by Oracle Projects.

Instead, it should read as follows:

Each of these records includes the project, task, and expenditure type reference required by Oracle Projects.

The first paragraph following step 2 currently reads:

Costs are collected from the day you last collected project costs from to the end of the number of days specified. For example, suppose today is Thursday and that project costs were collected up through Friday of the previous week. If you enter 3 as the Number of Days, costs will be collected for Saturday, Sunday, and Monday.

Instead, it should read as follows:

For example, suppose today is Thursday and project costs were previously collected up through Friday of the previous week. If you enter 3 as the Number of Days, costs will be collected for Saturday, Sunday, and Monday.

See: Transferring Project Costs, *Oracle Cost Management User's Guide, Release 11.*