Oracle Value Chain Execution Cloud
Using Supply Chain Managerial Accounting

This guide also applies to on-premise implementations

Release 8

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Preface

This Preface introduces the guides, online help, and other information sources available to help you more effectively use Oracle Fusion Applications.

Oracle Fusion Applications Help

You can access Oracle Fusion Applications Help for the current page, section, activity, or task by clicking the help icon. The following figure depicts the help icon.

Note

If you don't see any help icons on your page, then click the Show Help icon button in the global area. However, not all pages have help icons.

You can add custom help files to replace or supplement the provided content. Each release update includes new help content to ensure you have access to the latest information. Patching does not affect your custom help content.

Oracle Fusion Applications Guides

Oracle Fusion Applications guides are a structured collection of the help topics, examples, and FAQs from the help system packaged for easy download and offline reference, and sequenced to facilitate learning. To access the guides, go to any page in Oracle Fusion Applications Help and select Documentation Library from the Navigator menu.

Guides are designed for specific audiences:

- **User Guides** address the tasks in one or more business processes. They are intended for users who perform these tasks, and managers looking for an overview of the business processes. They are organized by the business process activities and tasks.

- **Implementation Guides** address the tasks required to set up an offering, or selected features of an offering. They are intended for implementors. They are organized to follow the task list sequence of the offerings, as displayed within the Setup and Maintenance work area provided by Oracle Fusion Functional Setup Manager.

- **Concept Guides** explain the key concepts and decisions for a specific area of functionality. They are intended for decision makers, such as chief
financial officers, financial analysts, and implementation consultants. They are organized by the logical flow of features and functions.

- **Security Reference Manuals** describe the predefined data that is included in the security reference implementation for one offering. They are intended for implementors, security administrators, and auditors. They are organized by role.

These guides cover specific business processes and offerings. Common areas are addressed in the guides listed in the following table.

<table>
<thead>
<tr>
<th>Guide</th>
<th>Intended Audience</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common User Guide</td>
<td>All users</td>
<td>Explains tasks performed by most users.</td>
</tr>
<tr>
<td>Common Implementation Guide</td>
<td>Implementors</td>
<td>Explains tasks within the Define Common Applications Configuration task list, which is included in all offerings.</td>
</tr>
<tr>
<td>Functional Setup Manager User Guide</td>
<td>Implementors</td>
<td>Explains how to use Oracle Fusion Functional Setup Manager to plan, manage, and track your implementation projects, migrate setup data, and validate implementations.</td>
</tr>
<tr>
<td>Technical Guides</td>
<td>System administrators, application developers, and technical members of implementation teams</td>
<td>Explain how to install, patch, administer, and customize Oracle Fusion Applications.</td>
</tr>
</tbody>
</table>

**Note**

Limited content applicable to Oracle Cloud implementations.

For other guides, go to Oracle Technology Network at http://www.oracle.com/technetwork/indexes/documentation.

### Other Information Sources

**My Oracle Support**

Oracle customers have access to electronic support through My Oracle Support. For information, visit http://www.oracle.com/pls/topic/lookup?ctx=acc&id=info or visit http://www.oracle.com/pls/topic/lookup?ctx=acc&id=trs if you are hearing impaired.

Use the My Oracle Support Knowledge Browser to find documents for a product area. You can search for release-specific information, such as patches, alerts, white papers, and troubleshooting tips. Other services include health checks, guided lifecycle advice, and direct contact with industry experts through the My Oracle Support Community.
Oracle Enterprise Repository for Oracle Fusion Applications

Oracle Enterprise Repository for Oracle Fusion Applications provides details on service-oriented architecture assets to help you manage the lifecycle of your software from planning through implementation, testing, production, and changes.

In Oracle Fusion Applications, you can use Oracle Enterprise Repository at http://fusionappsoer.oracle.com for:

- Technical information about integrating with other applications, including services, operations, composites, events, and integration tables. The classification scheme shows the scenarios in which you use the assets, and includes diagrams, schematics, and links to other technical documentation.

- Other technical information such as reusable components, policies, architecture diagrams, and topology diagrams.

Documentation Accessibility

For information about Oracle's commitment to accessibility, visit the Oracle Accessibility Program website at http://www.oracle.com/us/corporate/accessibility/index.html.

Comments and Suggestions

Your comments are important to us. We encourage you to send us feedback about Oracle Fusion Applications Help and guides. Please send your suggestions to oracle_fusion_applications_help_ww_grp@oracle.com. You can use Send Feedback to Oracle from the Settings and Actions menu in Oracle Fusion Applications Help.
Manage Receipt Accounting

Manage Receipt Accounting: Overview

The Manage Receipt Accounting business process is used by cost accountants to create accruals for purchase order receipts that are expensed or destined for inventory, reconcile the accrual balances against invoices from accounts payable, clear the accruals, and generate accounting distributions for accruals. This business process encompasses the Record Receipt Accounting and Review Receipt Accounting activities.

Manage Receipt Accounting: Record and Review Receipt Accounting

Receipt Accounting Tasks and Accounting Events: Explained

Use the receipt accounting application to create accruals for purchase order receipts that are expensed or destined for inventory. The application also has tools to help you reconcile the accrual clearing accounts as the accruals are offset by the accounts payable accounting when vendor invoices are processed.

The following discusses how to use the receipt accounting application.

This figure illustrates receipt accounting tasks and accounting events.
Receipt Accounting Tasks and Accounting Events

The typical steps for managing purchase order receipts and accruals are as follows.

<table>
<thead>
<tr>
<th>Task</th>
<th>Navigation</th>
<th>Resulting Events</th>
</tr>
</thead>
</table>
| Interface receipt transactions to the receipt accounting application. | Cost Management - Create Cost Accounting Distributions - Manage Scheduled Processes  
Select the Accrue Cost Job process. |                                                       |
| Interface accounts payable transactions to the receipt accounting application. | Create Cost Accounting Distributions Manage Scheduled Processes  
Select the Transfer Costs from Payables to Cost Management job. |                                                       |
<p>| Create period end accruals for un invoiced purchase order receipts that are expensed. | Cost Management - Create Uninvoiced Receipt Accruals | • Provisional expense accruals for purchases not marked for accrual at receipt |</p>
<table>
<thead>
<tr>
<th>Create accounting distributions for receipt accruals.</th>
<th><strong>Cost Management - Create Receipt Accounting Distributions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>•</strong> Accruals for all types of purchases</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> Accrual accounting distributions at the time of receipt or return of goods and services</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> Logical accrual accounting distributions for global procurement purchases</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> Accounting distributions for expense destination deliveries of purchases marked for accrual at receipt. These purchases are typically for services procurement, one-time item purchases, and expense usage purchases.</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> Capture of variances such as IPV, ERV, TRV, TERV, and TIPV from accounted invoice distributions</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> Accounting distributions for invoice variances</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> Staging of variances into receiving inspection for subsequent wash by the inventory and expense revaluation processes</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> Accounting distributions for inventory and expense revaluations</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Create subledger accounting.</th>
<th><strong>Receipt Accounting Work Area - Create Entries for Receipt Accounting</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>•</strong> Journal entries for receipt accounting distributions</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Review accounting distributions.</th>
<th><strong>Cost Management - Review Receipt Accounting Distributions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Cost Management - Match Receipt Accruals</strong></td>
</tr>
<tr>
<td>Match purchase order receipt accruals with invoices from payables.</td>
<td><strong>•</strong> Manual reconciliation of accrual balances</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Clear receipt accruals.</th>
<th><strong>Receipt Accounting Work Area - Clear Receipt Accrual Balances</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>•</strong> Automatic clearing of accrual balances based on predefined rules</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> Staging of information for revaluation of inventory and expenses by cost accounting and receipt accounting processes, respectively</td>
<td></td>
</tr>
</tbody>
</table>
| Generate and view reconciliation reports. | Create Cost Accounting Distributions - Manage Scheduled Processes - Accrual Reconciliation report | • Accrual Reconciliation report  
• Accrual Clearing report |
|------------------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Create accounting distributions.        | Cost Management - Create Receipt Accounting Distributions | • Accounting distributions for cleared accrual balances  
• Revaluation and expense adjustment entries for invoice variances or accrual clearing events that modify acquisition costs for purchases |
| Review uncleared accrual balances and perform adjustments. | Cost Management - Adjust Receipt Accrual Balances | • Staging for manual intervention for exceptions of high material value  
• Manual accrual clearing  
• Manual adjustments and reversals of prior accrual clearing adjustments  
• Automatic creation of accounting distributions for these adjustments |

**Receipt Accrual, Reconciliation, and Clearing: Explained**

When goods are received in the receiving application and subsequently interfaced to the receipt accounting application, receipt accounting recognizes the liability to the vendor, and creates accruals for receipts destined for inventory or expense. The receipt accounting application then reconciles these accrual balances against the corresponding invoices from accounts payable and clears them to inventory valuation.

The following discusses receipt accruals, their reconciliation, and clearing.

**Receipt Accrual Creation**

When goods are received and delivered to inventory or expense destinations, the receipt accounting application creates accrued liability balances for the estimated cost of purchase order receipts. The application creates accruals for:

- Inventory destination receipts, which are always accrued on receipt  
- Expense destination receipts, which are accrued on receipt, or at period end if the vendor invoice has not yet been processed

When the vendor invoice is processed through accounts payable, the accounts payable application creates the actual vendor liability and offsets the accrual balances. The accrued liability account typically has high volumes of entries going through it, and may have remaining balances that must be justified if the
account payable invoice has not yet been processed; or if the account payable invoice has been processed, any remaining balance must be resolved and cleared. The receipt accounting application provides tools to help with this reconciliation.

**Receipt Accrual Reconciliation and Clearing**

Some of the remaining balance in the accrued liability account can be automatically cleared by the receipt accounting and cost accounting applications to the appropriate purchase expense or asset account, based on your predefined clearing rules. However, some of this balance will represent un invoiced quantities, or other discrepancies which you will need to resolve and clear manually.

Example 1: Assume that the purchase order receipt is for 100 units at $5 each; the application creates a credit to the accrued liability account in the amount of $500. When the corresponding invoice arrives from the vendor, it reflects 100 units at $6 each; the application debits the accrued liability account in the amount of $600. The difference of $100 automatically clears and flows to inventory valuation.

Example 2: Assume that the quantity received is 99.4, and the quantity on the vendor invoice is 100. The processor does not always know if that is the final invoice or if more invoices are pending for the un invoiced quantity. If small variations are normal, you can set up rules to automatically clear small variations, while large variations are verified manually. If there is a predefined rule for the treatment of such a discrepancy, the application automatically clears the difference to inventory valuation. However, if no such rule exists, then you must clear it manually.

**Receipt Accrual Clearing Rules: Explained**

Define accrual clearing rules to clear accrual balances automatically. Accrual balances are often of unknown origin and unpredictable. With accrual clearing rules you can specify when accrual balances should be cleared and written off. The Clear Receipt Accrual process scans for applicable rules on the transactions, and clears the balances when rule criteria are met.

The following discusses the creation of accrual clearing rules using predefined attributes, and illustrates the results with an example.

**Predefined Attributes**
The attributes are available under the Accrual Line tree in the Conditions browser:

<table>
<thead>
<tr>
<th>Attribute Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CmrPODistributionID</td>
<td>Purchase order structure is based on the hierarchy of purchase order header-&gt;purchase order line-&gt;purchase order schedule-&gt;purchase order distribution. The accounting for purchase order transaction is at the lowest level of purchase order distribution. The accrual and charge account codes are defined at this level. Invoices are matched and accrual is offset at the PO distribution level. This attribute represents the PO distribution ID on the PO document.</td>
</tr>
<tr>
<td><strong>Percentage Over-Invoiced</strong></td>
<td>At each purchase order distribution level, receipt accounting tracks the original ordered quantity, total received quantity, and total invoiced quantity. Percentage Over-Invoiced Quantity represents the condition: IF (Net Rct qty - Invoice Qty) &lt; 0 then ABS(NetRecptQty - InvoiceQty)/NetRecptQty</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Percentage Un invoiced</strong></td>
<td>At each purchase order distribution level, receipt accounting tracks the original ordered quantity, total received quantity, and total invoiced quantity. Percentage Uninvoiced Quantity represents the condition: IF (Net Rct qty - Invoice Qty) &gt; 0 then ABS(NetRecptQty - InvoiceQty)/NetRecptQty</td>
</tr>
<tr>
<td><strong>PO Status</strong></td>
<td>Status of the purchase order document. If PO status is Finally Closed then it is treated as Closed and accrual is cleared automatically. For all other PO statuses, user can define the rules. Possible values: Closed Or Open</td>
</tr>
<tr>
<td><strong>PO Match Option</strong></td>
<td>Invoice match option defined on the purchase order schedule. It can be PO or Receipt.</td>
</tr>
<tr>
<td><strong>Invoice Age</strong></td>
<td>Days or time since the latest invoice was recorded for a purchase order distribution.</td>
</tr>
<tr>
<td><strong>Receipt Age</strong></td>
<td>Days or time since the latest receipt was recorded for a purchase order distribution.</td>
</tr>
<tr>
<td><strong>Over-Invoiced Quantity</strong></td>
<td>When the invoiced quantity is greater than the ordered quantity, it represents the difference between the two: IF (Net Rct qty - Invoice Qty) &lt; 0 then Over Invoiced Quantity = ABS(InvoiceQty - NetRecptQty)</td>
</tr>
<tr>
<td><strong>Under-Invoiced Quantity</strong></td>
<td>When the invoiced quantity is less than the ordered quantity, it represents the difference between the two: IF (Net Rct qty - Invoice Qty) &gt; 0 then Under Invoiced Quantity = ABS(NetRecptQty - InvoiceQty)</td>
</tr>
<tr>
<td><strong>Percentage PO accrual amount</strong></td>
<td>The balance in the accrual account for a PO distribution divided by the accrual value for the ordered quantity: Sum(accruals in CMR and AP)/PO amount PO amount = Net Order Qty * PO Price</td>
</tr>
<tr>
<td><strong>Accrual Clear Amount</strong></td>
<td>Absolute value of balance in an accrual account for a PO distribution.</td>
</tr>
<tr>
<td><strong>AP Accrual Amount</strong></td>
<td>Absolute value of balance (net of invoices and debit memos) in an accrual account in Payables Subledger for a PO distribution.</td>
</tr>
<tr>
<td><strong>CMR Accrual Amount</strong></td>
<td>Absolute value of balance (net of receipts, corrections and returns) in an accrual account in Receipt Accounting Subledger for a PO distribution.</td>
</tr>
<tr>
<td><strong>Supplier</strong></td>
<td>Supplier name on the purchase order document.</td>
</tr>
<tr>
<td><strong>Supplier Site</strong></td>
<td>Supplier site code on the purchase order document.</td>
</tr>
</tbody>
</table>
Example
This example illustrates the distributions for a purchase order with associated receipts and invoices:
These are the purchase order details:

<table>
<thead>
<tr>
<th>PO Header</th>
<th>Supplier</th>
<th>Supplier Site</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO#1234</td>
<td>Advanced Network Devices</td>
<td>New York</td>
<td>Open/Close/Final Close</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Item Category</th>
<th>PO Price</th>
<th>Ordered Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>AS54888</td>
<td>Raw Materials</td>
<td>100 USD</td>
<td>100 EA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Order Quantity</th>
<th>Match Option</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100 EA</td>
<td>Order or Receipt</td>
<td>Open</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Ordered Quantity</th>
<th>Received Quantity</th>
<th>Invoiced Quantity</th>
<th>Accrual Account</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt 1</td>
<td>60</td>
<td>58</td>
<td>55</td>
<td>01-2210</td>
<td>Open</td>
</tr>
<tr>
<td>Receipt 2</td>
<td>40</td>
<td>40</td>
<td>45</td>
<td>01-2220</td>
<td>Open</td>
</tr>
</tbody>
</table>

These are the purchase order distributions and accrual balances:

<table>
<thead>
<tr>
<th>PO Distribution</th>
<th>CMR Accrual Amount (A)</th>
<th>AP Accrual Amount (B)</th>
<th>Accrual Clear Amount (C) = (A-B)</th>
<th>Under-Invoiced Quantity</th>
<th>Over-Invoiced Quantity</th>
<th>Percentage Under-Invoiced</th>
<th>Percentage Over-Invoiced</th>
<th>PO Accrual Amount (C)/Ordered Quantity*PO Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution 1</td>
<td>58*100 USD = 5800 USD</td>
<td>55*100 USD = 5500 USD</td>
<td>300 USD</td>
<td>60 - 55 = 5</td>
<td></td>
<td></td>
<td></td>
<td>300 USD/60*100 = 5%</td>
</tr>
<tr>
<td>Distribution 2</td>
<td>40*100 USD = 4000 USD</td>
<td>45*100 USD = 4500 USD</td>
<td>(500) USD</td>
<td>45-40 = 5</td>
<td>5/40*100 = 12.50%</td>
<td></td>
<td></td>
<td>500 USD/40*100 = 12.50%</td>
</tr>
</tbody>
</table>

Rule 1:

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Operator</th>
<th>Value</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO Status</td>
<td>=</td>
<td>OPEN</td>
<td>And</td>
</tr>
<tr>
<td>Percentage Under-Invoiced</td>
<td>Less Than</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>
Results: The PO Status and the Percentage Under-Invoiced values meet the criteria of Rule 1; therefore the accrual balance of 300 USD is automatically cleared.

<table>
<thead>
<tr>
<th>PO Distribution</th>
<th>CMR Accrual Amount (A)</th>
<th>AP Accrual Account (B)</th>
<th>Accrual Clear Amount (C) = (A - B)</th>
<th>Under-Invoiced Quantity</th>
<th>Over-Invoiced Quantity</th>
<th>Percentage Under-Invoiced</th>
<th>Percentage Over-Invoiced</th>
<th>Percentage PO Accrual Amount (C)/ Ordered Quantity*PO Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution 1</td>
<td>58*100 USD = 5800 USD</td>
<td>55*100 USD = 5500 USD</td>
<td>300 USD</td>
<td>60 - 55 = 5</td>
<td></td>
<td></td>
<td></td>
<td>5/58*100 = 8.62%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>300 USD/60*100 = 5%</td>
</tr>
</tbody>
</table>

Rule 2

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Operator</th>
<th>Value</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>PO Status</td>
<td>=</td>
<td>OPEN</td>
<td>And</td>
</tr>
<tr>
<td>Accrual Clear Amount</td>
<td>Less Than</td>
<td>Absolute (1000) USD</td>
<td>Or</td>
</tr>
<tr>
<td>Percentage Under-Invoiced</td>
<td>Less Than</td>
<td>10%</td>
<td>Or</td>
</tr>
<tr>
<td>Percentage Over-Invoiced</td>
<td>Less Than</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

Results: The PO Status, Percentage Under-Invoiced, and Accrual Clear Amount Absolute values meet the criteria of Rule 2; therefore the accrual balances of 300 USD and (500) USD are automatically cleared.

<table>
<thead>
<tr>
<th>PO Distribution</th>
<th>CMR Accrual Amount (A)</th>
<th>AP Accrual Account (B)</th>
<th>Accrual Clear Amount (C) = (A - B)</th>
<th>Under-Invoiced Quantity</th>
<th>Over-Invoiced Quantity</th>
<th>Percentage Under-Invoiced</th>
<th>Percentage Over-Invoiced</th>
<th>Percentage PO Accrual Amount (C)/ Ordered Quantity*PO Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution 1</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>500 USD/40*100 = 12.50%</td>
</tr>
</tbody>
</table>
FAQs for Record and Review Receipt Accounting

What is the recommended sequence for scheduling of receipt accounting processes?

The recommended sequence for scheduling the receipt accounting processes is:

1. Incoming transactions:
   - Accrue Cost Job process. Interfaces receipt transactions.
   - Transfer Costs from Payables to Cost Management process. Interfaces accounts payable transactions.

2. Receipt accounting:
   - Receipt Accounting Distribution process.
   - Accrual Clear Rules Job Def process. Executes only if you have predefined accrual clearing rules. Marks purchase orders for automatic clearing.

3. Subledger accounting:
   - Create Accounting process.

4. Reconciliation and reporting:
   - Match Receipt Accruals process. Matches purchase order receipt accruals with invoices from the payables application. Perform at period close or as needed for internal reporting and reconciliation.

How can I create subledger account rules and subledger journal entry rule sets for receipt accounting?

Create your subledger account rules on the Manage Account Rules page. It is recommended that you highlight the account rules predefined by Oracle, copy, and modify them as needed.

Create your subledger journal entry rule sets on the Manage Subledger Journal Entry Rule Sets page. It is recommended that you highlight the journal entry rule sets predefined by Oracle, copy, and modify them as needed. For each journal line rule specify the copied account combination rule.

Access both the Manage Account Rules page and Manage Subledger Journal Entry Rule Sets page from an Oracle Fusion Applications Functional Setup Manager implementation project.

Note
You must customize the predefined account rules and journal entry rule sets before proceeding with the setup of subledger accounting rules for receipt accounting.
Manage Cost Accounting: Overview

The Manage Cost Accounting business process is used by cost accountants to calculate inventory transaction costs, maintain inventory valuation, generate accounting distributions for inventory transactions, analyze product costs, analyze usage of working capital for inventory, and analyze gross margins.

The following figure depicts the activities of cost accountants within the Manage Cost Accounting business process.

- Manage Period End. Manage the timing of transaction processing, and perform validations in preparation for accounting period close.
- Manage Inventory Valuation. Adjust the cost of items to address inventory obsolescence, price changes, and other variances.
• Record, Audit, and Review Cost Accounting. Create cost accounting distributions for transaction data that is received from external sources, view and address any processing exceptions, and review results.

• Analyze Product Costs: View the perpetual average cost, actual cost, and standard cost details of an item, chart its cost trend, compare costs across items, analyze usage of working capital and gross margins.

Manage Cost Accounting: Manage Period End

Cost Accounting Periods: Explained

Cost accounting periods enable you to monitor the timing of transaction processing, and to perform validations in preparation for period close. Cost periods are associated with combinations of cost organizations and cost books. When you associate a cost organization with a cost book, you also define the cost accounting period calendar and other attributes.

Cost Period Calendar and Attributes

The cost period calendar is based on the ledger that is attached to the cost organization and cost book combination. For ledgerless cost books you can set the calendar and cost periods manually on the Manage Cost Organization Relationships page, Cost Books tab. On this page you also define the following cost period attributes:

• First opened period. Establishes the period when transaction accounting begins. Any transactions that precede the first opened period, are accounted in the first opened period.

• Maximum open periods. Specifies the maximum number of concurrent periods that can be open. The system checks against this threshold before opening a period. If the number of periods is maximized, then no additional period can be opened until one of the open periods changes to Closed, Permanently Closed, or Pending Close status.

Cost Cutoff Dates: Explained

The run control parameters that you define for the cost processors include the cost cutoff date option and the cutoff date for the cost organization books that you are processing. The cost cutoff date sets the last transaction date that will be processed for an accounting period.

The following discusses the cost cutoff date option, backdated transactions, and the costing date of transactions.

Cost Cutoff Date Option

Set the cutoff date option to User-Defined or Auto. The User-Defined option requires you to specify the cutoff date, while the Auto option saves you the effort of redefining the cutoff date which is automatically moved forward by the cost processor.
When you select the Auto option, the cost processor moves the cutoff date forward to the last date of the earliest open cost period, and then it stops until the costing period is closed. After the period is closed, the cost processor advances the cutoff date into the next open period, and so on. However, if a transaction is successfully preprocessed after the cutoff date, then the cutoff date for that cost organization book moves forward to the date of the last successfully preprocessed transaction. This could happen, for example, if you originally set the cutoff date option to User-Defined and subsequently changed it to Auto.

**Backdated Transactions**

One of the purposes of the cost cutoff date is to allow backdating of transactions in an orderly fashion. For example, if you set the cost cutoff date to October 31, you can still process October transactions that were entered in November but meant for the period ending October 31 by backdating them to October 31 or earlier. However, when the cost cutoff date advances forward to a date past October 31 and other transactions are processed beyond October 31, then the backdated transactions can no longer be processed as October transactions.

If you set a cost cutoff date at October 31, the cost processor will queue up but not process any transactions with a date after October 31. If you subsequently need to backdate transactions to a date before October 31, you can still process those backdated transactions as long as you do not process any transactions beyond October 31. You can also backdate transactions to any date after October 31, with the assurance that these transactions will be processed in the correct order when the cost cutoff date moves forward.

**Costing Date of Transactions**

The costing date of transactions is normally the same as the transaction date, or the cost adjustment date, except for backdated transactions.

The cost date for backdated transactions inherits the greater of: the backdated transaction date, the date of the last processed transaction, or the first date of the earliest currently open period.

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**Note**

The cost cutoff date affects the costed date of the transaction and the inventory value that is reported as of a given accounting date. It does not affect the inventory transaction date.

---

**Backdating of Transactions: Examples**

By setting the cost cutoff date for a cost accounting period, you can manage which transactions are processed in that period, including backdated transactions. The following examples illustrate how the cost processor sets the accounted date for backdated transactions.

**Scenario**

Assume that the current date is November 2, and the cost cutoff date is October 31.

The following costed and uncosted transactions are in process.
Example 1
Transactions are backdated to a point before the latest costed transaction. In the following figure, the inventory transaction is backdated to position A. The transaction is costed with accounting date B before transactions 2 and 3 are processed. The transaction created on November 2 and backdated to October 30 is costed with the effective date of October 31.

Example 2
Transactions are backdated to a point between the latest costed transaction and the cost cutoff date. In the following figure, the inventory transaction is backdated to position C. The transaction is costed with accounting date C after transactions 2 and 3 are processed. The transaction created on November 2 and backdated to October 31 is costed with the effective date of October 31.
Example 3
Transactions are backdated to a point after the cost cutoff date.
In the following figure, the inventory transaction is backdated to position D. The transaction is costed with accounting date D after the cost cutoff is moved past October 31. The transaction created on November 2 and backdated to November 1 is costed with the effective date of November 1.

Cost Accounting Period Validations: Explained

Perform cost accounting validations to ensure that all transactions are complete and accounted for on an ongoing basis and before closing the accounting period.
You can execute the validations one at a time, or all at once. Correct any resulting transaction errors, and rerun validations as needed.

**Validations**

Perform cost accounting validations for periods that are in status Open, Pending Closed, or Closed. The validations check for the following:

- Unimported inventory. Costing interface transactions that have not been processed.
- Unprocessed distributions. Costing transactions that have no distributions.
- Unprocessed journals. Subledger transactions that have no accounting entries.
- Match inventory on hand with costing on hand. Proof that there are no discrepancies between inventory on hand and costing on hand.
- Pending deferred cost of goods sold (DCOGS) transactions. Proof that the deferred cost of goods sold processor has run and transactions are transferred.

**Cost Accounting Period Statuses and Transaction Accounting: Explained**

Cost period statuses enable you to manage the timing for processing and accounting of transactions.

The following describes rules that apply under each cost period status, and how transactions are slotted into cost accounting periods.

**Cost Accounting Period Statuses**

The cost period statuses are as follows:

- Never Opened. Default status for new periods assigned to a cost organization and cost book. This status does not allow creation of distributions for transactions. You can change the status to Open, but you cannot change it to Closed, or Permanently Closed.
- Open. A period status can be changed to Open only if the corresponding general ledger accounting period is open. You can open several periods at a time, so long as they are contiguous. You cannot change the current period to Open if the prior period status is Never Opened. When a period status is Open, inventory transactions can be accounted in that period; when the period is not open, inventory transactions cannot be accounted in that period, but they will be accounted in the next open period. Both costing and general ledger periods must be open for a transaction to be accounted; if the costing period is open but the corresponding general ledger period is closed, the transaction cannot be accounted and is held pending further user action. You can change an Open period status to Closed or Pending Close.
- Pending Close. Use to stop transactions from being accounted in this period. Any new transactions entered with a transaction date that falls in a period that is in Pending Close status will be held pending further
user action. You can set the Pending Close status back to Open status and then process the transactions, so that those which fall into the period will be staged for accounting in that period; or you can set the status of the period to Permanently Close and set the next period to Open, in which case the transactions will be accounted in the next open period.

• Closed. You can change this status to Permanently Closed or you can revert it to Open. When you set a period status to Closed, you have the option of configuring the processor to allow closing even if all validations do not pass; this enables you to decide when discrepancies are not material enough to delay period close. You can also configure the processor to prevent closing a period until all selected validations pass. You set your preferences for period close validations when you associate cost books with cost organizations, on the Manage Cost Organization Relationships page, Cost Books tab.

• Permanently Closed. Closes the period for all types of transactions irreversibly. You cannot change the period status to Permanently Closed without first changing the prior period status to Closed.

Transaction Accounting Dates

The costing application is designed to set the proper accounting date for inventory transactions, even when they are not entered into the application promptly or in the correct order. It does this by enabling backdating of transactions that are entered on a date later than the physical transaction date. For example, suppose the physical transaction date is November 30, and the transaction is entered into the costing application on December 2. In this case, you can backdate the transaction and, under certain conditions, the application will post that transaction into the prior period.

The application orders your transactions by setting the cost date. To preserve the integrity of previous calculations and to ensure that inventory balances tie with general ledger balances, the cost date cannot be set to a date prior to transactions that are already processed. The cost processor parameters that you define include a cost cutoff date, which lets you control the transactions that you want to process, including backdated transactions. In this example, as long as you have not processed any transactions after November 30, the processor will set the cost date to November 30 for transactions entered after November 30 with a backdated transaction date that is in November.

Once the cost date is established, the processor performs cost accounting calculations for the transaction, creates accounting distributions, and sets the accounting date based on the following logic:

• If the cost date falls in a Never Opened period, the accounting date becomes the same as the cost date when that period status is Open. In the rare case where the transaction date is in a period that precedes the first period used in the application, the accounting date is set to a date in the first subsequent period that is Open.

• If the cost date falls in a Pending Close or Closed period, you are alerted by an error message. You can reopen the period and the processor will attempt to set the accounting date to a date in that period; or you can permanently close the period to let the transaction accounting date move into the next Open period.
If the cost date falls in a period that is Permanently Closed and the next period is not Open, an error message warns you that the transaction will remain unaccounted until a subsequent period is opened. Once the subsequent period is Open, the accounting date of the transaction will move into that Open period.

When accounting distributions are staged within the costing subledger, the accounting distribution accounting date in the costing subledger becomes the proposed accounting date for posting into the general ledger through the subledger. If the general ledger application accepts the proposed accounting date, the transaction is posted with that date. If the proposed accounting date is not accepted (for example if the general ledger period has already closed), then the general ledger application returns an error and the cost processor sets the proposed accounting date to a date in the next open general ledger period.

Manage Cost Accounting: Manage Inventory Valuation

Cost Adjustments and Cost Distributions: Explained

Adjust the cost of items to manage obsolescence, or to mark down inventory to address lower-of-cost-or-market requirements, price changes, and variances. You can make adjustments to the perpetual average cost of items, purchase order and miscellaneous receipt costs, and layer inventory cost.

This figure illustrates the process for making cost adjustments, processing them, and viewing results.
The costing application enables you to adjust costs, process them, and create the corresponding cost accounting distributions.

**Entering Cost Adjustments**

Adjust the cost of items on the Create Cost Adjustments page. You can make three kinds of adjustments for combinations of a cost organization, cost book, valuation unit, and cost element.

If you want to track the adjustment through the supply chain, use a cost element of type *Adjustment*:

- Perpetual average item cost. Enter the new average unit cost. The processor will automatically adjust the overall average cost for the quantity on hand.

- Receipt cost. The receipt cost is adjusted via an update from purchasing or accounts payable, or you can manually enter new receipt costs, PO receipts, interorganization receipts, miscellaneous receipts, or RMA receipts. The processor will automatically adjust the cost of the remaining receipt quantity.

- Layer inventory cost. You can adjust the unit cost of items that use the actual cost method. The processor will automatically adjust the value of the on-hand receipt layer quantity.

You can bundle multiple records, such as multiple receipts or valuation units, into a single adjustment transaction, and when submitted, they are assigned an adjustment number. Optionally, you can also specify a reason code.

Save the adjustment and review the impact to inventory valuations based on the quantity on hand at the time of adjustment. Do this prior to final submission for cost processing, so that you can revise as necessary. After final review and submission, you can still void the adjustment, provided it is not yet processed by the cost processor. However, the adjustment cannot be reversed once processed. Accordingly, the adjustment status code is automatically set to: S for submitted, C for voided, or P for pending processing.

**Processing Adjustments**

When you review and submit a cost adjustment, the cost processor creates a new adjustment transaction:

- For a perpetual average item cost adjustment, the processor updates the perpetual average cost of the item in that combination of cost organization, cost book, item, and valuation unit. The processor then applies the perpetual average item cost adjustment against inventory valuation at the rate of quantity on hand times the change in cost.

- For a receipt cost adjustment, the processor updates the receipt cost for the portion of the receipt that is part of the current on-hand balance. The portion of the adjustment attributable to what is no longer part of the on-hand balance will be accounted for with a write off distribution. However, if the cost profile of the item has cost propagation enabled, the processor revalues the issue transactions that were consumed out of the receipt.
For a layer inventory cost adjustment, the processor updates the unit cost of the item in that combination of cost organization, cost book and valuation unit. The processor then updates inventory valuation at the rate of quantity on hand times the change in cost.

Example 1: Assume a receipt of 8 units, all of which are currently on hand. The valuation unit has a total of 10 units on hand. You adjust the cost of the receipt from $10 to $11 per unit. The processor adjusts the average cost by $0.80 (8/10 * $1).

Example 2: Assume a receipt of 8 units, of which 6 units are currently on hand, and 2 units have been depleted. The valuation unit has a total of 10 units on hand. You manually adjust the cost of the receipt from $10 to $11 per unit. The processor adjusts the receipt cost by $6 (6 * $1), and creates a write off accounting distribution of $2 (2 * $1).

Example 3: Assume a valuation unit has a total of 7 units on hand, valued at $10 per unit. You manually adjust the unit cost to $12 per unit. The processor adjusts inventory value by $14 (7 * $2).

Reviewing Cost Adjustment Results

After running the cost processors, check processing results, including warning and error messages, on the Review Cost Accounting Processes page.

Review the accounting entries resulting from the cost adjustments on the Review Cost Distributions page.

Review the updated perpetual average cost or actual cost of items on the Review Item Costs page.

Making Cost Adjustments: Examples

Adjust the cost of an item to reflect fluctuating market costs, or to reflect other changes, such as increased overhead costs.

The following are examples of cost adjustments.

Adjustment at Item Cost Level

Assume the average cost of an item increases from $5 to $6, and the quantity on hand is 100 each. The distribution processor creates the following accounting entry to adjust the item cost.

<table>
<thead>
<tr>
<th>Accounting Line Type</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory Valuation</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Cost Adjustment</td>
<td></td>
<td>$100</td>
</tr>
</tbody>
</table>

Adjustment at Cost Element Level

Assume that an item has the following cost structure.
<table>
<thead>
<tr>
<th>Cost Element</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material</td>
<td>$4.00</td>
</tr>
<tr>
<td>Freight</td>
<td>$1.00</td>
</tr>
<tr>
<td>Tax</td>
<td>$0.50</td>
</tr>
<tr>
<td>Utilities</td>
<td>$0.50</td>
</tr>
</tbody>
</table>

If the quantity on hand is 100 each, and you want to increase utilities cost from $0.50 to $1.00, the distribution processor creates the following accounting entry to adjust the item cost.

<table>
<thead>
<tr>
<th>Accounting Line Type</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory Valuation - Utilities</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>Cost Adjustment</td>
<td></td>
<td>$50</td>
</tr>
</tbody>
</table>

Layer Inventory Cost Adjustment

Assume that you adjust the cost of an item from $9 to $11, and the remaining receipt layer quantity is 60 units. The distribution processor creates the following accounting entry to update inventory valuation.

<table>
<thead>
<tr>
<th>Accounting Line Type</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory Valuation</td>
<td>$120</td>
<td></td>
</tr>
<tr>
<td>Cost Adjustment</td>
<td></td>
<td>$120</td>
</tr>
</tbody>
</table>

Receipt Cost Adjustment and Propagation: Explained

You may need to adjust the cost of a processed receipt for reasons such as invoice price variances, retroactive purchase order price changes, or prior adjustments. If you are using the actual cost method for transaction costing, you can propagate such adjustments to downstream inventory consumption transactions; and in the case of an interorganization transfer, you can propagate the receipt cost adjustment to the destination inventory organization.

The following discusses:

- Receipt cost adjustments
- Propagation of receipt cost adjustments

Receipt Cost Adjustments

Enter receipt cost adjustments on the Create Cost Adjustments page. Because these adjustments could distort the view of costs and margins downstream in the supply chain, you have the option of tracking them separately by using cost elements of type Adjustment.

If you are not tracking cost adjustments separately, you can use cost elements of type Material, Overhead, or Profit in Inventory.
Propagation of Receipt Cost Adjustments

You can propagate cost adjustments through the supply chain only if you are using the actual cost method for transaction costing. To do this you must enable propagation in the cost profile setup on the Create Cost Profile page.

When propagation is enabled, the cost processor:

- Propagates receipt cost adjustments to downstream transactions by revaluing the transactions to the extent of quantity consumed.
- Revalues any remaining inventory.

For interorganization transfers, the cost processor adjusts receipt costs in the destination organization and all organizations in between, provided that propagation is enabled in all of them. On the other hand, propagation stops if an inventory organization is associated with a cost profile that does not use the actual cost method, or does not have propagation enabled.

The processor always propagates cost adjustments through in-transit inventory organizations, regardless of propagation enablement.

If propagation is not enabled, then the receipt cost adjustment is written off as an expense for all inventory that is consumed.

Receipt Cost Adjustment: Example

This example illustrates the accounting entries resulting from a receipt cost adjustment for an invoice price variance, the revaluation of inventory, and propagation of the cost adjustment to interorganization transfers and sales issues.

Scenario

Organization A has a purchase order receipt, for which it subsequently processes an invoice price variance adjustment. Organization A fills a sales order, and transfers some of its inventory to Organization B, who fills another sales order.

Transaction Details

Organization A has a PO receipt of 100 units at $100 per unit, of which it sells 30 units, and transfers 20 units to Organization B at a transfer price of $125. Organization B in turn sells 6 units. The IPV for the initial PO receipt is $20 per unit.

Analysis

Run the cost processor to cost the initial PO receipt, the interorganization transfer, and the sales issues from Organization A and Organization B. After entering the receipt cost adjustment for the IPV of $20 per unit, rerun the cost processor to update the value of remaining inventory, and to propagate the IPV adjustment to the interorganization transfer, and the sales issues from Organization A and Organization B.
Resulting Accounting Entries

The cost distribution processor creates the following accounting entries for the PO receipt, interorganization transfer to Organization B, and sales issues from Organization A and Organization B:

<table>
<thead>
<tr>
<th>Event</th>
<th>Accounting Entries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization A PO receipt: 100 units at $100</td>
<td>Dr Inventory (Material) $100*100</td>
</tr>
<tr>
<td></td>
<td>Cr Receiving Inspection $100*100</td>
</tr>
<tr>
<td>Sales issue from Organization A: 30 units at $100 per unit</td>
<td>Dr DCOGS $100*30</td>
</tr>
<tr>
<td></td>
<td>Cr Inventory $100*30</td>
</tr>
<tr>
<td>100 percent COGS recognition for sales issue</td>
<td>Dr COGS $100*30</td>
</tr>
<tr>
<td></td>
<td>Cr DCOGS $100*30</td>
</tr>
<tr>
<td>Transfer from Organization A to Organization B: 20 units at $125 per</td>
<td>Dr Interorganization Receivable $125*20</td>
</tr>
<tr>
<td>unit</td>
<td>Cr Inventory (Material) $100*20</td>
</tr>
<tr>
<td></td>
<td>Cr Interorganization (Gain/Loss) $25*20</td>
</tr>
<tr>
<td>Interorganization receipt by Organization B from Organization A: 20</td>
<td>Dr Inventory (Material) $100*20</td>
</tr>
<tr>
<td>units at $125</td>
<td>Dr Inventory (Profit in Inventory) $25*20</td>
</tr>
<tr>
<td></td>
<td>Cr Interorganization Payable $125*20</td>
</tr>
<tr>
<td>Sales issue from Organization B: 6 units at $125 per unit</td>
<td>Dr DCOGS (Material) $100*6</td>
</tr>
<tr>
<td></td>
<td>Dr DCOGS (Profit in Inventory) $25*6</td>
</tr>
<tr>
<td></td>
<td>Cr Inventory (Material) $100*6</td>
</tr>
<tr>
<td></td>
<td>Cr Inventory (Profit in Inventory) $25*6</td>
</tr>
<tr>
<td>100 percent COGS recognition for sales issue</td>
<td>Dr COGS (Material) $100*6</td>
</tr>
<tr>
<td></td>
<td>Cr COGS (Material) $100*6</td>
</tr>
<tr>
<td></td>
<td>Dr COGS (Profit in Inventory) $25*6</td>
</tr>
<tr>
<td></td>
<td>Cr DCOGS (Profit in Inventory) $25*6</td>
</tr>
</tbody>
</table>

The cost distribution processor creates the following accounting entries for the IPV adjustment to inventory value, and to propagate the IPV adjustment to the interorganization transfer, and to the sales issues from Organization A and Organization B:

<table>
<thead>
<tr>
<th>Event</th>
<th>Accounting Entries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization A Inventory cost adjustment: 100 at $20</td>
<td>Dr Inventory (Material) $20*100</td>
</tr>
<tr>
<td></td>
<td>Cr Receiving Inspection $20*100</td>
</tr>
<tr>
<td>Propagate adjustment to interorganization transfer from Organization</td>
<td>Dr Interorganization Gain/Loss $20*20</td>
</tr>
<tr>
<td>A to Organization B: 20 units at $20</td>
<td></td>
</tr>
<tr>
<td>Because the transfer price remains the same, we revalue the</td>
<td></td>
</tr>
<tr>
<td>interorganization gain/loss.</td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>Journal Entries</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Propagate adjustment to interorganization receipt by Organization B from</td>
<td>Dr Inventory (Material) $20*20</td>
</tr>
<tr>
<td>Organization A: 20 units at $20</td>
<td>Cr Offset Account $20*20</td>
</tr>
<tr>
<td></td>
<td>Dr Offset Account $20*20</td>
</tr>
<tr>
<td></td>
<td>Cr Inventory (Profit in Inventory) $20*20</td>
</tr>
<tr>
<td>Propagate adjustment to sales issue from Organization A: 30 units at $20</td>
<td>Dr COGS $20*30</td>
</tr>
<tr>
<td></td>
<td>Cr Inventory (Material) $20*30</td>
</tr>
<tr>
<td>Propagate adjustment to sales issue from Organization A: 30 units at $20</td>
<td>Dr DCOGS (Material) $20*30</td>
</tr>
<tr>
<td></td>
<td>Cr Inventory (Material) $20*30</td>
</tr>
<tr>
<td>Propagate adjustment to COGS recognition</td>
<td>Dr COGS (Material) $20*30</td>
</tr>
<tr>
<td></td>
<td>Dr DCOGS (Material) $20*30</td>
</tr>
<tr>
<td>Propagate adjustment to sales issue from Organization B: 6 units at $20</td>
<td>Dr DCOGS (Material) $20*6</td>
</tr>
<tr>
<td></td>
<td>Cr Inventory (Material) $20*6</td>
</tr>
<tr>
<td></td>
<td>Dr Inventory (Profit in Inventory) $20*6</td>
</tr>
<tr>
<td></td>
<td>Cr DCOGS (Profit in Inventory) $20*6</td>
</tr>
<tr>
<td>Propagate adjustment to COGS recognition</td>
<td>Cr COGS (Profit in Inventory) $20*6</td>
</tr>
<tr>
<td></td>
<td>Dr DCOGS (Profit in Inventory) $20*6</td>
</tr>
<tr>
<td></td>
<td>Dr COGS (Material) $20*6</td>
</tr>
<tr>
<td></td>
<td>Cr DCCOGS (Material) $20*6</td>
</tr>
</tbody>
</table>

**FAQs for Manage Inventory Valuation**

**What happens if an item in a cost organization book has both a perpetual average item cost adjustment and a receipt cost adjustment pending?**

The perpetual average item cost adjustment is always processed after the receipt cost adjustment, regardless of the order in which you create the adjustments.

**Manage Cost Accounting: Manage Standard Costs**

**Standard Cost Definition Process: Explained**

You can create standard costs several ways: by importing them from external sources and legacy applications, by manually defining them in the costing application, or by converting estimates that are published from cost planning into standard costs.

This figure illustrates the stages of importing, defining, and approving standard costs.
Importing Standard Costs

To import standard cost data from external sources, you must load it into the Standard Cost Interface Table via an application interface, web service, or spreadsheet. Once loaded, view the data on the Manage Standard Cost Import Exceptions page, and validate by running the Import Standard Costs process. On this page you can view any errors resulting from the validation process, fix the errors, and rerun the Import Standard Costs process as needed. After validation is complete, the data is loaded into the Standard Costs Interface Table.

Defining Standard Costs

On the Manage Standard Cost Definitions page, you can view imported standard costs that have been validated, view standard costs that are published from standard cost planning, and create new standard costs. On this page you also submit standard costs for approval.

Approving Standard Costs

Indicate whether or not the standard cost definitions require approvals on the Manage Cost Organization Relationships page. If the Standard Cost Approval attribute is set to No, then the standard cost is automatically approved when it is submitted. If the Standard Cost Approval attribute is set to Yes, then the standard cost is added to the work list on the Cost Accounting Overview page, where it must be approved before it is used for transaction costing.

Set up the approval process and rules in the Setup and Maintenance Overview page, search for Define Approval Management for Supply Chain Management, Manage Task Configurations for Supply Chain Management, StandardCostApprovalTask, and click Go to Task.
Standard Cost Method: Explained

Use standard costs for inventory valuation to simplify your transaction accounting. For items that use other cost methods for transaction accounting (such as perpetual or average cost method), you can still use standard costs for simulation and planning purposes. The following discusses:

- Setting up and updating standard costs
- Inventory value adjustments based on standard costs

Setting Up and Updating Standard Costs
Define the standard cost for a new item based on purchase information such as quotes from vendors, purchase contracts, or bill of material. Periodically review the variance between actual transaction costs and the standard cost of an item, and update the standard cost to ensure that it is close to actual costs. Define a standard cost for an item by duplicating another standard cost record and modifying as needed, or create a new standard cost. A standard cost can include two types of cost components, material and overhead. The application automatically assigns cost components to cost elements, based on the cost component group mapping of the item cost profile.

Inventory Value Adjustments Based on Standard Cost
When you implement a new standard cost for an item, the standard cost processor automatically creates accounting adjustments to update inventory value. The adjustment is based on the revaluation of on-hand inventory as of the effective start date for the current standard cost. The adjustment amount is calculated as follows:

\[
\text{Cost Adjustment} = (\text{New Standard Cost} - \text{Current Standard Cost}) \times \text{Quantity on Hand}
\]

FAQs for Manage Standard Costs

- Can I delete, inactivate, or update a standard cost?
  Yes. You can update, inactivate, or delete a standard cost so long as it has not yet been used to create accounting entries.

- Does a standard cost include overhead costs?
  Yes. When you define standard costs you can include overhead cost components. The cost processor processes these overhead cost components as part of the total standard cost, at the time of transaction costing.

- How can I view the variances resulting from a standard cost update?
  On the Define Standard Costs page, Search results region, click on a standard cost record to open the Review Standard Cost Variances page. This displays the variances calculated by the standard cost processor based on the difference between the selected standard cost record and the actual transaction cost. The
processor calculates variances only for standard costs that are in Approved status.

How can I view the cost adjustments resulting from a standard cost update?

On the Define Standard Costs page, Search results region, click on a standard cost record to open the Review Standard Cost Adjustments page. This displays the inventory value adjustments created by the standard cost processor for the difference between the selected standard cost record and the last inventory value.

Manage Cost Accounting: Record, Audit, and Review Cost Accounting

Cost Accounting Process Flow: Explained

The cost accounting processors create cost accounting distributions for transaction data that is received from external sources, such as inventory, purchase orders, receivables, and accounts payable.

After preprocessing the transaction data, run it through the cost processors to calculate costs and create accounting distributions.

This figure illustrates how you process transaction data through the cost processors.
Create Cost Accounting Distributions

A run control specifies the set of cost organization books and cost processors that are to be executed. You can define several run controls at a time on the Create Cost Accounting Distributions page.

The main cost processors are:

- **Preprocessor**: All transaction data comes into the cost accounting application from external sources through well-defined interfaces. After the data is interfaced, the preprocessor prepares the data for cost processing by:
  - Checking for invalid or missing data.
  - Propagating the information to cost organization books and deriving their associated units of measure, currencies, valuation units, and cost profiles. Note that the preprocessor runs for all cost books in the cost organization.
  - Mapping incoming cost components to cost elements, based on user-defined mappings.
- **Cost accounting processor**: Calculates costs for preprocessed transactions using the perpetual average cost method, actual cost method, or standard
cost method. Processes user-entered cost adjustments and applies overhead costs based on user-defined overhead rules. Calculates the variance of standard costs from actual transaction costs.

- Cost of goods sold processor: Calculates the cost of goods sold and maintains consistency with the revenue recognized in accounts receivable.
- Cost distribution processor: Uses the cost accounting processor and cost of goods sold processor results to create distributions for transaction costs.

Review Processing Results

After running the cost processors, check processing results, including warning and error messages, on the Review Cost Accounting Processes page.

See additional warning and error messages that are specific to each transaction on the Transaction Errors tab of the Review Cost Accounting Distributions page.

Review Cost Accounting Distributions

A single inventory transaction can generate multiple cost transactions, for which the distribution processor creates accounting distributions. On the Review Cost Accounting Distributions page, you can view the cost information and distributions related to each transaction, as well as the receipt layers for receipt transactions, and depletion layers for issue transactions.

Actual Cost Method: Explained

The actual cost method tracks the cost of each receipt into inventory. When depleting inventory, the processor logically identifies the receipts that are consumed to satisfy the depletion, and assigns the associated receipt costs to the depletion.

The actual cost method uses receipt layers for transaction costing and inventory depletion.

Receipt Layers

A receipt layer is created for each put away or delivery of an item into a cost organization. The item is assigned a cost profile that specifies the valuation structure of the item, and the valuation structure, in turn, specifies the valuation unit of the item. The receipt layer falls within the valuation unit. Under the actual cost method, the cost processor identifies the receipt that is used to satisfy the depletion, and applies the quantity depletion method that is defined in the cost profile; the accounting application currently uses the first in, first out (FIFO) depletion method.

The FIFO accounting method assumes that the goods received first are consumed first. This logic does not require that the inventory be physically moved in FIFO order. In reality, the inventory may be moving out in an unknown or random fashion, especially when the goods are fungible.

The inventory system controls the physical flow of inventory, and the actual cost method can be configured to conform to the level of physical tracking
maintained in the inventory system. For example, if the inventory system is tracking inventory at the lot level, the costs can also be tracked at that level. If there is more than one receipt for a given lot, the FIFO accounting method assumes that the receipts in the lot are consumed in FIFO order.

Receipt layers can be identified by combinations of any of the following: cost organization, inventory organization, subinventory, locator, lot, serial and grade.

This table illustrates the process of creating receipt layers for an item within a valuation unit:

<table>
<thead>
<tr>
<th>Transaction Date</th>
<th>Transaction Type</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Receipt Layer Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-Jan-2011</td>
<td>PO Receipt</td>
<td>100</td>
<td>$120</td>
<td>Receipt #1</td>
</tr>
<tr>
<td>02-Jan-2011</td>
<td>PO Receipt</td>
<td>80</td>
<td>$100</td>
<td>Receipt #2</td>
</tr>
<tr>
<td>03-Jan-2011</td>
<td>Miscellaneous Receipt</td>
<td>20</td>
<td>$105</td>
<td>Receipt #3</td>
</tr>
</tbody>
</table>

**Inventory Depletion**

This table illustrates the process of depleting the item inventory based on the created receipt layers, using FIFO logic:

<table>
<thead>
<tr>
<th>Transaction Date</th>
<th>Transaction Type</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Receipt Layer Created</th>
<th>Receipt Layer Used for Depletion</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-Jan-2011</td>
<td>PO Receipt</td>
<td>100</td>
<td>$120</td>
<td>Receipt #1</td>
<td></td>
</tr>
<tr>
<td>02-Jan-2011</td>
<td>PO Receipt</td>
<td>80</td>
<td>$100</td>
<td>Receipt #2</td>
<td></td>
</tr>
<tr>
<td>03-Jan-2011</td>
<td>Miscellaneous Receipt</td>
<td>20</td>
<td>$105</td>
<td>Receipt #3</td>
<td></td>
</tr>
<tr>
<td>04-Jan-2011</td>
<td>Miscellaneous Issue</td>
<td>-40</td>
<td>$120</td>
<td>Receipt #1</td>
<td></td>
</tr>
<tr>
<td>05-Jan-2011</td>
<td>Miscellaneous Issue</td>
<td>-60</td>
<td>$120</td>
<td>Receipt #1</td>
<td></td>
</tr>
<tr>
<td>06-Jan-2011</td>
<td>Miscellaneous Issue</td>
<td>-15</td>
<td>$100</td>
<td>Receipt #2</td>
<td></td>
</tr>
</tbody>
</table>

**Using the Actual Cost Method: Example**

This example illustrates how the cost processor uses the actual cost method to cost: inventory receipts, cost of goods sold, and the value of beginning and ending inventory.

**Scenario**

A restaurant business receives two shipments of raw material for a total of 25 units, and a sales order of 12 units. The unit is defined as a sandwich, and the raw material is defined as sandwich food ingredients.
**Transaction Details**

The business needs to calculate:

- Overhead absorption on the two receipts.
- The value of beginning and ending inventory, including raw materials and overhead absorption.
- Cost of good sold.

**Analysis**

Following are the details for two receipts of raw materials:

<table>
<thead>
<tr>
<th>Receipt ID</th>
<th>Inventory Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt #1</td>
<td>10 * $10 = $100</td>
</tr>
<tr>
<td>Receipt #2</td>
<td>15 * $12 = $180</td>
</tr>
</tbody>
</table>

The cost processor calculates overhead absorption for the two receipts as follows:

<table>
<thead>
<tr>
<th>Receipt ID</th>
<th>Overhead Absorption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt #1</td>
<td>Labor: $5&lt;br&gt;Facility: $3</td>
</tr>
<tr>
<td>Receipt #2</td>
<td>Labor: $8&lt;br&gt;Facility: $7</td>
</tr>
</tbody>
</table>

**Resulting Accounting Distributions**

The distribution processor generates the following accounting entries:

<table>
<thead>
<tr>
<th>Event</th>
<th>Accounting Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt #1: 10 units raw material</td>
<td>Dr Inventory-Raw Material $100&lt;br&gt;Cr Receiving $100</td>
</tr>
<tr>
<td>Receipt #1: overhead</td>
<td>Dr Inventory-Labor $5&lt;br&gt;Dr Inventory-Facility $3&lt;br&gt;Cr Overhead Absorption $8</td>
</tr>
<tr>
<td>Receipt #2: 15 units raw material</td>
<td>Dr Inventory-Raw Material $180&lt;br&gt;Cr Receiving $180</td>
</tr>
<tr>
<td>Receipt #2: overhead</td>
<td>Dr Inventory-Labor $8&lt;br&gt;Dr Inventory-Facility $7&lt;br&gt;Dr Overhead Absorption $15</td>
</tr>
<tr>
<td>COGS for 12 units (10 * $108/10) + (2 * $195/15)</td>
<td>Dr COGS $134&lt;br&gt;Cr Inventory $134</td>
</tr>
</tbody>
</table>
The beginning inventory is 25 units valued at: $10.8 \times 10 + 15 \times 13 = 303.
The ending inventory is 13 units valued at: 13 \times 13 = 169.

**Purchase Order Return and Sales Return Flows: Explained**

The cost processor uses FIFO logic to cost purchase order (PO) returns. For sales returns that reference an RMA, the cost processor uses the original sales order cost; for sales returns that do not reference an RMA, it uses either the first or last receipt layer cost.

The following discusses costing details for purchase order returns and sales order returns.

**Purchase Order Returns**

For PO returns, the cost processor uses the FIFO receipt layer cost to deplete inventory, while it offsets receiving inspection at the acquisition PO price. The difference between the PO price and the FIFO receipt layer cost is booked as cost variance.

This table illustrates several receipts and issues of an item in an inventory organization, followed by a PO return for the same item:

<table>
<thead>
<tr>
<th>Reference</th>
<th>Transaction Date</th>
<th>Transaction Type</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Receipt Layer Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt #1</td>
<td>01-Jan-2011</td>
<td>PO Receipt</td>
<td>100</td>
<td>$120</td>
<td></td>
</tr>
<tr>
<td>Receipt #2</td>
<td>02-Jan-2011</td>
<td>PO Receipt</td>
<td>80</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Receipt #3</td>
<td>03-Jan-2011</td>
<td>Miscellaneous Receipt</td>
<td>20</td>
<td>$105</td>
<td></td>
</tr>
<tr>
<td>Issue #1</td>
<td>04-Jan-2011</td>
<td>Miscellaneous Issue</td>
<td>-40</td>
<td>$120</td>
<td>Receipt #1</td>
</tr>
<tr>
<td>Issue #2</td>
<td>05-Jan-2011</td>
<td>Miscellaneous Issue</td>
<td>-60</td>
<td>$120</td>
<td>Receipt #1</td>
</tr>
<tr>
<td>Issue #2</td>
<td>05-Jan-2011</td>
<td>Miscellaneous Issue</td>
<td>-15</td>
<td>$100</td>
<td>Receipt #2</td>
</tr>
<tr>
<td>Receipt #1</td>
<td>06-Jan-2011</td>
<td>PO Return</td>
<td>-10</td>
<td>$100</td>
<td>Receipt #2</td>
</tr>
</tbody>
</table>

The cost distribution processor creates the following accounting entries for the PO return:

- Dr Receiving Inspection $100\times 10 / Cr Inventory $100\times 10
- Dr Receiving Inspection $20\times 10 / Cr Cost Variance $20\times 10

**Sales Returns**

When you define the cost profile for an item, you can select one of three options for the costing of a sales return:

- Referenced RMA: the cost processor costs the return using the original sales order issue cost.
- Unreferenced RMA: the cost processor costs the return using:
  - First available receipt layer; or
• Last available receipt layer.

This table illustrates several receipts and issues of an item in an inventory organization, followed by a referenced RMA sales return, and an unreferenced RMA sales return for the same item:

<table>
<thead>
<tr>
<th>Reference</th>
<th>Transaction Date</th>
<th>Transaction Type</th>
<th>Quantity</th>
<th>Unit Cost</th>
<th>Receipt Layer Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt #1</td>
<td>01-Jan-2011</td>
<td>PO Receipt</td>
<td>100</td>
<td>$120</td>
<td></td>
</tr>
<tr>
<td>Receipt #2</td>
<td>02-Jan-2011</td>
<td>PO Receipt</td>
<td>80</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>Receipt #3</td>
<td>03-Jan-2011</td>
<td>Miscellaneous Receipt</td>
<td>20</td>
<td>$105</td>
<td></td>
</tr>
<tr>
<td>Issue #1</td>
<td>04-Jan-2011</td>
<td>Miscellaneous Issue</td>
<td>-40</td>
<td>$120</td>
<td>Receipt #1</td>
</tr>
<tr>
<td>Issue #2</td>
<td>05-Jan-2011</td>
<td>Miscellaneous Issue</td>
<td>-60</td>
<td>$120</td>
<td>Receipt #1</td>
</tr>
<tr>
<td>Issue #2</td>
<td>05-Jan-2011</td>
<td>Miscellaneous Issue</td>
<td>-15</td>
<td>$100</td>
<td>Receipt #2</td>
</tr>
<tr>
<td>Referenced RMA of Issue #1</td>
<td>06-Jan-2011</td>
<td>RMA Receipt</td>
<td>25</td>
<td>$120</td>
<td></td>
</tr>
<tr>
<td>Unreferenced RMA</td>
<td>07-Jan-2011</td>
<td>RMA Receipt</td>
<td>5</td>
<td>$100 or $105</td>
<td></td>
</tr>
</tbody>
</table>

The processor costs the unreferenced RMA return using:
• $100 per unit if you specify the first available receipt layer; or
• $105 per unit if you specify the last available receipt layer.

**FAQs for Record, Audit, and Review Cost Accounting**

**What happens if the cost processors are running transactions for several cost organization books involving interorganization transfers?**

The cost processor can run the transactions for several cost organization books concurrently and iteratively, until all dependencies caused by interorganization transfers are resolved.

For example, assume that there is an interorganization transfer from cost organization book B to cost organization book A. The cost processor runs the transactions for cost organization book B first, and cost organization book A second. This process is reiterated until all interorganization transfers are accounted for.

**Is the accounting date of a transaction always the same as the costing date?**

The accounting date of a transaction is generally the same as the costing date, but there may be exceptions; for example, if the costing period is already closed, then the distribution processor sets the accounting date to the next open period.
The accounting transaction is submitted to the general ledger application through the subledger accounting application. If the general ledger period for the accounting date is closed when the accounting transaction is submitted, then the transaction is rejected and returned with an error. The cost processor then automatically proposes a new accounting date in the next open period, and resubmits the revised accounting transaction to the general ledger through subledger accounting.

**How can I post cost distributions and journal entries to the general ledger?**

First run the cost distribution processor to generate distributions for inventory transactions on the Create Cost Accounting Distributions page. Then create the related subledger journal entries on the Create Entries for Cost Accounting page. Execute these processes one at a time, or set them up to execute automatically on a prescheduled basis.

**How can I create subledger account rules and subledger journal entry rule sets for cost management?**

Create your subledger account rules on the Manage Account Rules page. It is recommended that you highlight the account rules predefined by Oracle, copy, and modify them as needed.

Create your subledger journal entry rule sets on the Manage Subledger Journal Entry Rule Sets page. It is recommended that you highlight the journal entry rule sets predefined by Oracle, copy, and modify them as needed. For each journal line rule specify the copied account combination rule.

Access both the Manage Account Rules page and Manage Subledger Journal Entry Rule Sets page from an Oracle Fusion Applications Functional Setup Manager implementation project.

**Note**

You must customize the predefined account rules and journal entry rule sets before proceeding with the setup of subledger accounting rules for cost management.

**What happens during cost processing when an inventory organization is missing setup information?**

If the setup information is incomplete for an inventory organization that is directly tied to the cost organization in the process run, the missing information is flagged as an error on the Review Cost Accounting Processes page, and the process fails.

If the setup information is incomplete for an inventory organization that is not directly tied to the cost organization in the process run, the missing information is flagged as a warning, but the process is completed.

Examples of setup information that may be missing are the association of the inventory organization with a cost organization, the assignment of a cost book.
to the cost organization, the assignment of a cost profile to the item, or the assignment of a valuation unit to the cost organization.

How can I diagnose problems with item cost data that is missing or incorrect?

After interfacing the inventory transaction data, you can run the Item Cost Data Collection Test from the Help - Supportability menu.

Manage Cost Accounting: Analyze Product Costs

Reviewing Item Costs: Explained

On the Review Item Costs page view the perpetual average cost, actual cost, or standard cost details of items, chart cost trends, and compare cost records.

The options available for analyzing item costs are:

- Cost details
- Transaction costs
- Cost comparisons

Cost Details

View the perpetual average cost, actual cost, or standard cost of an item for combinations of a cost organization, cost book, and valuation unit. View these costs for a current date or any date in the past.

The Cost Details page displays additional information on:

- Cost breakdown: the item cost details for a receipt record. The breakdown is available by cost element, cost element type, and analysis group.
- Cost history: the cost trend of an item over a period of time.
- Depletions: the layer consumption for issues out of a receipt record.
- Cost information: the cost details from the source transaction for a receipt record.

Transaction Costs

Select a time frame to view the perpetual average cost, actual cost, or standard cost history of an item, or specify the number of days for the moving average cost calculation.

For each transaction contributing to the item cost history, you can view the cost elements, transaction source, document number, quantity on hand prior to the transaction, transaction date, and transaction quantity.

Cost Comparisons

Compare the cost details for up to six records of:
• Several items
• One item across several cost organizations or cost books
• One item over a period of time

**Standard Cost Variances Review Process: Explained**

Standard cost variances arise when the transaction cost of an item differs from the standard cost. The variances could indicate anomalies in the business process that should be addressed. Or they may signal that the standard cost is unrealistic, leading to over or understatement of inventory value. In this case, you will want to update the standard cost.

This figure illustrates the stages of:

• Processing standard cost transactions
• Reviewing the resulting standard cost variances
• Updating standard costs

These tasks are performed in the Cost Accounting work area.
Processing Standard Cost Transactions

On the Create Cost Accounting Distributions page, run the Cost Processor to calculate costs for all receipt and issue transactions using the standard cost method. For receipt transactions, if the standard costs differ from actual transaction costs, the Cost Processor also calculates variances, such as purchase price variance, invoice price variance, or transfer price variance.

On this page also run the Cost Distribution Processor to generate the accounting distributions related to the transaction costs and the calculated variances.

Reviewing Standard Cost Variances

The Cost Accounting Overview page, Variance Summary tab provides a view of total variances at the cost organization book level, for a user-specified time range. Use the pie chart to see what top items are contributing to these variances. This will help to prioritize the standard costs that require review. Use the historical trend graph to identify any cost patterns that should be investigated. Click on any of the total variance links to go to the Review Standard Cost Variances page. You can also access this page directly from the Cost Accounting work area.

On the Review Standard Cost Variances page you can drill down into more variance details at the item level, valuation unit level, and individual transaction level.

Updating Standard Costs

Based on your variance analysis along with other information, such as quotes from vendors, you may decide to update the standard cost. Do this on the Manage Standard Cost Definitions page. When you approve the revised standard cost, the Standard Cost Processor automatically calculates adjustments for on-hand inventory value.
Manage Cost and Profit Planning

Manage Cost and Profit Planning: Overview

The Manage Cost and Profit Planning business process is used by cost accountants to create standard cost estimates for inventory item purchases and manufactured items, and includes the tools to gather information to create the estimates, approve them, and publish them for use in cost accounting. This business process encompasses the Manage Cost Estimates activities.

Manage Cost and Profit Planning: Manage Cost Estimates

Standard Cost Planning Process: Explained

Standard costs are one of the cost methods available to budget, simulate, or process accounting distributions for inventory transactions. Because a standard cost is, by definition, an estimate of the cost of an item, you will need to monitor costs and variances, and update standard costs periodically, to ensure that they remain close to actual costs.

The following discusses the standard cost planning tasks, which are performed in the Cost Accounting work area:

- Create requests for standard cost estimates
- Create standard cost estimates
- Approve and publish standard cost estimates

Create Requests for Standard Cost Estimates

On the Manage Cost Estimate Requests page, you can create a request for one or more items in a planning cost organization. For each item, you must specify the cost attribute type, which is the level at which you want to estimate costs.
The three cost attribute types are:

- Valuation unit. Select from the predefined valuation units. If the desired valuation unit is not available, then select the Inventory Control Attributes option.

- Inventory control attributes. This option enables you to select the desired combination of inventory attributes. The cost processor will subsequently create the valuation unit.

- Reference. Select this option to estimate costs at the valuation structure level. You must then enter the valuation structure type (Asset or Expense), and the application displays the default valuation structure.

When you have finalized your entries, submit the cost estimate request to set it in Submitted status.

The Process Cost Estimate Requests page displays all estimate requests that are In Process, Completed, Rejected, Submitted, or Withdrawn status. On this page you can convert cost estimate requests that are in Submitted status to standard cost estimates. You can also reject a cost estimate, and add documents or notes.

**Create Standard Cost Estimates**

On the Manage Cost Estimates page, review cost estimate requests that were converted to cost estimates, or create new cost estimates. You can also copy costs and perform mass edits to cost estimates.

To copy costs, select an estimate record on the Manage Cost Estimates page and click Edit. On the Edit Cost Estimates page, you can copy costs into the selected cost estimate from existing:

- Cost estimates
- Standard costs
- Perpetual average costs
- Actual costs

Select records from any of the existing cost estimates or costs, specify the estimate mapping, and click Select and Copy. The application will use the estimate mapping to copy the selected records to the target cost estimate.

You can also perform mass edits on the Edit Cost Estimates page. To do this, select one or multiple item records and click Perform Mass Edit. On the Perform Mass Edit dialog box, you can edit the cost component details of the selected records by: adding or deleting a cost component; substituting a source cost component for a target cost component; increasing, decreasing, or replacing a cost amount or a cost percentage. You can do this for all cost components, a specific cost component, or a specific cost component type (Material, Overhead, Profit in Inventory, or Adjustment).

**Note**

You can also copy costs and perform mass edits when creating new cost estimates on the Create Cost Estimates page.
After you save your entries, you can review the results of copied records on the Edit Cost Estimates page. Finally, assign the cost estimates to the appropriate cost organizations and cost books for cost accounting; do this on the Assignments tab of the Edit Cost Estimates page.

**Approve and Publish Standard Cost Estimates**

On the Manage Planning Cost Organizations page, indicate whether the standard cost estimates created under a cost organization require approval. If the Standard Cost Estimate Approval indicator is set to No, then the cost estimate is automatically approved when it is submitted. If the indicator is set to Yes, then the cost estimate is added to the worklist on the Cost Planning Overview page, where it is processed for approval.

Set up the cost estimate approval rules in the Setup and Maintenance work area, search for the Manage Task Configurations for Supply Chain Management task, then select the CostEstimatesApprovalTask task from the list of tasks to be configured.

On the Edit Cost Estimate page, Assignments tab, view the assignments that are in Approved status, and click Publish to use them in standard costing. Note that you can only publish estimates that are approved.

### Cost Estimates Submission for Approval and Publishing Process: Explained

A standard cost estimate must be approved, before you can publish it. Publishing involves assigning each item line in the cost estimate to the appropriate cost organization books for standard cost accounting.

A cost estimate usually includes several item lines, and an item line can have several cost organization book assignments. You can submit for approval and publish at different levels:

- The entire cost estimate at once
- Several items at once
- Several assignments at once
- One assignment at a time

### Submission for Approval and Publishing

Submit cost estimates for approval in the Cost and Profit Planning work area on the Manage Cost Estimates, Edit Cost Estimate page, Assignments tab. The approval status is indicated for each assignment line. The initial status is In Process, which progresses to Pending Approval, and finally Approved, or Rejected. You can publish only those assignments that are in Approved status.

During the Pending Approval status, you cannot edit the cost estimate. If you make any changes to a cost estimate that is approved, its status reverts to In Process.

Note that submission for approval and publishing are always processed at the individual assignment level. Although you can submit the entire cost estimate
for approval, some of the assignments in the cost estimate may be rejected for further action.

FAQs for Manage Cost Estimates

Can I submit for processing several standard cost requests at a time?

Yes. On the Manage Cost Estimate Requests page, you can submit for processing several requests at a time, and a request can include several items, provided they belong to the same planning cost organization.

Can I use an existing cost or cost estimate to create a new cost estimate?

Yes. On the Manage Cost Estimates page, select a record, click Edit to go to the Edit Cost Estimates page, then click Copy Costs to access the pages where you can copy an existing cost estimate, or a standard cost, actual cost, or perpetual average cost, into a new cost estimate.
actual cost
A cost method that tracks the actual cost of each receipt into inventory. When depleting inventory, the processor logically identifies the receipts that are consumed to satisfy the depletion, and assigns the associated receipt costs to the depletion.

analysis group
Contains analysis code classifications for particular reporting purposes, for example fixed and variable costs analysis group.

cost book
A view or method of cost accounting for inventory transactions. You can create multiple cost books and assign them to a cost organization for different financial and management reporting purposes.

cost component
User-defined costs, or incoming costs from external sources such as Purchasing, Accounts Payable, Inventory Management, and Oracle Fusion Landed Cost Management. Examples of cost components are purchase order item price, freight, and overhead.

cost component group
Mapping of cost components to cost elements. Cost component groups use set-level definitions, and are one of the attributes of item cost profiles.

cost element
The user-defined level where costs of an item are tracked through the inventory accounting life cycle; for example, the material, overhead, and tax costs of an item can be tracked as separate cost elements.

cost organization
A grouping of inventory organizations that indicates legal and financial ownership of inventory, and which establishes common costing and accounting policies.

cost organization book
Designates which cost book a cost organization uses for different costing and reporting purposes. For example, the Canada cost organization may use a perpetual average cost book and a primary cost book. In this case, there are two cost organization books: Canada-Perpetual Average, and Canada-Primary.

cost profile
Defines the cost accounting policies for items, such as the cost method and valuation structure.
DCOGS
Abbreviation for deferred cost of goods sold. Portion of cost of goods sold not recognized on the income statement, and deferred to a future accounting period, when matching revenue is recognized.

ERV
Abbreviation for exchange rate variance. Difference between the exchange rate used for receipt accrual and exchange rate used for reversing the accrual.

estimate mapping
Mapping of cost components and cost elements to planning cost components. These mappings are used to copy cost details from existing costs or standard cost estimates to new standard cost estimates.

FIFO
Abbreviation for first in, first out. A material control technique of rotating inventory stock so that the earliest inventory units received or produced are the first units used or shipped. The ending inventory therefore consists of the most recently acquired goods.

inventory organization
A logical or physical entity in the enterprise that is used to store definitions of items or store and transact items.

IPV
Abbreviation for invoice price variance. Difference between invoice price and purchase order price.

item cost profile
Cost accounting method assigned to an item. Items in a cost organization book can use different cost profiles. For example, you can use a cost profile to calculate average cost at the lot or serial level, and another cost profile to calculate average cost at the cost organization level.

layer inventory cost
Inventory valuation that is based on the receipt layer cost, including overhead absorption and cost adjustments.

perpetual average cost
The average cost of an item, derived by continually averaging its valuation after each incoming transaction. The following equation always holds for each item: average cost of item = sum of debits and credits in inventory general ledger balance / on-hand quantity.
**planning cost organization**
A cost organization used to plan and estimate standard costs, and to assign standard costs to accounting cost organizations and cost books for costing of inventory transactions.

**PO**
Abbreviation for purchase order.

**purchase price variance**
Difference between the purchase price and the standard cost of an item.

**receipt cost**
The transaction cost of a purchase order receipt or a miscellaneous receipt, including additional acquisition cost or other cost adjustment.

**receipt layer**
Unique identification of delivery or put away of an item into inventory.

**RMA**
Abbreviation for return material authorization.

**standard cost**
An inventory valuation method in which inventory is valued at a predetermined standard value. You track variances for the difference between the standard cost and the actual transaction cost, and you periodically update the standard cost to bring it in line with actual costs.

**TERV**
Abbreviation for tax exchange rate variance. Tax component of exchange rate variance (ERV).

**TIPV**
Abbreviation for tax invoice price variance. Tax component of invoice price variance (IPV).

**transfer price variance**
Difference between the price used for transfer of items and the standard cost of the sending organization.

**TRV**
Abbreviation for tax rate variance. Difference between tax rates in purchase order document and invoice document.
valuation structure

Defines inventory control attributes that are used to calculate the cost of an item. For example, the valuation structure of an item can be inventory organization and subinventory, or lot, or grade.

valuation unit

Defines the set of values for the control attributes that are used to calculate the cost of an item. For example, valuation unit V1 is defined by cost organization A, item I1, and lot L1.