Oracle Fusion Cloud SCM

Using Supply Chain Cost Management

26D

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1 Introduction

Overview of Cost Management

Cost Management is a cost accounting solution that helps companies to effectively manage their product costing, manufacturing, and inventory accounting business flows. The solution enables companies to maintain multiple cost books and financial ledgers to better meet external regulatory reporting and internal management reporting needs. It reduces manual cost maintenance tasks by providing automated rules-based engines and efficient cost processors tuned for high volume transaction environments.

Cost Management and related features are covered in the documentation listed in the following table.

Functional Area	Documentation
Cost accounting	See the Cost Accounting chapter of the Using Supply Chain Cost Management guide.
Receipt accounting	See the Receipt Accounting chapter of the Using Supply Chain Cost Management guide.
Landed cost management	See the Landed Costs chapter of the Using Supply Chain Cost Management guide.
Intercompany transactions and intracompany flows	See the Using Supply Chain Financial Orchestration guide.
Subledger accounting for the French market	See the Implementing Subledger Accounting for France chapter of the Implementing Manufacturing and Supply Chain Materials Management guide.
Fiscal document capture for the Brazilian market	See the Using Fiscal Document Capture guide.
Reports and analytics	See the Creating and Administering Analytics and Reports for SCM guide.

Related Topics

- Overview of Cost Accounting
- Overview of Subledger Accounting for France

Supported Cost Methods

The cost methods used to cost your transactions are configured using the Manage Cost Profiles task in the Setup and Maintenance work area. You can use multiple cost methods in your cost profiles.

This table describes the supported cost methods.

Cost Method	Description
Standard	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.
Actual	Tracks the actual cost of each receipt into inventory. When depleting inventory, the processor identifies the receipts that are consumed to satisfy the depletion, and assigns the associated receipt costs to the depletion.
Perpetual Average	The average cost of an item, derived by continually averaging its valuation after each incoming transaction. The average cost of an item is the sum of the debits and credits in the inventory general ledger balance, divided by the on-hand quantity.
Periodic Average	The periodic average cost method values inventory by including all the expenses and invoices for a period and other adjustments that are known only at the end of the period. The periodic average cost of an item is the average cost for the item in a given period for a cost organization, cost book, and valuation unit combination.

Time Zones and Dates

Time Zone Settings

The application takes into consideration these time zones:

- Server time zone: The time zone configured on the application server. In the case of cloud servers, this time zone is set as Coordinated Universal Time (UTC).
- Legal entity time zone: The time zone in which the organization's legal entity exists. This is defined as part of the legal address linked to the legal entity. If you want the transactions to be accounted for in this time zone, you must select the legal entity time zone check box in the legal entity definition.
- User preferred time zone: The time zone defined in the user preferences. This is the user's preferred time zone for entering dates on UI and for displaying dates on the UI and reports. If not configured, this time zone defaults to the server time zone.

Note: The user preferred time zone is only considered for entering and displaying dates on the UI and reports. This time zone isn't used for determining the various accounting dates.

The transaction date of inventory and manufacturing transactions is one of the key inputs in determining the accounting date and the period in which the transactions are recorded. The various accounting dates are defined or derived in the application depending on the time zones enabled and configured. By default, the server time zone is used. However, if the legal entity time zone is enabled, then this has an impact on how the dates are recorded and how the various accounting dates are determined.

Related Topics

- Set Up Legal Entity Time Zones

Impact of Legal Entity Time Zone on Accounting Dates

As mentioned earlier, the server time zone is used by default to record and derive the various accounting dates. However, when the legal entity time zone is enabled, it plays an important role in how the accounting dates are recorded and derived.

The table here lists time zone used for recording and deriving the accounting dates depending on whether the legal entity time zone is disabled or enabled.

Date	Legal Entity Time Zone Enabled
Cost date	The cost date is derived from the transaction date. The transaction date is converted into the legal entity time zone.
Accounting date or general ledger date	This date is derived from the cost date. As the cost date is already in the legal entity time zone it ensures that the transactions are accounted in the correct general ledger periods.
Cost cutoff date	The date entered by the user is in the legal entity time zone.
Cost adjustment date	The date entered by the user is in the legal entity time zone.
Transaction overhead effective date	The date entered by the user is in the legal entity time zone.
Cost scenario effective date	The date entered by the user is in the legal entity time zone. It's the effective start date for standard costs, resource rates, and overhead rates after publishing the scenario.
Cost roll up date	For regular items, the work definition effective dates are converted into the legal entity time zone. For configured items, the work order start dates are converted into the legal entity time zone.
Currency conversion	This uses the transaction date. The transaction date is converted into the legal entity time zone.
Period end validations	The transaction dates are converted into the legal entity time zone to determine if they should be considered for period end validations.

Related Topics

- Cost Cutoff Dates
- Cost Accounting Period Statuses and Transaction Accounting
- Is the accounting date of a transaction always the same as the costing date?

Example of How Transactions are Costed in the Legal Entity Time Zone

Let's consider that these time zones are configured:

- Server time zone: UTC
- Legal entity time zone: PDT (UTC -7:00)
- User preferred time zone: IST (UTC +5:30)

Scenario

These transactions are entered in the application. The user entered date in this table is in the user preferred time zone, which is IST (UTC +5:30). However, the dates are stored in the application in the server time zone, which is UTC.

Transaction	Type	User Entered Date	Stored Date	Quantity
Tx #1	Misc Receipt	8/1/16 10:30:00 AM	8/1/16 5:00:00 AM	100 EA
Tx #2	Misc Issue	8/15/16 11:00:00 AM	8/15/16 5:30:00 AM	- 20 EA
Tx #3	Shipment	8/30/16 05:00:00 PM	8/30/16 11:30:00 AM	- 30 EA
Tx #4	PO Receipt	9/1/16 08:00:00 AM	9/1/16 2:30 AM	70 EA
Tx #5	Misc Issue	9/3/16 11:00:00 AM	9/3/16 5:30:00 AM	- 10 EA

Also, consider the standard costs as listed here.

Start Date	End Date	Unit Cost
7/1/16	7/31/16	$1.00
8/1/16	8/31/16	$3.00
9/1/16	9/30/16	$2.00

Analysis

If we consider the cost cutoff as 8/31/2016 11:59:59 PM (PDT), the transactions are costed as listed here. Here, the transaction date is stored in the application in the server time zone, which is UTC, as also shown in the earlier table. The cost date or general ledger date is in the legal entity time zone, which is PDT (UTC -7:00).

Transaction	Stored Date	Cost Date/GL Date	Quantity	Cost	Inventory Value	GL Period
Tx #1	8/1/16 5:00:00 AM	7/31/16 9:00:00 PM	100 EA	$1.00	$100.00	July-16
Cost Revalue	8/1/16 00:00:00 AM	8/1/16 00:00:00 AM	100 EA	$(3.00 - 1.00)	$200.00	August-16
Tx #2	8/15/16 5:30:00 AM	8/14/16 9:30:00 PM	- 20 EA	$3.00	- $60.00	August-16
Tx #3	8/30/16 11:30:00 AM	8/30/16 3:30:00 AM	- 30 EA	$3.00	- $90.00	August-16
Tx #4	9/1/16 2:30 AM	8/31/16 6:30 PM	70 EA	$3.00	$210.00	August-16
Tx #5	9/3/16 5:30:00 AM	9/2/16 9:30:00 PM	- 10 EA	-	-	-

As you can see, the last transaction isn't accounted for because the cost date is beyond the cost cutoff date in the legal entity time zone.

The inventory value is as listed here.

Period	Date	Quantity	Value
July-16	7/31/16	100	$100.00
August-16	8/31/16	120	$360.00
September-16	9/30/16		

Date Display in Cost and Receipt Accounting UI

The user preferred time zone is used to display the date and time on the application UI. However, the application displays some dates and times in the server time zone and some in the legal entity time zone, if enabled.

This table lists the various dates and the corresponding time zone in which they're displayed across the UI screens in the cost planning functional area, when the legal entity time zone is enabled.

UI Screen	Date	Time Zone
Manage Cost Scenarios	Effective Date	Legal entity time zone

UI Screen	Date	Time Zone
Manage Standard Costs	Effective Start Date, Effective End Date	Legal entity time zone
Manage Resource Rates	Effective Start Date, Effective End Date	Legal entity time zone
Manage Overhead Rates	Effective Start Date, Effective End Date	Legal entity time zone
View Rolled-Up Costs	Effective Date	Legal entity time zone
View Scenario Exceptions	Effective Date	Legal entity time zone
Compare Standard Costs	Effective Start Date	Legal entity time zone

This table lists the various dates and the corresponding time zone in which they're displayed across the UI screens in the cost accounting functional area, when the legal entity time zone is enabled.

UI Screen	Date	Time Zone
Review Item Costs	Cost As-of Date	Legal entity time zone
Review Item Costs	Transaction Date	User preferred time zone
Analyze Standard Purchase Cost Variances	From Date, To Date	Server time zone
Manage Accounting Overhead Rules	Start Date, End Date	Legal entity time zone
Manage Cost Adjustment	Adjustment Date, Cost Date	Legal entity time zone
Manage Cost Adjustment	Transaction Date	User preferred time zone
Create Cost Accounting Distributions	Cutoff Date	Legal entity time zone
Create Cost Accounting Distributions	Last Run Date	User preferred time zone
Manage Cost Accounting Periods	From Date, To Date	Legal entity time zone
Review Cost Accounting Processes	Transaction Date	User preferred time zone
Review Work Order Costs	Released Date, Completion Date, Closed Date	Legal entity time zone
Review Cost Accounting Distributions	Transaction Date	User preferred time zone

UI Screen	Date	Time Zone
Review Cost Accounting Distributions	Costed Date	Legal entity time zone
Review Inventory Valuation	Cost Date	Legal entity time zone
Create Accounting	End Date	Legal entity time zone

The transaction dates for these transactions in cost accounting are recorded in the legal entity time zone. The user preferred time zone is ignored and the transaction dates are displayed time zone is the legal entity time zone.

- Standard cost revaluation transaction
- WIP revaluation transaction
- Resource rate revaluation transaction
- Cost adjustment transaction

This table lists the various dates and the corresponding time zone in which they're displayed across the UI screens in the receipt accounting functional area, when the legal entity time zone is enabled.

UI Screen	Date	Time Zone
Adjust Receipt Accrual Balances	Last Activity Date	Legal entity time zone
Match Receipt Accruals	From Date, To Date	Legal entity time zone
Audit Receipt Accrual Clearing Balances	Transaction Date	User preferred time zone
Create Accounting	End Date	Legal entity time zone

The transaction dates for these transactions in receipt accounting are recorded in the legal entity time zone. The user preferred time zone is ignored and the transaction dates are displayed time zone is the legal entity time zone.

- AP invoices (transaction date is based on the accounting date on the invoice)
- Manual accrual clearing
- Accrual reversal
- Expense adjustment (due to accrual clearing, reversal)

Overview of Importing Cost Data

You can use file-based data import to integrate Cost Management with external systems. Use the Standard Costs file-based data import template to import standard costs from external sources into the Cost Accounting work area. You can view the imported cost data on the Manage Standard Costs page. For more information on file-based data import, see the chapter on Standard Costs Import in the File Based Data Import guide for Oracle Fusion Cloud SCM.

Related Topics

- Import Standard Costs Using File-Based Data Import

Web Services You Can Use to Integrate Cost Management

Oracle Fusion Cloud SCM provides REST web services you can use to access data stored in Oracle Cloud SCM and to construct integrations to other systems. The following table describes some of the REST web services provided for Cost Management integration tasks.

Task	Description	REST Service Name
Retrieve receipt transaction costs	Retrieve item cost details of purchase order and internal receipt transactions, by calling a REST web service. The retrieved receipt transaction cost details can be used in conjunction with cloud or third-party applications to create analytical reports, or as inputs for other REST web services, such as the Cost Adjustments REST web service.	Receipt Costs
Manage cost accounting overhead rules	Create, update, or delete Cost Accounting overhead rules by calling a REST web service. You can create a new overhead rule, or update an existing overhead rule, by specifying rule details such as rule name, transaction type, item category, effectivity date, and overhead rate.	Overhead Rules for Cost Accounting
Create receipt and layer cost adjustments	Create receipt cost adjustments and cost layer adjustments using a REST web service. This capability is useful when you need to create cost adjustments for a large number of previously received items. You can, for example, adjust the receipt cost of items to factor in the rebated amounts of supplier rebates. Using this REST service you can adjust receipt costs, receipts with zero cost, and receipt layer costs. It can be used in conjunction with other services, such as the Receipt Costs REST service.	Cost Adjustments
Manage landed cost trade operations	Create, update, or delete landed cost trade operations and associated charges using a REST web service. Automatically create trade operations when integrating with an external system or when dealing with a high volume of trade operations or a high volume of charges.	Landed Cost Trade Operations

For the full list of REST web services available for Cost Management, see the guide REST API for Oracle Fusion Cloud SCM.

2 Receipt Accounting

Overview of Receipt Accounting

Oracle Receipt Accounting is used to create, manage, review, and audit purchase accruals. It includes the following features:

- Create Receipt Accounting Distributions. Create accounting distributions for receipts of accrue at receipt purchase orders.
- Review Receipt Accounting Distributions. Review the accrual accounting distributions created by receipt accounting for purchase order transactions, such as receipts, returns, corrections, and matches of uninvoiced receipts to purchase orders. You can also review the accounting distributions created by receipt accounting for deliveries that are expensed rather than stored as inventory.
- Manage Accrual Clearing Rules. Define business rules for the automatic clearing of balances in the purchase order accrual accounts, set the conditions for each rule, and set the order in which rules must be applied.
- Match Receipt Accruals. Match purchase order receipt accruals with invoices from the payables application.
- Clear Receipt Accrual Balances. Automatic clearing of accrual balances based on predefined rules.
- Review Receipt Accrual Clearing Balances. Review the General Ledger accounted accrual balances on a periodic basis.
- Adjust Accrual Clearing Balances. Review accrual balances that aren't cleared and perform adjustments. Manually adjust or clear accrual balances to inventory valuation for accounts not covered by automatic clearing rules, or reverse such clearing adjustments.
- Run reports and analytics for Receipt Accounting. The reports available include the following:
    - Accrual Clearing
    - Accrual Reconciliation
    - Uninvoiced Receipt Accrual
    - Receipt Accounting Period Close
    - Landed Costs

Note:

- You can run the Create Receipt Accounting Distributions (`ReceiptAccrualProcessMasterEssJobDef`), Match Receipt Accruals (`MatchReceiptAccrualMasterEssJobDef`), and Clear Receipt Accrual Balances (`AccrualClearRulesMasterEssJobDef`) scheduled processes for either all your business units or for a selected business unit. You can also run these processes using the ERP integration service or process sets.
- Data security in Oracle Receipt Accounting is at the business unit level. You must assign the required predefined job role or a configured job role with the relevant privileges to the business units. Also, you must have data access to the business units to run the scheduled processes on them.

Related Topics

- Receipt Accrual, Reconciliation, and Clearing
- Accrual Reversals

Receipt Accounting Infolets

The Overview page of the Receipt Accounting work area displays some infolets. These infolets are visible by default. You can configure which infolets should be displayed on the page from My Infolets.

You can set the View By option on the page to view the information for a specific business unit or for all the business units that you have access to. Also, if you have access to more than one business unit, then you can flip the infolet to view the corresponding information for all the business units you have access to.

The table lists the infolets available in the Receipt Accounting work area.

Infolet	Description
Accrual Write Off	The accrual amount that has been written off in the last seven days.
Charge Line Status	The count and status of trade operation charge lines for all the open trade operations. It provides a quick actionable view to take necessary actions on the charge lines.
Cost of Receipts	The material cost from purchase orders, tax, landed cost charges, and payables variance for receipts in the last seven days.
Exceptions	The number of exceptions logged by the Receipt Accounting processor.
Open Charge Invoice Associations	The count and status of the landed cost charge invoices that aren't fully associated to a trade operation charge line.
Recent Processes	The recent processes run and their corresponding status. You can view the information for the last 25 processes that were run.
Trade Operations	The count of open trade operations.
Unmatched Accrual Balances	The open accrual balance for receipts corresponding to purchase order schedules set to accrue on receipt. The infolet shows the accounted accrual balance as per Payables and Receipt Accounting allowing you to monitor for any differences between them.

You can choose to not list and display one or more of the infolets on the Overview page by setting the profile option code `ORA_CMR_HIDE_INFOLETS` on the Manage Receipt Accounting Profile Options page in the Setup and Maintenance work area.

Related Topics

- Manage Cost Accounting Profile Options

Considerations for Accrual Settings

The key policy decision that you need to make for receipt accounting is whether or not you want to accrue at receipt.

This table outlines the points to consider for each accrual option.

Accrual Setting	Points to Consider
Accrue at Receipt	• Purchases are accrued at receipt. An accrued liability account is credited when the goods are received. • Optional for expense destination purchases, and mandatory for inventory purchases. • More accounting and more reconciliation than when accruing at period end. The receipt accounting application provides tools to help reconcile the accrued liability clearing account. • Accounting is more timely than when accruing at period end.
Accrue at Period End	• The accounts payable account is credited when the supplier invoice is processed in accounts payable. Receipt accounting has a function to accrue uninvoiced receipts at period end. • Less accounting and less reconciliation than when accruing at receipt. • Accounting may be less timely than when accrued at receipt, but will be accrued by period end.

The accrual options are configured in the Procurement offering. For more information on configuring the accrual options, see the related topics section.

Related Topics

- Receipt Accrual, Reconciliation, and Clearing
- Guidelines for Common Options for Payables and Procurement
- How Purchase Order Schedule Defaults Work

Receipt Accounting Tasks and Accounting Events

Use Receipt Accounting to:

- Create accruals for purchase order receipts that are expensed or shipped to inventory.
- Create accruals for intercompany trade flows.
- Create receipt inspection accounting for purchase order and interorganization receipt flows.
- Support budgetary control and encumbrance accounting

Receipt Accounting also has tools to help you reconcile the accrual clearing accounts as the accruals are offset by the accounts payable accounting when invoices are processed.

Receipt Accounting Tasks and Accounting Events

The following table describes the Receipt Accounting tasks and processes to support receipt, inventory, and manufacturing accounting, and the sequence in which the tasks should be executed.

Task	Navigation	Resulting Events
Transfer receipt transactions and tax determinants from Receiving to Receipt Accounting.	Scheduled Processes work area > Schedule New Process > Transfer Transactions from Receiving to Costing	• All receiving transactions are transferred from the Receiving application to the Receipt Accounting application, along with the tax determinants and related information that's present on receipts. • Receipt transactions are then ready in the Receipt Accounting application for further processing.
Transfer accounts payable transactions from Payables to Receipt Accounting.	Scheduled Processes work area > Schedule New Process > Transfer Costs to Cost Management	• All payable invoices that are accounted are transferred from the Accounts Payable application to the Receipt Accounting application. • Payable Invoices are then ready in the Receipt Accounting application for further processing.
Create accounting distributions for receipts of accrue at receipt purchase orders.	Receipt Accounting Work Area > Create Receipt Accounting Distributions	• Accruals for all types of purchases • Accrual accounting distributions at the time of receipt or return of goods and services • Trade accrual distributions for global procurement, interorganization transfers, and cross-business unit shipments to customers • 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. • Accounting distributions for invoice variances for IPV, ERV, TRV, TERV, and TIPV • Staging of variances into receiving inspection for subsequent wash by the inventory and expense revaluation processes • Accounting distributions for inventory and expense revaluations • Tax amounts are recalculated for all receipt transactions. Taxes are calculated by calling the Tax application programming interface. • Tax accounting distributions • Budgetary control and encumbrance accounting. You can enable and perform

Task	Navigation	Resulting Events
		budgetary control, encumbrance accounting, or both. Budgetary control and encumbrance accounting are optional tasks, and are enabled in Financials.
Create period end uninvoiced receipt accruals.	Receipt Accounting work area > Create Uninvoiced Receipt Accruals	• Provisional expense accruals for purchases not marked for accrual at receipt
Create subledger accounting.	Receipt Accounting work area > Create Accounting	• Journal entries for receipt accounting distributions
Review accrual distributions and tax calculations.	Receipt Accounting work area > Review Receipt Accounting Distributions	• Review accrual distributions and tax calculations.
Clear receipt accruals.	Receipt Accounting work area > Clear Receipt Accrual Balances	• Automatic clearing of accrual balances based on predefined rules • Staging of information for revaluation of inventory and expenses by cost accounting and receipt accounting processes
Generate and view reconciliation reports.	Scheduled Processes work area > Schedule New Process > Accrual Reconciliation report Scheduled Processes work area > Scheduled Processes > Accrual Clearing Report	• Accrual Reconciliation report • Accrual Clearing report
Create receipt accounting distributions.	Receipt Accounting work area > 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.	Receipt Accounting work area > 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
Match purchase order receipt accruals with invoices from payables.	Receipt Accounting work area > Match Receipt Accruals	• Manual reconciliation of accrual balances • Review and audit accrual balances that were final accounted.
Review accrual clearing balances.	Receipt Accounting work area > Audit Receipt Accrual Clearing Balances	• Audit the General Ledger accounted accrual balances on a periodic basis.
Record in-transit inventory and expense for external purchase orders	Scheduled Processes work area > Schedule New Process > Record In-transit Inventory and Expense for External Purchases	• Generate in-transit accounting for inbound purchase order shipments using an advanced shipment notice

Task	Navigation	Resulting Events
		(ASN) in standard purchasing and global procurement flows. • Review in-transit value at any point of time based on latest and greatest purchase order and shipment information and not create accounting distributions. This is useful when you want to perform in-transit accounting for external purchases only at the end of the month but want a near real time view of in-transit value. • Create new set of transactions and accounting distributions in Receipt Accounting when the process is run in the Accounting mode. Accounting date for these transactions is always derived as the last date of the period.

Related Topics

- Receipt Accrual, Reconciliation, and Clearing
- What is the recommended sequence for scheduling of receipt accounting processes?
- Accrual Reversals

Receipt Accounting Periods

Receipt Accounting uses periods for its subledgers to control transaction processing and subledger activities independent of the General Ledger periods. You can monitor the timing of transaction processing and perform validations in preparation for period close by using receipt accounting periods.

You don't need to depend on the general ledger periods for transaction accounting, instead the receipt accounting period boundary and period status can be used to account the transactions in the correct period for these flows:

- Accrue at receipt
- Accrue at period end
- Accrual clearing and reversal

Note: You must enable all the relevant profile options to use the new Redwood user experience, because receipt accounting periods are available only in this new user experience.

You must start by configuring the relevant parameters on the Receipt Accounting Parameters page. After configuring, periods are automatically created based on the setup and set to the Never Opened status. You can view, monitor, and manage the periods on the Receipt Accounting Periods page by using these capabilities:

- Update period status to Open, Close, Pending Close, or Permanently Closed as the accounting period activities progress.
- Enforce gapless period opening to maintain accounting integrity.
- Run period end validations for each period.

- Drill down to the Receipt Accounting Exceptions Summary page to review validation results.
- View the status of the associated General Ledger period and related subledger period at a glance.
- Copy periods from General Ledger to sync accounting calendars across ledgers and subledgers.

Transaction Processing

Transactions that accrue at receipt are processed based on the receipt accounting period status and the general ledger period status as shown in this table:

Receipt Accounting Period Status	General Ledger Period Status	Transaction Processing	Action
Never Opened	Never Opened	Transactions aren't processed.	Open the Receipt Accounting period and the General Ledger period.
Open or Pending Close	Never Opened	Transactions aren't processed.	Open the General Ledger period.
Open or Pending Close	Future Enterable	Transactions are processed but not final accounted in General Ledger.	To final account, open the General Ledger period.
Open or Pending Close	Open	Transactions are processed.	View distributions on the Receipt Accounting Distributions page.
Close or Permanently Closed	Open	Transactions are rolled over if the next set of periods are open.	View distributions on the Receipt Accounting Distributions page.
Close or Permanently Closed	Close or Permanently Closed	Transactions are rolled over if the next set of periods are open.	View distributions on the Receipt Accounting Distributions page.
Open or Pending Close	Close or Permanently Closed	Transactions aren't processed.	Close the Receipt Accounting period and open the next period.

Transactions are processed only when the Receipt Accounting period is in the Open or Pending Close status and the corresponding General Ledger period is in the Open or Future Enterable status. Any other status combination results in processing errors or causes transactions to roll over to the next available period.

If transactions fall in a closed period and can't be rolled over to the next period, distributions won't be created. You can view these transactions on the Receipt Accounting Exceptions Summary page under the appropriate message.

Note: Avoid closing the general ledger period until transactions prior to the first open receipt accounting period are fully processed to prevent transition issues.

Receipt Accounting Parameters

Before you start using the receipt accounting periods, you must first set up the receipt accounting parameters. On the Receipt Accounting Parameters page, you can see all your bill-to business units and ledgers, and start period control for these combinations.

You can either configure period controls for one bill-to business unit or apply the same configuration to multiple bill-to business units at once, for example, all bill-to business units in a ledger. This is especially useful for large enterprises

that have huge number bill-to business units because it reduces manual work, improves consistency, and lowers cutover risk.

You must define these parameters:

- First open period: Any transactions that are in or 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. If the number of periods is maximized, then no additional period can be opened until one of the open periods changes to the Closed, Permanently Closed, or Pending Close status.
- Cutoff date: When the cutoff date option is automatic, the cutoff date is derived as the last day of the earliest open receipt accounting period after the last closed period during the Create Receipt Accounting Distributions process. You can optionally configure the cutoff date manually.

Note: After you configure the receipt accounting parameters and start using the receipt accounting periods, existing bill-to business units using Receipt Accounting will use the first open period that you set to cut over to the receipt accounting periods.

- Transactions that occurred before the defined first opened period will be accounted using the general ledger period.
- The first open period must be later than the latest accounted receipt accounting distribution date for the selected bill-to business units.
- Ensure a clean transition to the first open receipt accounting period by avoiding pending transactions for an open period at the time of cutover to the new period.
- If you've defined accrual offset days, this new cutoff date in Receipt Accounting Parameters will be considered for transaction processing from the first open period instead of the accrual offset days.

Receipt Accounting Cutoff Dates

The accrual cutoff date enables you to control when backdated receipts are accounted.

The following describes how Receipt Accounting uses offset days to determine the accrual cutoff date for processing backdated receipts.

Using Offset Days

Offset days define the grace period for processing backdated transactions in the prior GL period. You can indicate the number of offset days for a business unit in the Receipt Accounting work area, on the Manage Accrual Clearing Rules page, Manage Accrual Cutoff Rules tab. Receipt Accounting uses the offset days to calculate the accrual cutoff date.

For example, assume the number of offset days is 3, then the accrual cutoff date for processing receipts in the October GL period is November 3:

- A receipt that is backdated to October 31 but is processed on November 3 is accounted in October
- A receipt that is backdated to October 31 but is processed on November 4 is accounted in the November GL period

If the offset days are not defined, then the backdated receipts are processed in the prior GL period until the period is closed.

Note:

- This is applicable only for Accrue at Receipt purchase orders.
- For Accrue at Period End purchase orders, use the Period End Accrual Cutoff and Accounting Date parameter to set the appropriate cutoff date when running the Create Uninvoiced Receipt Accrual process.
- If you're using Receipt Accounting periods and have defined accrual offset days, then the new cutoff date defined in Receipt Accounting Parameters will be considered for processing Accrue at Receipt purchase order transactions from the first open period instead of the accrual offset days.

Related Topics

- Receipt Accounting Tasks and Accounting Events
- Create Uninvoiced Receipt Accrual

Receipt Accrual, Reconciliation, and Clearing

When goods are interfaced from Oracle Receiving to Oracle Receipt Accounting, Receipt Accounting recognizes the liability to the supplier, and creates accruals for receipts destined for inventory or expense. For consigned purchases, the supplier accrual is booked upon change of ownership.

Receipt Accounting 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 supplier invoice hasn't yet been processed

When it processes the supplier invoice, Accounts Payable creates the actual supplier 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 hasn't yet been processed; or if the Account Payable

invoice has been processed, any remaining balance must be resolved and cleared. Receipt Accounting 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 Receipt Accounting and Cost Accounting to the appropriate purchase expense or asset account, based on your predefined clearing rules. However, some of this balance will represent uninvoiced quantities, or other discrepancies which you will want to resolve and clear manually.

You can manually clear receipt accrual balances from the Adjust Receipt Accrual Balances page for purchases without receipts but with invoices matched to the order:

- You've matched an invoice incorrectly to a wrong PO distribution for which receipt didn't get created in the period.
- You've open invoices for a receipt that was corrected or returned and the PO is closed.

This helps you to reconcile and clear out old accrual accounts in accounts payable for orders that are closed or no further activity is expected in the period.

Note:

- You can clear out old accruals in accounts payables without any receipts for orders that are matched to order only.
- Use Accrual Clearing Reason as the accounting source to derive the relevant account for the Receiving Inspection account.
- If the accrual balance is cleared assuming no further receipts, and subsequently if receipts are recorded, you must manually reverse the accrual clearing for the accrual account to reconcile.

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 supplier, 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 supplier invoice is 100. The processor doesn't always know if that's the final invoice or if more invoices are pending for the uninvoiced 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.

Audit Receipt Accrual Clearing Balances

After accrual balances are cleared to the appropriate expense or asset account, you can review and audit the final accounting distributions generated by Receipt Accounting.

Receipt Accrual Clearing Rules

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 Balances 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.

Note: You must ensure that the corresponding general ledger period is open before running the Clear Receipt Accrual Balances process. If the period is closed, then the accrual clearing is moved to the next open period. If no other period is open, then the event will fail with error. Before closing the general ledger period, you must ensure that all the events in Receipt Accounting are fully accounted.

Predefined Attributes

The following table describes the attributes that are available in the Accrual Line tree in the Conditions browser:

Attribute Name	Description
Purchase Order Distribution Identifier	Purchase order structure is based on the hierarchy of **purchase order header > purchase order line > purchase order schedule > 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.
Percentage Over-Invoiced	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) < 0 then ABS(NetRecptQty - InvoiceQty)/ NetRecptQty`
Percentage Uninvoiced	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) > 0 then ABS(NetRecptQty - InvoiceQty)/ NetRecptQty`
PO Status	Status of the purchase order document. If the PO status is Finally closed, then it's treated as Closed. You can define the accrual clearing rules based on the PO Status.
PO Match Option	Invoice match option defined on the purchase order schedule. It can be PO or Receipt.
Invoice Age	Days or time since the latest invoice was recorded for a purchase order distribution.
Receipt Age	Days or time since the latest receipt was recorded for a purchase order distribution.

Attribute Name	Description
Over-Invoiced Quantity	When the invoiced quantity is greater than the ordered quantity, it represents the difference between the two: `IF (Net Rct qty - Invoice Qty) < 0 then Over Invoiced Quantity = ABS(InvoiceQty - NetRecptQty)`
Under-Invoiced Quantity	When the invoiced quantity is less than the ordered quantity, it represents the difference between the two: `IF (Net Rct qty - Invoice Qty) > 0 then Under Invoiced Quantity = ABS(NetRecptQty - InvoiceQty)`
Percentage PO Accrual Amount	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`
Accrual Clear Amount	Value of balance in an accrual account for a PO distribution. Net of accrual amount credited in Receipt Accounting and that debited in Accounts Payable. To clear debit balance enter a positive number and for credit balance enter a negative number.
Total Invoice Accrual Amount	Absolute value of balance (net of invoices and debit memos) in an accrual account in Payables Subledger for a PO distribution.
Total Receipt Accrual Amount	Absolute value of balance (net of receipts, corrections and returns) in an accrual account in Receipt Accounting Subledger for a PO distribution.
PO Distribution Number	This attribute represents the PO distribution number on the PO document, such as 1, 2, and so on, and is different from the Purchase Order Distribution Identifier.
Supplier	Supplier name on the purchase order document.
Supplier Site	Supplier site code on the purchase order document.
Item	Item on the purchase order line.
Item Category	Item category on the purchase order line.
Accrual Amount Difference	Difference in accrual amount credited in Receipt Accounting and that debited in Accounts Payable.
Purchase Order Schedule Identifier	The identifier of the PO Schedule that uniquely identifies a PO Schedule number of PO.
Invoice Accrual Amount	Accrual amount debited on invoice in Accounts Payable for the item price.
Invoice Nonrecoverable Tax Amount	Accrual amount debited on invoice in Accounts Payable for the nonrecoverable tax.
PO Line Number	Line number on the Purchase Order Line.
Nonrecoverable Tax Amount Difference	Difference in the nonrecoverable tax amounts booked in Receipt Accounting and Accounts Payable for a PO Distribution.

Attribute Name	Description
Inventory Organization Code	Code that uniquely identifies an Inventory Organization.
PO Total Amount	Total amount on the Purchase Order.
PO Number	Unique identifier for the Purchase Order.
PO Quantity	Quantity ordered from the Purchase Order.
Purchase Basis	The basis on which the purchase is done.
Received Accrual Amount	Amount received for PO distribution.
Received Nonrecoverable Tax Amount	Nonrecoverable tax in the amount received for PO distribution.
PO Shipment Number	Schedule in purchase order indicating place of delivery.
Invoice Quantity	Quantity invoiced for PO Distribution.
Invoice Recoverable Tax Amount	Recoverable tax amount on the invoice for a PO distribution.
Received Quantity	Quantity received for a PO distribution.
Received Recoverable Tax Amount	Recoverable tax amount on the receipt for a PO distribution.
Procurement Business Unit	Business unit performing procurement business function.
Purchase Order - Deliver to Location	Delivery location on the purchase order schedule indicating place of delivery.
Profit Center Business Unit	Indicates the business unit which serves as the profit center.
PO Destination Type	Destination type on the PO which can be inventory, expense, manufacturing or drop ship.
Item Description	Description of the item on the purchase order line.

Example

This example illustrates the distributions for a purchase order with associated receipts and invoices.

The following table describes the purchase order details:

PO Header	Supplier	Supplier Site	Status
PO#1234	Advanced Network Devices	New York	Open/Close/Final Close

The following table describes the purchase order lines:

Item	Item Category	PO Price	Ordered Quantity
AS54888	Raw Materials	100 USD	100 EA

The following table describes the purchase order schedules:

Schedule	Order Quantity	Match Option	Status
1	100 EA	Order or Receipt	Open

The following table describes the receipts and invoices:

Receipts	Ordered Quantity	Received Quantity	Invoiced Quantity	Accrual Account	Status
Receipt 1	60	58	55	01-2210	Open
Receipt 2	40	40	45	01-2220	Open

The following table describes the purchase order distributions and accrual balances:

PO Distribution	CMR Accrual Amount (A)	AP Accrual Account (B)	Accrual Clear Amount (C) = (A-B)	Under-Invoiced Quantity	Over-Invoiced Quantity	Percentage Under-Invoiced	Percentage Over-Invoiced	Percentage PO Accrual Amount (C)/ Ordered Quantity*PO Price
Distribution 1	58*100 USD = 5800 USD	55*100 USD = 5500 USD	300 USD	60 - 55 = 5	Not Applicable	5/58*100 = 8.62%	Not Applicable	300 USD/60*100 = 5%
Distribution 2	40*100 USD = 4000 USD	45*100 USD = 4500 USD	(500) USD	Not Applicable	45-40 = 5	Not Applicable	5/40*100 = 12.50 %	500 USD/40*100 = 12.50 %

The following table describes the Rule 1:

Attribute	Operator	Value	Conditions
PO Status	=	OPEN	And
Percentage Under-Invoiced	Less Than	10%	Not Applicable

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.

The following table describes the Accrual Amounts Cleared Based on Rule 1:

PO Distribution	CMR Accrual Amount (A)	AP Accrual Account (B)	Accrual Clear Amount (C) = (A-B)	Under-Invoiced Quantity	Over-Invoiced Quantity	Percentage Under-Invoiced	Percentage Over-Invoiced	Percentage PO Accrual Amount (C)/ Ordered Quantity*PO Price
Distribution 1	58*100 USD = 5800 USD	55*100 USD = 5500 USD	300 USD	60 - 55 = 5	Not Applicable	5/58*100 = 8.62%	Not Applicable	300 USD/60*100 = 5%

The following table describes the Rule 2:

Attribute	Operator	Value	Conditions
PO Status	=	OPEN	And
Accrual Clear Amount	Less Than	Absolute (1000) USD	Or
Percentage Under-Invoiced	Less Than	10%	Or
Percentage Over-Invoiced	Less Than	10%	Not Applicable

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.

The following table describes the Accrual Amounts Cleared Based on Rule 2:

PO Distribution	CMR Accrual Amount (A)	AP Accrual Account (B)	Accrual Clear Amount (C) = (A-B)	Under-Invoiced Quantity	Over-Invoiced Quantity	Percentage Under-Invoiced	Percentage Over-Invoiced	Percentage PO Accrual Amount (C)/ Ordered Quantity*PO Price
Distribution 1	58*100 USD = 5800 USD	55*100 USD = 5500 USD	300 USD	60 - 55 = 5	Not Applicable	5/58*100 = 8.62%	Not Applicable	300 USD/60*100 = 5%
Distribution 2	40*100 USD = 4000 USD	45*100 USD = 4500 USD	(500) USD	Not Applicable	45-40 = 5	Not Applicable	5/40*100 = 12.50 %	500 USD/40*100 = 12.50 %

Overview of Accrual Reversal

Use the Create Accrual Reversal Accounting process in the Scheduled Processes work area to reverse accrual journal entries. You can schedule this process to run automatically at predefined intervals, or run it on demand.

You can define how and when accrual reversals are automatically performed by:

- Indicating that an accounting event is eligible for accrual reversal.
- Determining when the accrual is reversed.
- Scheduling the Create Accrual Reversal Accounting process to generate the reversal entries.

For more information on accrual reversal, prerequisites, and step-by-step instructions, see the links in the Related Topics section.

Related Topics

- Accrual Reversals
- How You Submit the Create Accrual Reversal Accounting Process
- Submit Scheduled Processes and Process Sets

Review Receipt Accounting Distributions

After you run the Create Receipt Accounting Distributions process, you can review the accounting distributions created by Oracle Receipt Accounting on the Review Receipt Accounting Distributions page.

You can review the accrual accounting distributions created by for supply chain transactions:

- Purchase orders
- Internal material transfers such as receipts, returns, corrections, and accrual clearing
- Uninvoiced receipts to purchase orders that aren't accrued at receipt

Receipt Accounting also creates accounting distributions for deliveries that are expensed and not stored as inventory.

After you enable the Redwood Page for Receipt Accounting Distributions Enabled (`ORA_CMR_REVIEW_DISTRIBUTIONS_REDWOOD_ENABLED`) profile option, you can use the new user experience to review the accounting distributions in a more focused view with the information organized based on the business flows:

- Accrue at Receipt Purchases: All the receipt transactions and trade events where the source document is purchase order and the Accrue at Receipt option is enabled.
- Period End Accrual Purchases: Period end accrual transaction for uninvoiced receipts where the source document is purchase order and the Accrue at Receipt option isn't enabled.
- Internal Transfers: All the receipt transactions and related trade events for internal material transfers.
- Purchase Order In-Transit: Purchase order in-transit transactions where the source document is purchase order with ASNs pending receipt.
- All Transactions: Accounting distributions for all the transactions processed in Receipt Accounting.

On the page, by default, transactions that are in the Unaccounted status for the last 7 days from the current system date are listed and sorted by the transaction date in the descending order. Apart from the search criteria you can also use the various filtering options to narrow down your search.

You can easily search and find the data that needs your attention, like transactions that are in the Error status or transactions that are pending accounting. This helps you to be better prepared for period close.

You can select one or more transactions and click View Details. The details are organized to provide an accountant view of the transaction including the transaction details, cost information, and distributions. By clicking the hyperlinks you can view additional contextual details for Taxes and Journal Lines in a separate page.

If you manage consigned inventory in a centralized or shared services setup, Cost Management uses the bill-to BU from the original consigned PO when ownership transfers from the supplier to your business. The accounting automatically and accurately reflects the true financial owner. This ensures that consigned inventory flows more accurate, scalable, and audit-ready, especially in multiple BU or shared service environments. This bill-to BU reflects correctly on the Receipt Accounting Distributions page.

Review Receipt Accounting Exceptions

After you run the receipt accounting scheduled processes, you can view a summary of exceptions logged by the process runs and analyze these exceptions with the corresponding transaction details.

When the receipt transactions for your inventory are processed for costing and accounting, the processing could generate exceptions due to various reasons such as incorrect setup, incomplete information, and so on. As a cost accountant, it's critical for you to review these exceptions, analyze them, and take corrective measures to resolve them quickly so that you can complete your period close activities.

You can enable the Redwood Page for Receipt Accounting Exceptions Enabled (`ORA_CMR_EXCEPTIONS_REDWOOD_ENABLED`) profile option to use the new user experience to review the receipt accounting exceptions logged by the most recent run of the scheduled processes. After you enable this profile option, click the **Receipt Accounting Exceptions** task in Receipt Accounting work area to access the receipt accounting process exceptions information.

Receipt Accounting Exceptions Summary

After you run the various scheduled processes for Receipt Accounting, you would want to review the exceptions logged, if any, in an organized manner. The Receipt Accounting Exceptions Summary page provides you with a summary of all the error types and the total count for each error type logged for each business unit by the most recent run of the

scheduled processes. This summarized view is organized to help you focus on the specific exceptions based on your requirement.

When using Receipt Accounting periods, you can review period-end validation results on the Receipt Accounting Exceptions Summary page. You can access this page directly from the Receipt Accounting Periods page by clicking the exception count. From the summary page, you can drill down further to transaction-level details for each validation exception. In addition, the Receipt Accounting Process Errors page includes messages for errors related to receipt accounting period statuses.

You can filter the information on the page by specifying the error type in your search criteria and by selecting the business unit you manage. You can view the specific transactions that can't be processed due to an error by clicking the exception count. The transactions details are listed on the Receipt Accounting Exceptions tab.

Receipt Accounting Exceptions

On this tab, you can view the exceptions along with the transactions that can't be processed. You can organize the information by:

- Exception Source
- Error Type
- Error

When you click the error, you are presented with probable solutions to resolve the error condition.

Additionally, you can filter the exceptions information by:

- Document Number
- Error Type
- Process Name
- Request ID
- Bill to Business Unit

Period End Uninvoiced Receipt Accrual

Receipt Accounting for Purchase Orders Set to Accrue at Period End

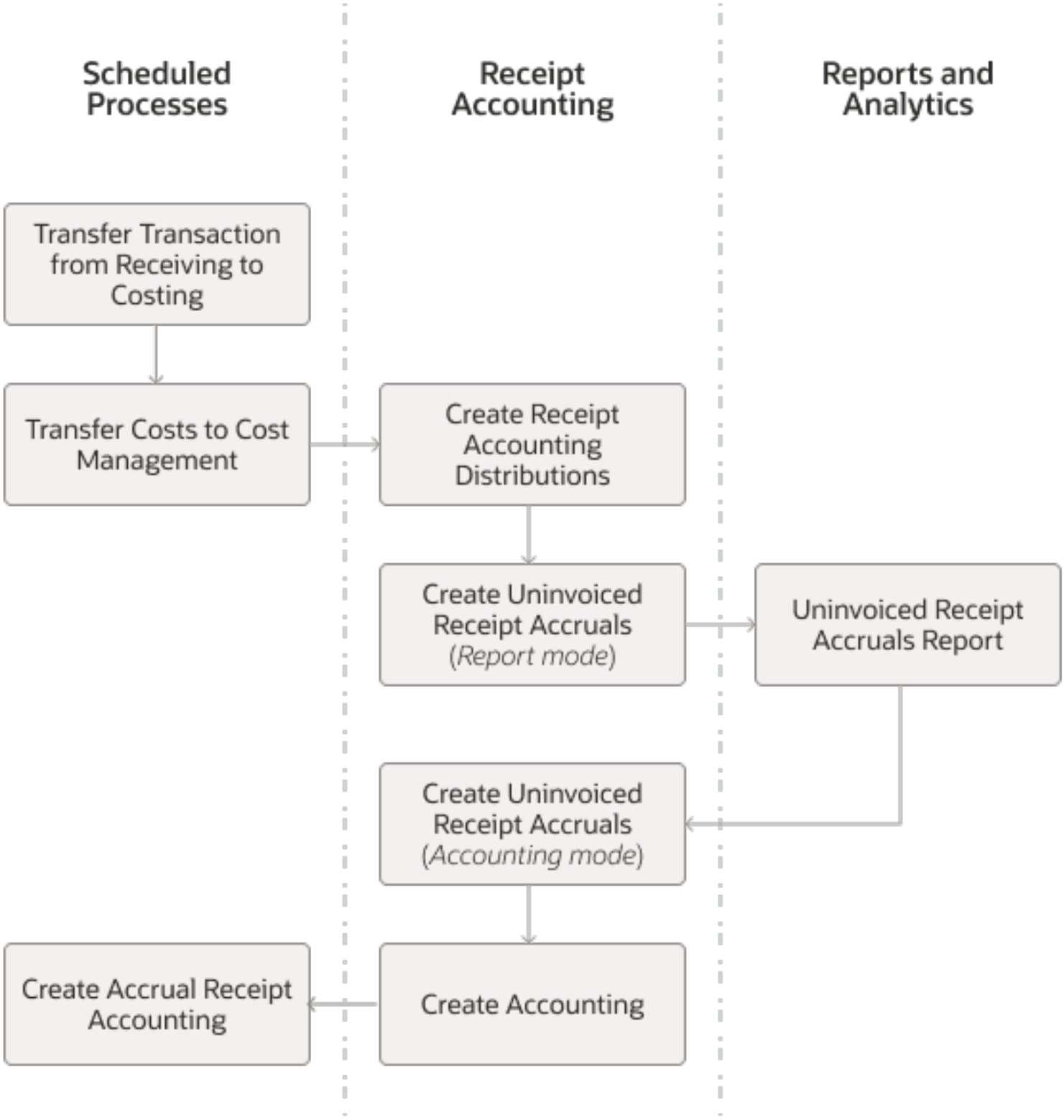
You can run the Create Uninvoiced Receipt Accruals process to create accrual accounting for purchase orders that are set to accrue at period end. This process creates accruals for purchase orders based on these conditions:

- Although the receipts have been received, accounting hasn't been created because the Accrue at Receipt option isn't selected in the purchase order.
- Receipts haven't been invoiced or the invoiced quantity is less than the quantity received on the purchase order.

You must run this process after closing the Accounts Payable period and transferring all the Accounts Payable invoices to Cost Management, and before you close the General Ledger period. Also, you can run this process as many times or

as frequently as required during the accounting period to have the latest expense and accrual information in your books of accounts.

The image here shows the various processes and the sequence in which you must run them to create accruals for the uninvoiced receipts. It also shows the work areas from where you can run these processes.



You start by running processes to transfer the receipt and invoice information to Cost Management. Then you run the Create Receipt Accounting Distributions process so that the appropriate data is populated when you generate the

Uninvoiced Receipt Accruals Report. Before you generate the report, you must also run the Create Uninvoiced Receipts Accruals process in the Report accrual run mode.

The report helps you to understand the details about the uninvoiced purchase order receipts for which accruals will be created. After reviewing the report, you can perform additional actions:

- Exclude receipt accruals from the report by accounting the corresponding invoices.
- Exclude receipt accruals from the report by setting purchase order schedule status to Finally Closed.

When you run the Create Uninvoiced Receipt Accruals process in the Accounting accrual run mode, the corresponding distributions are created. Next, you run Create Accounting to transfer the distributions to SLA and General Ledger. And lastly, you run the Create Accrual Reversal Accounting process, which creates a new journal entry on the first date of the next open general ledger period.

The integration with General Ledger ensures that the period end accruals and also the reversals are automatically created in General Ledger. By automatically creating the reversals, double booking doesn't occur when the invoices are eventually received.

Before You Begin

Before you start creating the accruals for uninvoiced receipts at period end, make sure that you have completed all the upstream processes, which include creation of receipts and the final accounting of invoices wherever possible.

Next, run these processes from the Scheduled Processes work area:

- Transfer Transactions from Receiving to Costing - This process transfers receipt information to Receipt Accounting.
- Transfer Costs to Cost Management - This process transfers invoice information to Receipt Accounting.

Review the status of the processes to make sure that they have completed successfully.

After you transfer the receipt and invoice information to Receipt Accounting, run the Create Receipt Accounting Distributions process from the Receipt Accounting work area. You then run the Create Uninvoiced Receipt Accrual process in the Report accrual run mode followed by generating the Uninvoiced Receipt Accruals Report. You can also run these processes from the Scheduled Processes work area.

Related Topics

- How You Submit Accounting Process
- Accrual Reversals
- How You Submit the Create Accrual Reversal Accounting Process
- Post Subledger Transactions to the General Ledger

Create Uninvoiced Receipt Accrual

The Create Uninvoiced Receipt Accrual process creates pairs of debit and credit accounting entries to accrue for receipts of purchase orders that are set to accrue at period end.

You can monitor the uninvoiced receipt accrual amounts in preparation for period end by running the process in the **Report** accrual run mode. However, you must run the process in the **Accounting** accrual run mode to create the final accrual distributions, preferably after you have closed accounts payable for the period ensuring the period end accruals accounted are for the same value that you've reviewed.

Each time you run the Create Uninvoiced Receipt Accruals process, data is created for reporting that you can review by running the Uninvoiced Receipt Accrual Report.

> **Note:** For a selected period, if you run the process in the Accounting mode, you can't run the process again in the Report mode. The subsequent runs of the process for the selected period must be in the Accounting mode.

1. In the Receipt Accounting work area, select the Create Uninvoiced Receipt Accruals task.
2. Enter appropriate values for the parameters listed in the table.

Parameter	Description
Bill to Business Unit	You can run the process for a specific Bill to Business Unit. Only the data for the profit center business units of the Bill to Business Unit to which you have data access and have pending transactions will be processed. If you don't have data access to the selected Bill to Business Unit, the process ends with Warning status.
Accrual Run Mode	You can run the process in the **Report** or **Accounting** mode. When you run the process in the **Accounting** mode, the final accrual distributions are created and ready to be posted to the General Ledger.
Accounting Period	The accounting period for which you want to run the process.
Period End Accrual Cutoff and Accounting Date	Enter the period end accrual and accounting cutoff date. If you don't select any date, the last date of the accounting period is considered as the cutoff and accounting date.
Commit Limit	Enter a commit limit to fine tune the size of processing sets. The default setting is sufficient for most typical cases.
Include Purchase Order Status	Select the purchase order status to filter the purchase orders that must be considered for creating the period end accrual amounts. By default, the process only considers purchase orders that are open or in closed status for receiving to compute period end accrual amounts.

3. Click **Submit**.

If you're using Receipt Accounting periods, the process considers the receipt accounting period status along with the general ledger period status to create uninvoiced receipt accruals. If either the receipt accounting period or the general ledger period is closed, then the uninvoiced receipt accruals won't be created. If receipt accounting parameters aren't set up for the bill-to business unit, then the uninvoiced receipt accruals will be created based on only the general ledger period status.

The process creates the accounting distributions, which can be reviewed on the Review Receipt Accounting Distributions page. On the Review Receipt Accounting Distributions page, search for transactions with the transaction type Period End Accrual. You can scroll down on the page and select the Distributions and Journal Entries tabs to view the accounting details.

Related Topics

- Create Uninvoiced Receipt Accrual

Run Uninvoiced Receipt Accruals Report

You can run the Uninvoiced Receipt Accruals Report from the Reports and Analytics work area. This report helps you to review the uninvoiced purchase order receipts due for accrual or already accrued for a given period.

After you run the Create Uninvoiced Receipt Accruals process in the Report accrual run mode, you can generate the Uninvoiced Receipt Accruals Report. This ensures that the report shows the data based on the selection criteria with which the Create Uninvoiced Receipt Accruals process was run, and thereby ensuring you know exactly what you accrue and for what amount.

You can set these parameters when running the report.

Parameters	Description
Business Unit	The business unit for which you want to generate the report.
Accounting Period	The accounting period for which you want to generate the report. You can select only one accounting period at a time.
From Item and To Item	Set these parameters if you want to generate the report for a specific item.
From Item Category and To Item Category	Set these parameters if you want to generate the report for a specific item category.
Accrual Tolerance Amount	You can optionally specify an accrual tolerance amount and a comparison operator. For example, if Accrual Tolerance Amount > 0 means the received amount is greater than the invoiced amount. If Accrual Tolerance Amount = 0 means invoiced and received amounts are same. If Accrual Tolerance Amount < 0 means invoiced amount is greater than received amount.
Supplier and Supplier Site	Set these parameters if you want to generate the report for a specific supplier or supplier site.

After you have reviewed the Uninvoiced Receipt Accruals Report and taken any necessary actions, you must run the Create Uninvoiced Receipt Accruals process in the Accounting accrual run mode before running the Create Accounting process.

If the accruals amounts listed in the report differ from the actual distributions created by the Create Uninvoiced Receipt Accruals process, it could be due to any of the listed reasons:

- You have received and processed invoices between running the process and the report.
- You have returned the goods.

Create Accounting

Create Accounting transfers the distributions from Receipt Accounting to SLA and also to General Ledger.

You must run the Create Accounting process after you run the Create Uninvoiced Receipt Accruals process in the Accounting accrual run mode. The Create Uninvoiced Receipt Accruals process creates the corresponding distributions that you transfer to SLA and General Ledger by running the Create Accounting process.

1. In the Receipt Accounting work area, select the Create Accounting task.
2. Enter the values for these fields.

Field	Value and Description
Subledger Application	Select **Receipt Accounting**.
Ledger	Select the required ledger.
Process Category	Select **Period End Transactions**.
End Date	Set the date till which the transactions must be accounted. If the End Date is same as or earlier than the period end date, you must run Create Accrual Reversal Accounting after you run Create Accounting.
Accounting Mode	If you want to review the results, set the accounting mode as Draft, else set it as Final.
Process Events	Select **All**.
Report Style	The style of report to be generated. - Summary - Select this option if you want to review the results. - Detail - Select this option if you want to know the details of which transactions are accounted and which aren't. - No report - Select this option if you don't want to generate the report.
Transfer to General Ledger	**Yes** This ensures that the period end accruals and reversals are automatically created in General Ledger.
Post in General Ledger	**Yes** This is mandatory to complete the accounting by posting to General Ledger. Ensure that you've the necessary privileges to access this option.

3. Click **Submit**.

Note:

- If you set Transfer to General Ledger and Post in General Ledger to No, then to complete the accounting by transferring the records from SLA to General Ledger and posting them, you must run the Post Subledger Journal Entries process from the Scheduled Process work area.
- The End Date determines whether you must run the Create Accrual Reversal Accounting process. This process creates a new journal entry on the first date of the next open general ledger period. You must make sure that the next general ledger period is in the open status before running the process, else the reversals entries will be unaccounted. If the End Date is later than the period end date, you don't need to run the Create Accrual Reversal Accounting process.

What to do next

You must run the Create Accrual Reversal Accounting process, which creates a new journal entry on the first date of the next open general ledger period. The integration with General Ledger ensures that the period end accruals and also the reversals are automatically created in General Ledger.

Related Topics

- Post Subledger Transactions to the General Ledger

FAQs for Period End Uninvoiced Receipt Accrual

What accounting date is used for the accrual journal?

For period end uninvoiced receipt accrual, the accounted date will be the Period End Accrual Cutoff and Accounting Date specified when running the Create Uninvoiced Receipt Accruals process. If this date isn't specified then the accounting date is the last date of the selected period.

What accounting date is used for creating the accrual reversal journal?

Depending on the setting for Accrual Reversal Accounting Date Source under journal entry rule set for period end accrual, the accounting date on the accrual reversal journal will be the first date or last date of the next open general ledger period.

Why do the distributions created by the Create Uninvoiced Receipt Accruals process differ from the entries in the Uninvoiced Receipt Accruals Report?

If you run Uninvoiced Receipt Accruals Report and the Create Uninvoiced Receipt Accruals process at different times, you might notice a difference between the entries in the report and the distributions created. This could be due to any of these reasons:

- You have received and processed invoices between running the report and the process.
- You have returned the goods.
- Nonrecoverable taxes calculated on the purchase orders and the invoices are different.

You can resolve the first two discrepancies by regenerating the Uninvoiced Receipt Accruals Report after running the Create Uninvoiced Receipt Accruals process.

Can I use General Ledger reversal functionality for period end accruals created from Receipt Accounting?

No. To create the reversals in General Ledger for period end uninvoiced receipt accruals, you must run the Create Accrual Reversal Accounting process.

Do I need to manually create reversals in General Ledger for the period end accruals created from Receipt Accounting?

No. When you run the Create Accounting process, set the Transfer to General Ledger and Post in General Ledger options to Yes. Also, if you set the End Date for the process to be same as or earlier than the period end date, then you must run the Create Accrual Reversal Accounting process after you run the Create Accounting process. You must make sure that the next general ledger period is in the open status before running the process, else the reversals entries won't be accounted.

How do I ensure that all the processes required for period end uninvoiced receipt accrual are run and in the correct order?

You can create a process set for period end uninvoiced receipt accrual. Include these processes in the specified order in the process set:

1. Transfer Transactions from Receiving to Costing
2. Transfer Costs to Cost Management
3. Create Receipt Accounting Distributions
4. Create Uninvoiced Receipt Accruals
5. Create Accounting
6. Create Accrual Reversal Accounting

The processes must be run in a serial manner, which means only after a process is completed the next process must start.

Related Topics

- Process Sets
- Submit Scheduled Processes and Process Sets

Why is the uninvoiced receipt accrual reversal journal in the Invalid status?

When running the Create Accounting process, you've set the End Date to be same as or earlier than the period end date. You must run the Create Accrual Reversal Accounting process for the next accounting period to resolve this issue.

Before closing the General Ledger period are any additional actions required for uninvoiced receipt accrual?

You must check the Subledger Period End Exceptions Report for are any period end accrual or reversal events that are in not posted, incomplete, or invalid status. You must resolve such exceptions before closing the period.

If reversal events are in incomplete or invalid status, you must run the Create Accrual Reversal Accounting process to resolve these exceptions. You can also use the general ledger feature to hard restrict general ledger period close when there are incomplete, invalid, or unposted journals.

Does Receipt Accounting create encumbrance accounting for period end uninvoiced receipt accruals?

Yes. Receipt Accounting creates encumbrance accounting for period end uninvoiced receipt accruals.

Are period end uninvoiced receipt accruals budgetary controlled?

No. The period end uninvoiced receipt accruals aren't budgetary controlled.

How You Close a Receipt Accounting Period

This procedure shows you how to process receipt accruals in preparation for the closing of a receipt accounting period. You can schedule Receipt Accounting to automatically process receipts that are set to be accrued on receipt.

If receipts aren't marked for automatic accrual on receipt, you can run the Create Uninvoiced Receipt Accruals process. This will accrue all receipts that aren't yet invoiced in Accounts Payable.

You can access the following Receipt Accounting processes in the Scheduled Processes work area:

- Transfer Costs to Cost Management
- Transfer Transactions from Receiving to Costing
- Accrual Clearing Report
- Accrual Reconciliation Report
- Create Accrual Reversal Accounting

You can access the following Receipt Accounting processes in the Receipt Accounting work area:

- Create Receipt Accounting Distributions
- Clear Receipt Accrual Balances
- Create Uninvoiced Receipt Accruals
- Create Entries for Receipt Accounting
- Match Receipt Accruals

You can schedule the processes, or you can run them on demand.

This procedure covers the following tasks:

- Transferring Cost Data to Receipt Accounting
- Creating Receipt Accounting Distributions
- Creating Uninvoiced Receipt Accruals

Transferring Cost Data to Receipt Accounting

This task covers processes that should be run in the Scheduled Processes work area before closing a receipt accounting period.

To transfer cost data to Receipt Accounting, complete the following steps.

1. From the Navigator menu, select Scheduled Processes.

2. Select the processes that you want to run or schedule. The following receipt accounting processes should be completed before closing a receipt accounting period:
    - Transfer Costs to Cost Management. This process transfers invoice information to Receipt Accounting.
    - Transfer Transactions from Receiving to Costing. This process transfers receipt information to Receipt Accounting.
3. Review the Status column to confirm that the processes have completed successfully.

Creating Receipt Accounting Distributions

This task creates receipt accounting distributions in preparation for the closing of a receipt accounting period. You can schedule this process, or run it on demand.

To create receipt accounting distributions, complete the following steps.

1. Navigate to the Receipt Accounting work area, and select the Create Receipt Accounting Distributions task.
2. To run the receipt accounting processes for all the business units that you have access to, leave the Bill-to Business Unit empty. However, if you want to run them only for a particular business unit, select it from the Bill-to Business Unit drop-down list.

    > **Note:** When you run this process, the application creates one parent job and a child job for each of the profit center BU that's associated with the Bill to Business Unit.

3. Click on the Schedule tab, and select the option Run Using a Schedule.
4. Complete the Frequency, Start Date, and End Date fields, and click Submit.
5. From the tasks menu, select the Review Receipt Accounting Distributions task to view the receipt accounting distributions that were created.
6. On the Review Receipt Accounting Distributions page, search for transactions that have a Transaction Status of Final Accounted and a Transaction Type of Receipt into Receiving Inspection.
7. Click on the Distributions tab, and click the Detach button to view the details on a new page.
8. Click on the Journal Entries tab to view the journal entries for the accounting distributions. Click the Detach button to view the details on a new page.

Creating Uninvoiced Receipt Accruals

If receipts aren't marked for automatic accrual on receipt, you can run the Create Uninvoiced Receipt Accruals process. This will accrue all receipts that aren't yet invoiced in Accounts Payable. You can run this job more than once during the period close process. At a minimum it should be run after the Accounts Payable period is closed and all the Accounts Payable invoices are interfaced to Cost Management, and before the General Ledger period is closed. For period end accrual, the accounted date always falls on the last date of the period selected.

You can specify a cutoff date within the accounting period for accounting purposes. Then, period end accrual for uninvoiced receipts is created on the cutoff date. This enables you to ensure that when you have multiple ledgers with different calendar period end dates, the period end accrual is booked in the same period that they're accrued.

When you have a primary general ledger and multiple secondary ledgers with different calendar periods, do the following:

- If there are two ledgers running on different calendar period end dates, choose the lesser period end date as the cutoff date. For example, if the secondary ledger ends on the 27th day of the month and the fiscal ledger ends on the 30th day, choose the 27th day as the cutoff date.
- If you're specifying a cutoff date, ensure that it's set to a date that's before the period end date. Else, you will get errors.

- If you have configured the application to automatically reverse and post in general ledgers, the reversal accounting entries are automatically posted to the journals. However, if you haven't opted for automatic reversal, you must manually reverse the period-end accrual that was already booked and post it in the next period. For more information about configuring automatic reversal in general ledgers, see the Oracle Fusion Cloud Financials Using General Ledger guide on the Oracle Help Center.
- Once the accounting period is closed, in all ledgers, move the cutoff date to a date that's in the next period.

To create uninvoiced receipt accruals, complete the following steps.

1. Navigate to the Receipt Accounting work area, and select the Create Uninvoiced Receipt Accruals task.
2. On the Create Uninvoiced Receipt Accruals page, complete the Bill-to Business Unit and Accounting Period fields.
3. Select a Period End Accrual Cutoff and Accounting Date. If you don't select any date, the last date of the accounting period is taken as the cutoff and accounting date.
4. Click Submit.
5. On the Review Receipt Accounting Distributions page, search for transactions with a Transaction Type of Period End Accrual.
6. Scroll down and select the Distributions and Journal Entries tabs to view the accounting details.

Related Topics

- Receipt Accrual, Reconciliation, and Clearing
- Receipt Accounting Cutoff Dates
- Accrual Reversals
- Oracle Fusion Subledger Accounting Predefined Reports

Cost Management for Internal Material Transfers

Cost Management supports receipt accounting and cost accounting for requisition-based internal transfers for items going to either an expense or an inventory destination, with or without a receipt at the destination.

Oracle Self-Service Procurement, Oracle Supply Chain Financial Orchestration, and Oracle Cost Accounting have been integrated to provide an estimated transfer price based on the internal cost of the items on the requisition. A transfer price is required on the internal material transfer requisition line for approval, budgetary control, and encumbrance accounting.

Cost Management supports requisition-sourced transfer orders going to expense destinations with multiple distributions and different expense accounts. Based on the account defined at the distribution level, Cost Management will book the expense for the appropriate account. In the case of transfers to expense destinations where a receipt isn't required, new logical receipt and delivery transactions are created in Cost Management, similar to the physical events created with receipt expense destination transfers when a receipt is required. Budgetary control and encumbrance accounting are supported for expense destination internal transfer orders.

> **Note:** For interorganization transfers to expense destination, ensure that you've set up the cost organization relationship for the destination organization before the transfer transactions are processed.

Lot and Serial Level Costing for Transfers

When using the actual or average cost methods, lot and serial level costing helps you to accurately retain and track cost information across transfers ensuring a complete picture of the production costs. You can track this cost information for cost-based transfers, when goods are transferred from one organization to another or within an organization when transfer flow isn't orchestrated by Supply Chain Financial Orchestration. Knowing the cost throughout the supply chain allows for better decision making with reference to cost visibility, tracking, and pricing.

You can track the costs for transfers using the cost method and valuation unit combinations listed here:

- Perpetual average cost method with granular valuation structure having valuation unit at the Serial or Lot level.
- Actual cost method with any valuation unit where summarization at the Lot or Serial level isn't enabled.

This cost tracking is supported by the business flows listed here:

- Inventory destination cost-based transfers from one inventory organization to another inventory organization.
- Expense destination cost-based transfers from inventory organization to an expense location.

Note: Do note these points regarding cost tracking during transfers:

- Items with different inventory control in source and destination organizations are average costed. For example, the item is lot or serial controlled in the shipping organization and no control in the destination organization or vice versa.
- Expense destination transfers without receipt having multiple distributions are average costed.
- Transfer order receipt transactions to expense destination are average costed because the receipt doesn't have visibility of lot or serial data. The actual cost is used when booking expense on receipt delivery event.

Budgetary Control and Encumbrance Accounting

You can ensure that budget funds are available before a requisition for an internal transfer is submitted for approval.

Budgetary Control

Depending on your budgetary control configuration, the funds will be reserved either at the time the requisition is submitted for approval, or when the requisition is approved. Insufficient funds override rules and approvers can be configured as part of budgetary control setup. Cost Management liquidates the commitment and books an expenditure at the time of delivery when a receipt is required, or at the time of shipment by creating a virtual receipt when the receipt isn't required. The Requisition for Internal Material Transfer transaction subtype has been added to enable budgetary control of requisitions for internal material transfers.

You can enact budget control checks for internal material transfers, or transfer orders, across organizations as it's for purchases from suppliers. You can also correctly budget check, cost, and account the receipt returns for expense destination transfer orders or inventory destination transfer orders that are put away into a subinventory that's not tracking on-hand quantity and is under budget control.

A department might use a budget and consume from the same when it receives the material. When excess or unused material is returned to the stockroom, budget balances should be recovered increasing the funds available for the

returning department. So when processing the return event in Receipt Accounting, a reversal distribution for the actual expense will be booked and a fresh commitment won't be generated.

Encumbrance Accounting

Encumbrance accounting entries are created for transactions subject to budgetary control and encumbrance accounting when the Create Accounting process is run. Cost Management liquidates the reserve for the encumbrance account and creates journal entries for the actual expense value.

> **Note:** When budgetary control is enabled, Receipt Accounting will create the Deliver to Inventory events so that the transactions are interfaced to budget control module. If encumbrance accounting isn't enabled, the status of the corresponding transactions will be set to Excluded from accounting.

Receipt Accounting for Outside Processing

Receipt Accounting supports manufacturing outside processing, where one or more work order operations are outsourced to a supplier who provides specialized manufacturing services. Outside processing transactions are accounted in Receipt Accounting under the Destination Type of Manufacturing.

Accounting Distributions Created for Outside Processing

Cost Accounting supports the Purchase Order Receipt into Manufacturing transaction type for the costing of outside processing items delivered to Manufacturing. The transaction processing depends on the cost method, as follows.

- Actual or Average cost method. The purchase price multiplied by the number of items received is added to the work in process valuation.
- Standard cost method. The standard cost multiplied by the number of items received is added to the work in process valuation. The difference between the purchase price and the purchase order is accounted as a purchase price variance.

Related Topics

- How Outside Processing Costs are Planned, Accounted, and Reviewed
- How Items Are Set Up for Outside Processing

Receipt Accounting for Manual Procurement of Items for Work Orders

Receipt Accounting supports creating accruals and processing of purchase order receipts for items directly procured from a maintenance or manufacturing work order and are received against the Work Order destination type.

Accounting Distributions for Manual Procurement of Items for Work Orders

For all purchase orders with the Work Order destination type, these accounting entries are created for the Receipt transaction.

Accounting Line Type	Transaction Type
Receiving Inspection	Debit
Accruals	Credit

Receipt Accounting for Drop Shipments

Global drop shipment is an order fulfillment strategy where the seller does not keep products in the inventory. The seller relies on suppliers or contract manufacturers to build, store, and ship orders to the customers.

When a customer places an order for a drop shipped product, the seller issues a purchase order for the item. The seller also provides instructions to the suppliers to ship directly to the customer. The supply chain financial orchestration process routes the orchestration flow of drop shipments through one or more business units within the corporation. These business units can belong to the same legal entity or may occur across legal entities.

The financial flow starts when the supplier sends the advanced shipment notice, or when the supplier matches the invoice with the purchase order for the drop shipment. The flow creates cost accounting distributions and intercompany invoices for the ownership transfers that occur between parties, including supplier, one or more organizations, and the customer. Supply Chain Financial Orchestration sends a request to the receiving system to create a drop ship receipt on the supplier invoice that references the purchase order. Receiving creates a logical receipt, and then notifies Order Management to start customer billing. This automation helps to reduce billing cycle time.

Receipt Accounting Distributions for Drop Shipments

You can review the receipt accounting distributions for drop shipments on the Review Receipt Accounting Distributions page. The following accounting line types are created for single business unit drop shipment events.

Event	Transaction	Subledger	Accounting Line	Dr/Cr
Invoice Validation	Supplier Invoice	Accounts Payable	Accrual	Debit
Invoice Validation	Supplier Invoice	Accounts Payable	Liability	Credit
Drop Ship Receipt	Receipt	Receipt Accounting	Receiving Inspection	Debit
Drop Ship Receipt	Receipt	Receipt Accounting	Accrual	Credit

For the corresponding cost accounting distribution, see *Cost Accounting for Drop Shipments*.

Receipt Accounting Distributions for Drop Shipment Invoice Cancellation or Correction

For customer drop ship with payables invoice as the ownership change event, sometimes you may need to cancel the supplier invoice. For example, when an incorrect purchase order is matched to the invoice or when the supplier has sent an incorrect invoice. When the invoice is canceled, the Oracle Supply Chain Financial Orchestration sends trade sales return as a reversal to the trade sale issue created on invoice matching.

You can review the receipt accounting distributions for invoice cancellation or correction on the Review Receipt Accounting Distributions page. The following accounting line types are created:

Event	Transaction	Subledger	Accounting Line	Dr/Cr
Invoice Cancellation	Supplier Invoice	Accounts Payable	Liability	Debit
Invoice Cancellation	Supplier Invoice	Accounts Payable	Accrual	Credit
Drop Ship Receipt Correction	Receipt Correction	Receipt Accounting	Accrual	Debit
Drop Ship Receipt Correction	Receipt Correction	Receipt Accounting	Receiving Inspection	Credit

For the corresponding cost accounting distribution, see *Cost Accounting for Drop Shipments*.

Tax Accounting for Receipt Transactions

To comply with tax regulations, calculate taxes and generate tax distributions for all receipt transactions. You can capture item prices, inclusive and exclusive taxes on your purchases. Receipt costs are adjusted to account inclusive taxes that were included in the item purchase price. Inclusive taxes are booked to a tax liability or recovery account.

You configure the tax point basis and tax point date in Oracle Fusion Cloud Financials. Based on this configuration, taxes are calculated either on delivery or invoice generation. For more information about configuring and calculating taxes, see the Oracle Fusion Cloud Financials Using Tax guide available on the Oracle Help Center.

Prerequisites

You must assigned a role with the privileges listed here:

- Create Tax Processing Options (ZX_CREATE_TAX_PROCESSING_OPTIONS_PRIV)

  This allows creation of configuration owner tax options to differentiate setup from the predefined event class setup.

- Update Tax Processing Options (ZX_UPDATE_TAX_PROCESSING_OPTIONS_PRIV)

  This allows update of configuration owner tax options to differentiate setup from the predefined event class setup.

- Verify Tax Configuration (ZX_VERIFY_TAX_CONFIGURATION_PRIV)

  This allows verification of tax configuration for taxes that are enabled for transactions or for simulation by simulating real-time transactions.

Configure the following to automatically calculate and account taxes.

- In the Offerings work area, enable the Tax Calculation on Receipt Accounting Distributions feature at the Financials offering level.
- Enable delivery-based tax calculation for invoices:
  a. In the Setup and Maintenance work area, go to the following:
     - Offering: Financials
     - Functional Area: Transaction Tax
     - Task: Manage Configuration Owner Tax
  b. From the **Configuration Owner** drop-down list, select the relevant business unit.
  c. From the **Application Name** drop-down list, select Payables.
  d. From the **Event Class** drop-down list, select Standard Invoices.
  e. From the **Tax Point Basis** drop-down list, select Invoice.
  f. From the **Tax Point Date** drop-down list, select Receipt Date.

  For more information about configuring and calculating taxes, see the Oracle Fusion Cloud Financials Using Tax guide available on the Oracle Help Center.
- Configure the application to automatically calculate taxes for trade receipt accrual:
  a. In the Setup and Maintenance work area, go to the following:
     - Offering: Manufacturing and Supply Chain Materials Management
     - Functional Area: Supply Chain Financial Flows
     - Task: Manage Supply Chain Financial Orchestration System Options
  b. Select **Calculate tax for trade receipt accrual**.
- Configure the application to automatically calculate and account nonrecoverable taxes on intercompany invoices:
  a. Navigate to the Financial Orchestration work area.
  b. In the Tasks pane, click **Manage Documentation and Accounting Rules**.
  c. Click the required documentation and accounting rule.
  d. Under Required Tasks, select **Intercompany Invoices**.

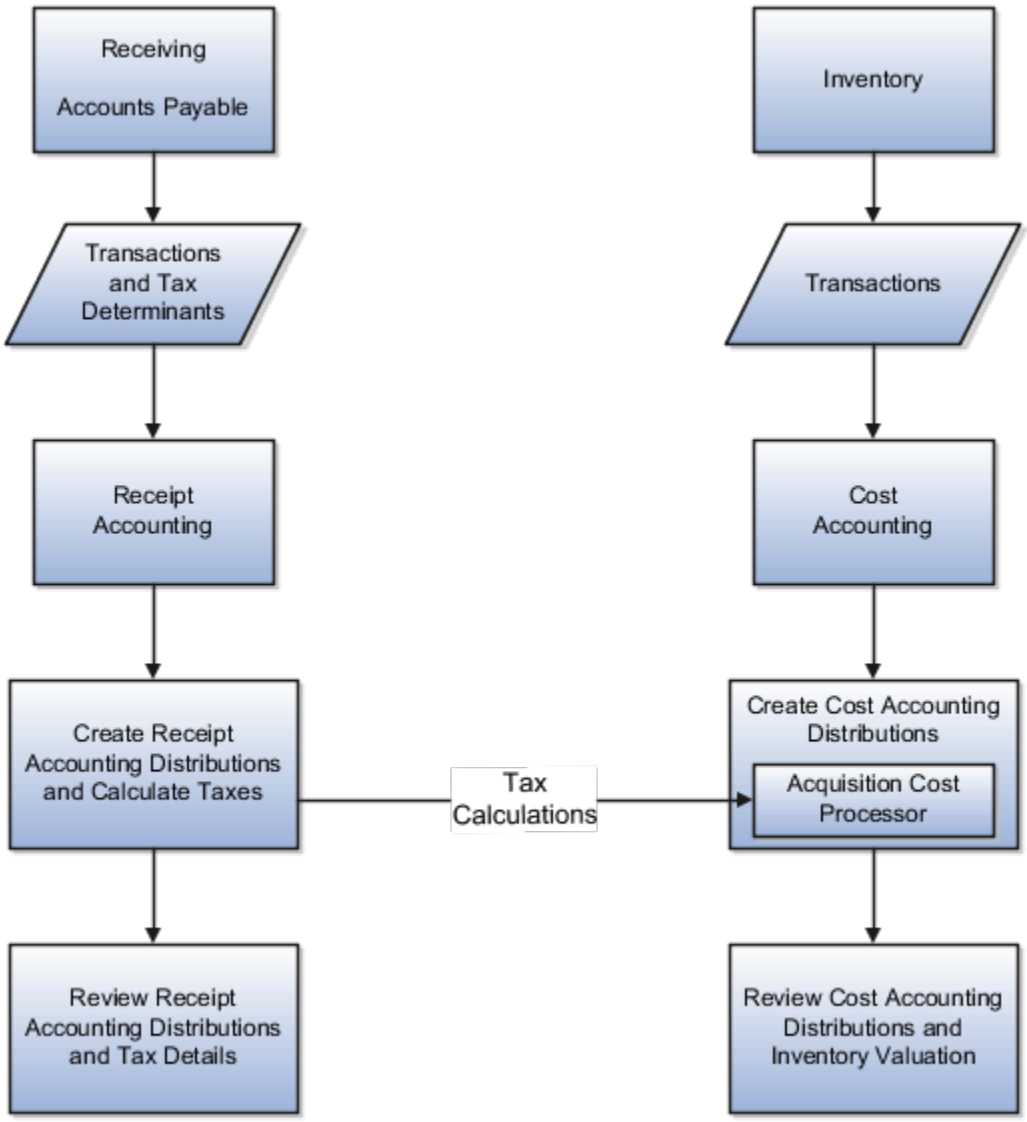
How Taxes are Calculated and Accounted

Here's how taxes are calculated and accounted for different combinations of tax point basis and tax point dates:

Tax Point Basis	Tax Point Date	Tax Calculation	Tax Accounting	Variance Calculation and Accounting
Delivery	Receipt Date	Taxes are calculated on goods receipt	Recoverable and nonrecoverable taxes are accounted on goods receipt	Not Applicable
Invoice	Receipt Date	Taxes are calculated on goods receipt	• Nonrecoverable taxes are accounted on goods receipt • Recoverable taxes are accounted on invoice generation	Not Applicable
Invoice	Invoice Date	Taxes are calculated on invoice generation	Recoverable and nonrecoverable taxes are accounted on invoice generation	Tax variance is calculated and accounted for difference in the taxes estimated on purchase order and final tax calculated on invoice

Oracle Receipt Accounting receives transactions and related tax determinants from outside sources such as Oracle Receiving, Oracle Inventory Inventory, and Oracle Accounts Payable. The following discusses:

- Import of tax determinants into Receipt Accounting
- Tax distributions created by Receipt Accounting
- Tax distributions by Oracle Cost Accounting
- Review of tax distributions



Import Tax Determinants

Here's how you can import transactions and related tax determinants from outside sources on the Scheduled Processes page in the Scheduled Processes work area.

- Select the Transfer Transactions from Receiving to Receipt Accounting process to import receipt transactions into Receipt Accounting.
- Select the Transfer Costs to Cost Management process to import accounts payable transactions into Receipt Accounting and Cost Accounting.

Tax Distributions by Receipt Accounting

The Receipt Accounting Processor calls the Tax Application Programming Interface to calculate transaction taxes based on imported tax determinants. The processor also generates tax distributions for receipt transactions.

Run the Receipt Accounting Processor on the Create Receipt Accounting Distributions page in the Receipt Accounting work area.

Tax Distributions by Cost Accounting

The Cost Accounting Processor uses tax results generated by Receipt Accounting to calculate inventory acquisition costs including nonrecoverable taxes.

Run the Cost Accounting Processor on the Create Cost Accounting Distributions page in the Cost Accounting work area.

Review Tax Distributions

On the Review Receipt Accounting Distributions page in the Receipt Accounting work area view results of the Receipt Accounting Processor:

- Distributions and journal entries for receipt transactions
- Tax determinants accessed by clicking the links in the Tax Determinants column
- Transaction taxes accessed by clicking the Transaction Unit Cost links in the Cost Information tab

On the Review Cost Accounting Distributions page in the Cost Accounting work area view results of the Cost Accounting Processor:

- Distributions and journal entries for inventory transactions
- Inventory unit costs including taxes in the Cost Information tab

Related Topics

- Example of Tax Accounting for a Simple Procurement Transaction
- Example of Tax Accounting for a Consigned Inventory Transaction
- Example of Tax Accounting for a Purchase Order Retroactive Price Change
- Example of Tax Accounting for Interorganization Transfers Across Business Units
- Example of Tax Accounting for Internal Drop Shipments

Global Procurement

Overview of Global Procurement Trade Accounting

Companies often design their legal structure for financial efficiency as well as efficiency in the physical flow of goods through the supply chain. Typically, the most optimal financial movement of goods is different from the most optimal physical movement of goods.

For example, the purchase requisitions from a group of subsidiary companies could be routed through a single international purchasing company who deals with the suppliers. As a result, the legal owners of the purchasing

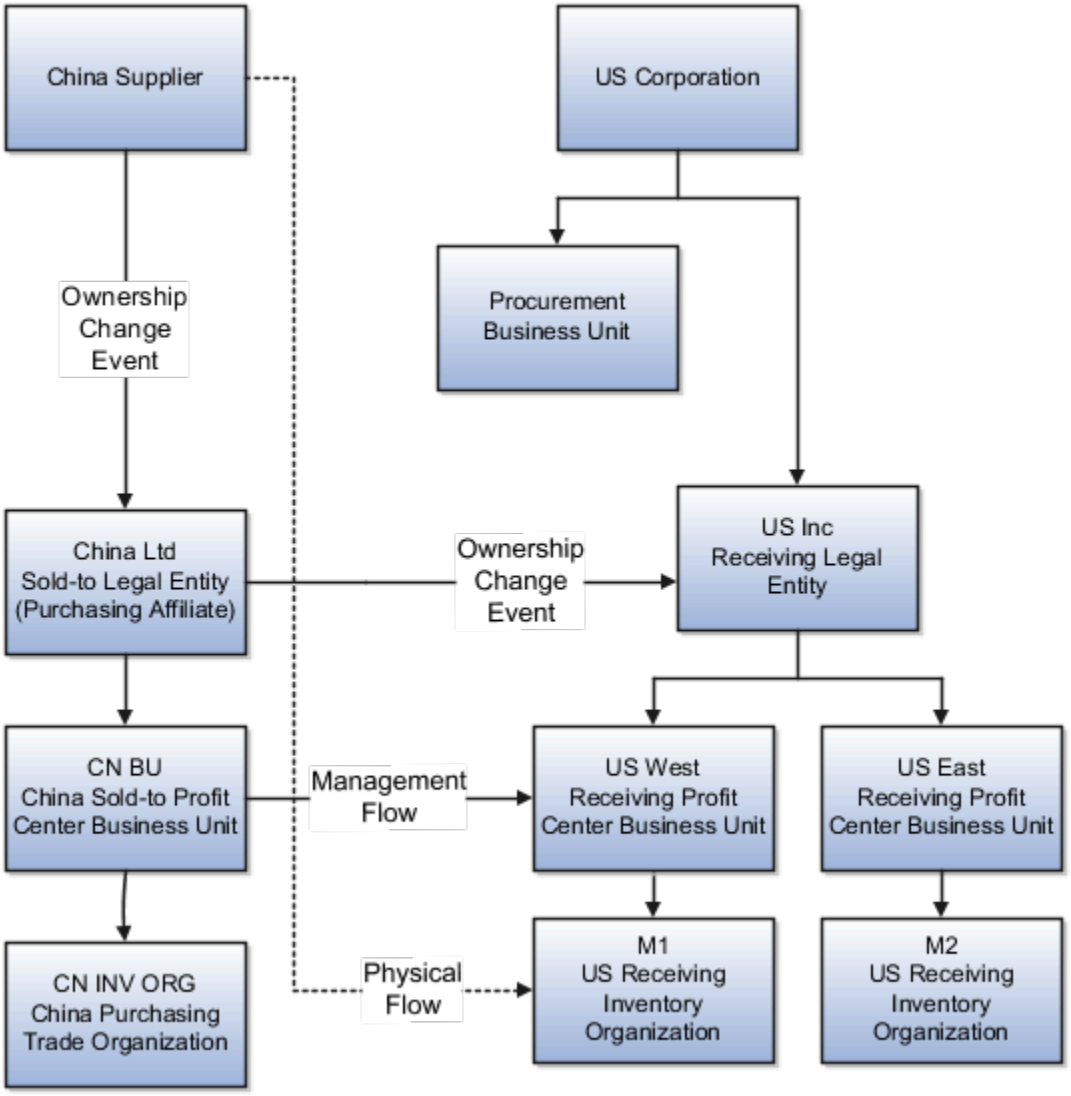
organizations will be different from the legal owners of the receiving organizations. This form of purchasing is known as global procurement.

The following discusses:

- Global procurement trade flows
- Trade agreements and accounting rule sets
- Agreements converted to purchase orders
- Commonly used terms

Global Procurement Trade Flows

This figure illustrates a typical global procurement trade flow, in this case between a US corporation and its China supplier. The US corporation has a central procurement business unit which creates trade agreements and purchase orders on behalf of its subsidiaries.



The China supplier drop ships the goods directly to the US receiving inventory organization M1. However for legal and accounting purposes, the trade flows from the China supplier through the China sold-to legal entity (China Ltd), to the US receiving legal entity (US Inc). For management and profit tracking purposes, the trade flows from the China sold-to profit center business unit CN BU to the US receiving profit center business unit US West.

Financial Trade Agreements and Accounting Rule Sets

A trade agreement defines the parties in the trade relationship. In this example the trade agreement is between the US corporation and the China supplier, and it defines the buying, selling, sold-to, and receiving legal entities, profit center business units, inventory organizations, and trade organizations.

The accounting rule sets define source documents and accounting that is required in the legal and financial flow, also known as the ownership change event flow. A rule set is associated with a financial route, and financial routes can have different accounting rule sets.

The following illustrates a trade agreement setup for the US corporation:

- Agreement #: GP001
- Type: Procurement
- Supplier Ownership Change: ASN (Advance Shipment Notice)
- Primary Trade Relationship #: PTR1
- Sold-to Legal Entity: China Ltd.
- Sold-to Business Unit: CN BU
- Deliver-to Legal Entity: US Inc.
- Deliver-to Business Unit: US West
- Financial Trade Relationship #: FTR1
- From Legal Entity: China Ltd.
- From Business Unit: CN BU
- From Organization: CN INV ORG
- To Legal Entity: US Inc.
- To Business Unit: US West
- To Organization: M1
- Profit Tracking: Yes
- Invoicing: Yes
- Obligation Currency: CNY
- Rate Type: Corporate
- Transfer Pricing: Purchase Order - 10%
- Purchase Order/Sales Order: No

Trade Agreement Converted to Purchase Orders

The trade agreement is used to create purchase orders. The following illustrates a purchase order created under the US Corporation trade agreement # GP001:

- Document Type: Purchase Order
- Document #: PO-GP001
- Document Line #: 1
- Document Line Detail: 1.1
- Document Line Distribution #: 1.1.1
- Item: SFO-CST_ASSET
- Quantity: 100
- UOM: Each
- Currency: CNY
- Price: 650

- Sold-to Legal Entity: China Ltd.
- Trade Organization: CN INV ORG
- Deliver-to Organization: M1
- Primary Trade Relationship #: PTR1

Global Procurement Common Terms

The following table describes the terms commonly used in global procurement trading:

Terms	Definitions and Rules
buy-sell relationship	Relationship between two business units where one acts as a buyer and the other as a seller of goods or services. The seller records the revenue, cost of sale, and receivables. The buyer records the payables and inventory or expense. A buy-sell trade between internal business units is settled through the transfer price.
asset item	Inventory item where the cost of acquisition is valued as an asset on the balance sheet. The inventory cost is expensed when it is consumed or sold.
expense item	Inventory item whose cost of acquisition is booked as an expense.
transfer price	The unit price that one business unit charges another for goods or services traded within the enterprise. The transfer price is typically based on the price list, cost plus or minus, or purchase price plus or minus.
financial route	Designates how financial transactions are settled, can be different from the physical route, and may involve one or more intermediary nodes. The intermediary nodes are internal business units that are not part of the physical supply chain transaction but are part of the financial route.
Incoterms	A series of sales terms in international trade, used to define the rights and obligations of the trade partners with respect to the delivery of goods sold. Incoterms are used to divide transaction costs and responsibilities between buyer and seller, and to reflect transportation practices.
intercompany profit and loss	The internal profit or loss arising out of trade among business units in the enterprise. These internal profits and losses are used for internal management but are typically eliminated when producing the enterprise consolidated financial statements for external stakeholders.
intercompany trade	The trade of goods and services between organizations belonging to different legal entities within a conglomerate.
intracompany trade	The trade of goods or services between two internal organizations within a legal entity.
ownership change event	The transfer of title of goods and services from one party to another. This results in accounting and the creation of financial documents such as Accounts Receivable and Accounts Payable invoices.
price list	Contains the basic list information and pricing attributes for items or product groups.
pricing option	A method to compute the transfer price based on cost, source document price, or price list.

Terms	Definitions and Rules
profit center	A business unit that operates with its own income statement and reports to the legal entity.
purchasing trade organization	The inventory organization reporting to the sold-to legal entity identified in the purchase order. This organization is used for cost accounting the transactions in the sold-to legal entity.
qualifiers	Business attributes of a supply chain document or transaction that determine the applicability of the trade agreement.
supply chain financial orchestration agreement	An agreement between the legal entities, business units, and trade organizations of a corporate group. The agreement defines the parties in the trade relationship and the financial settlement process.
trade distributions	Subledger entries created by Oracle Receipt Accounting and Oracle Cost Accounting for Oracle Supply Chain Financial Orchestration trade transactions.
procurement business unit	Has central responsibility for the creation of trade agreements and purchase orders on behalf of legal entities and business units under the holding company.

Related Topics

- Example of Accounting of Global Procurement Trade Transactions into Inventory
- Example of Accounting of Global Procurement Trade Transactions into Expense
- Profit Center Business Units and Bill-to Business Units

Profit Center Business Units and Bill-to Business Units

Oracle Receipt Accounting and Oracle Cost Accounting create accounting distributions for trade transactions in the supply chain. These accounting distributions are associated with two kinds of business units: profit center business units and bill-to business units.

The following explains the different business units associated with trade transactions and the assumptions used to derive them.

Profit Center Business Unit

A profit center business unit reports to a single legal entity and is responsible for measuring the profitability of inventory organizations under that legal entity. All trade transactions are associated with a profit center business unit which, in turn, is derived from the inventory organization that owns the trade transaction. Cost Accounting uses the profit center business unit to process all inventory transactions.

Bill-to Business Unit

A bill-to business unit is used to process receipt accruals in a trade transaction, and is the same business unit that processes the invoice in Accounts Payable. For supplier accruals, the bill-to business unit is derived from the purchase order. For intercompany accruals, the bill-to business unit is derived from the profit center business unit.

Related Topics

- How Cost Organizations, Inventory Organizations, and Cost Books Fit Together

Review Item Cost and Global Procurement Trade Transaction Accounting

Oracle Receipt Accounting and Oracle Cost Accounting process and create accounting distributions for trade transactions in the supply chain.

You must first run the Create Receipt Accounting Distributions process and the Create Cost Accounting Distributions process for the supplier facing organization and associated primary cost book. You must then run these processes for the receiving organization. The transactions of the supplier facing organization and primary cost book must be costed before costing the transactions of the receiving organization.

The following explains how to review the results of global procurement trade transactions processed by Receipt Accounting and Cost Accounting.

Receipt Accounting Results

In the Receipt Accounting work area, access the Review Receipt Accounting Distributions page. On this page you can view accounting details by Source Document Number and Source Document Line Number. Source documents are purchase order schedules, transfer orders, and sales orders.

Cost Accounting Results

In the Cost Accounting work area:

- Access the Review Item Costs page. On this page you can view a breakdown of the cost of items, cost comparisons of items across organizations, and cost trends over time.
- Access the Review Cost Accounting Distributions page. On this page you can view accounting details of trade transactions by Reference Document Number.

Related Topics

- Receipt Accounting Tasks and Accounting Events
- Review Item Costs

Receipt Accounting Examples

Example of Consigned Inventory Accounting in a Simple Purchase Order

When an organization receives a shipment of goods under a consignment purchase order, the ownership of the goods remains with the supplier even after they are in the custody of the buyer. Ownership passes from the supplier to the buyer when the inventory is consumed.

When the inventory is consumed, two events occur: First there is a transfer of ownership to the buyer and the consigned goods become owned inventory for a brief period of time, then the owned inventory is depleted.

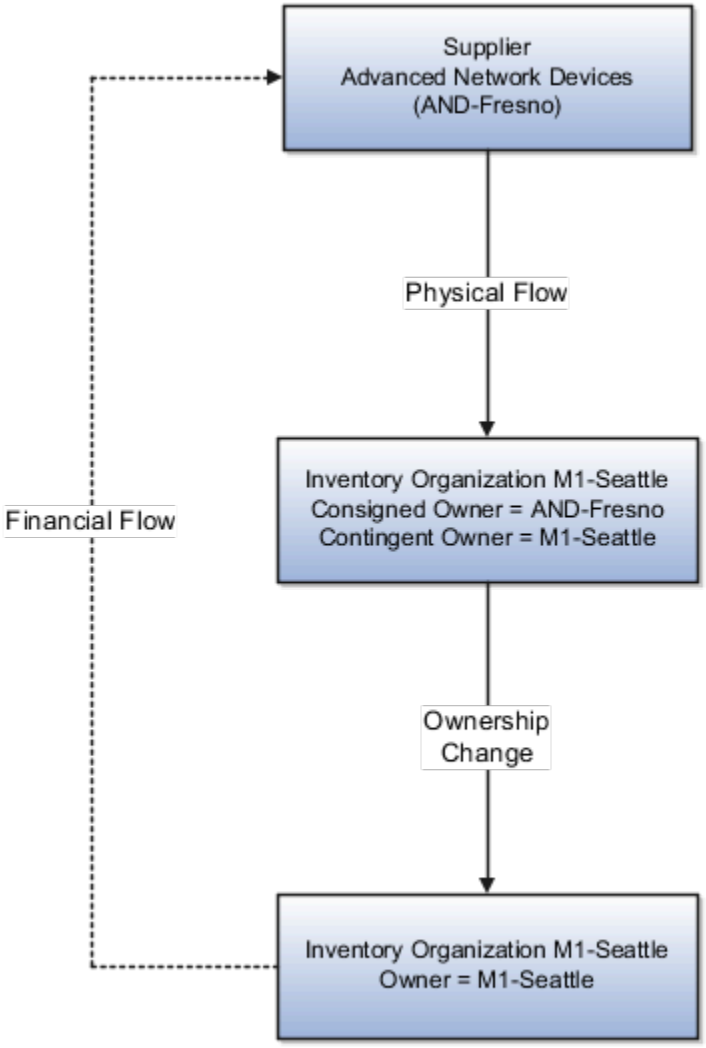
The following example illustrates:

- The physical and financial flow of consigned inventory under a consigned purchase order (PO).
- The transaction that flows from Oracle Inventory Management into Oracle Cost Accounting and Oracle Receipt Accounting.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods under a consigned purchase order to inventory organization M1-Seattle.

The following diagram illustrates the flow of consigned inventory:



Transaction from Inventory Management

Cost Accounting and Receipt Accounting receive the following transaction from Inventory Management:

- Supplier Advanced Network Devices (AND-Fresno).
- Consignment Purchase Order #1000.
- Purchase Order price USD 100.
- Ship-to organization is M1-Seattle which is the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.
- Receipt and put away transactions performed in M1-Seattle inventory organization in consigned status.

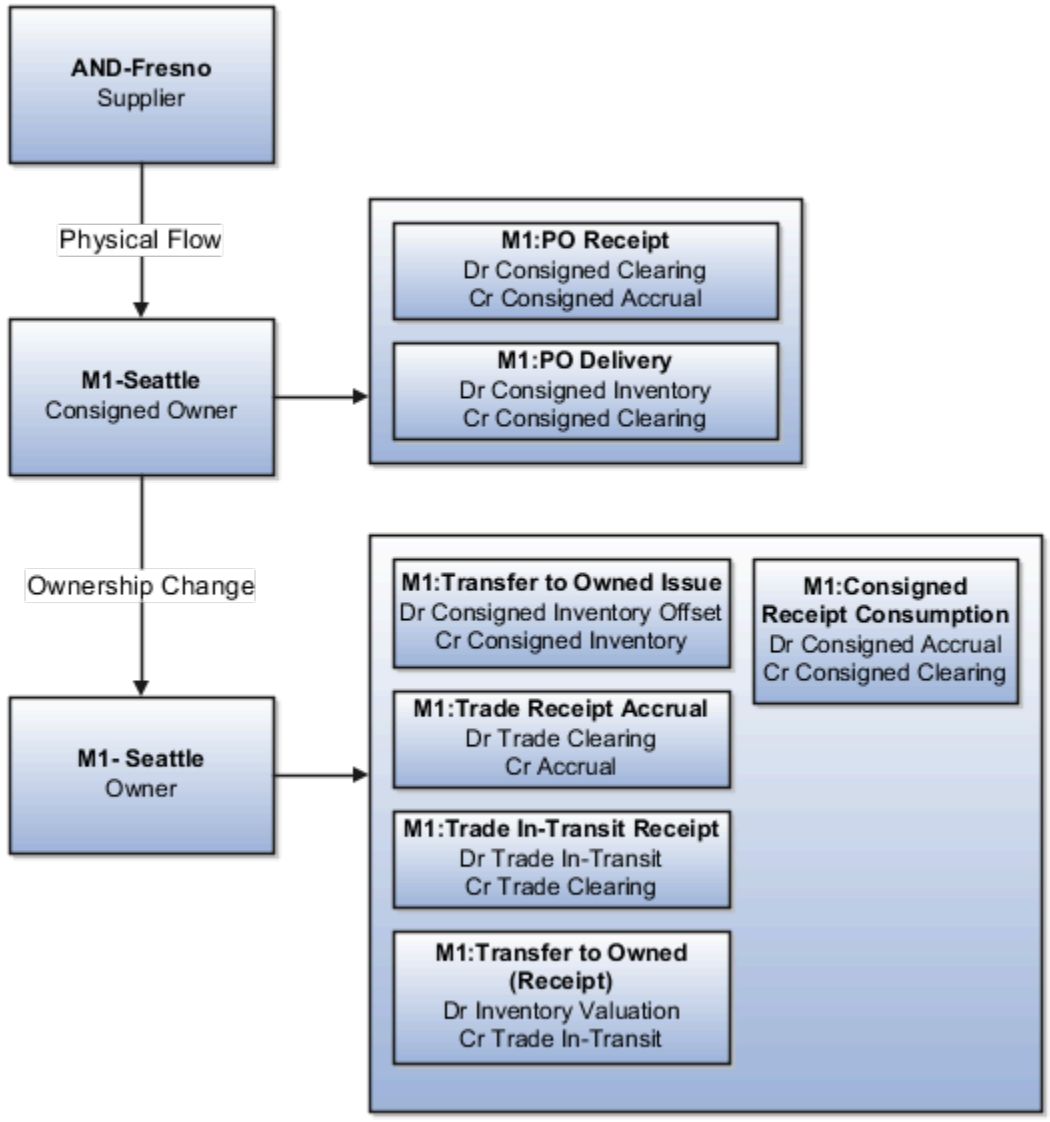
- When the goods are consumed ownership changes from supplier AND-Fresno to inventory organization M1-Seattle.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following diagram illustrates the accounting entries for the forward flow from supplier AND-Fresno to inventory organization M1-Seattle.



Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the receipt of goods.

The following table describes those accounting entries:

Subledger	Event Type	Accounting Line Type	Transaction Type	Amount in Functional Currency	Functional Currency	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	Debit	100	USD	PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	Credit	100	USD	PO Price
Cost Accounting	PO Delivery	Consigned Inventory	Debit	100	USD	PO Price
Cost Accounting	PO Delivery	Consigned Clearing	Credit	100	USD	PO Price

Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

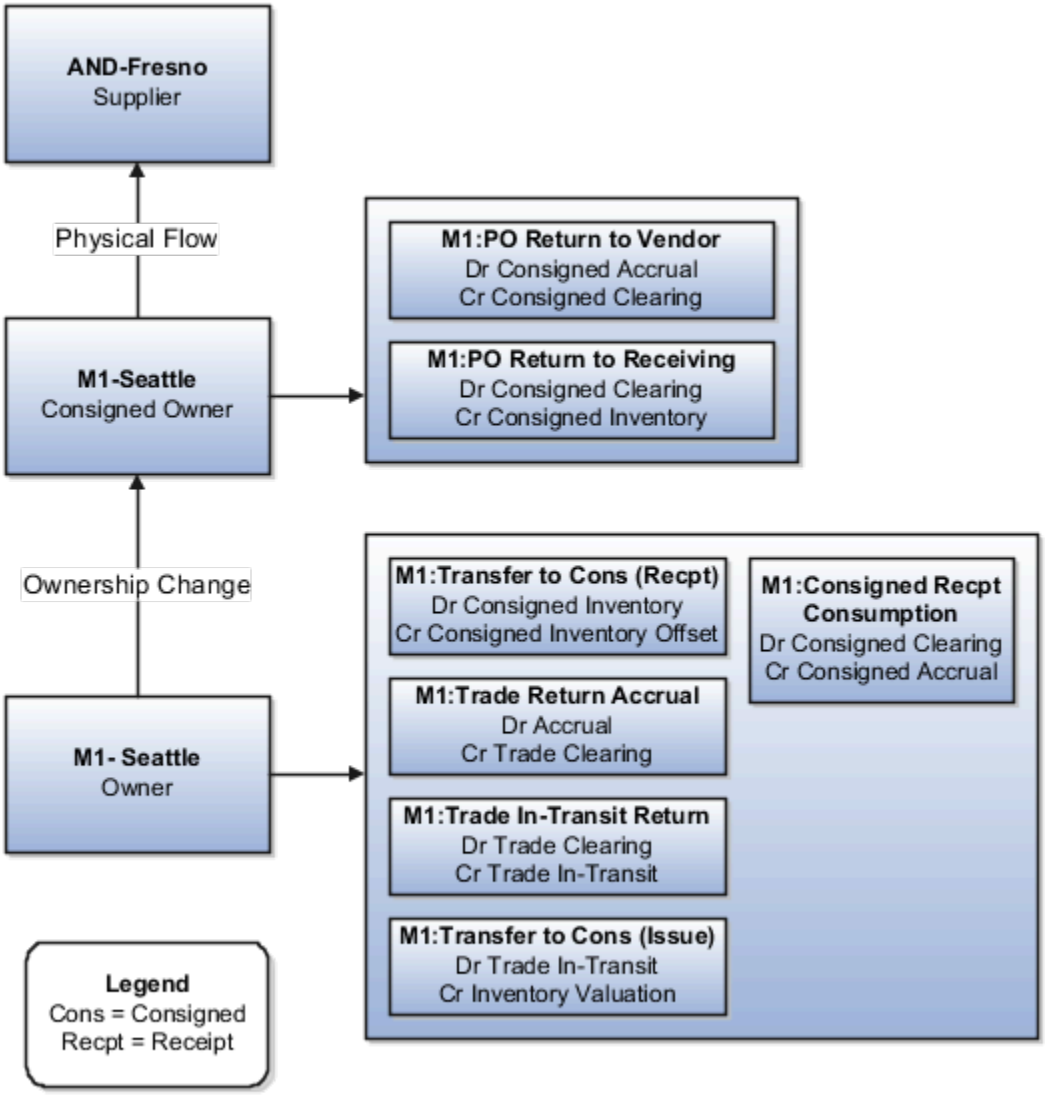
The following table describes those accounting entries:

Subledger	Event Type	Accounting Line Type	Transaction Type	Amount in Functional Currency	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	Debit	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	Credit	100	USD	Material	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	Debit	100	USD	Not applicable	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	Credit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	Debit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	Credit	100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	Debit	100	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Transaction Type	Amount in Functional Currency	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	Credit	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	Debit	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	Credit	100	USD	Material	PO Price

Organization M1-Seattle returns goods to supplier AND-Fresno.

This figure illustrates the accounting entries for the return flow from M1-Seattle to AND-Fresno.



Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the change of ownership from M1-Seattle to supplier AND-Fresno.

The following table describes the accounting entries for the change in ownership.

Subledger	Event Type	Accounting Line Type	Transaction Type	Amount in Functional Currency	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned (Receipt)	Consigned Inventory	Debit	100	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Transaction Type	Amount in Functional Currency	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned (Receipt)	Consigned Inventory Offset	Credit	100	USD	Material	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	Debit	100	USD	Not applicable	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	Credit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Return Accrual	Accrual	Debit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	Credit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade In-Transit Return	Trade Clearing	Debit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade In-Transit Return	Trade In-Transit	Credit	100	USD	Not applicable	PO Price
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	Debit	100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Cost Variance*	Debit	5	USD	Not applicable	Inventory is received at the current cost, and the difference between transfer price and cost is booked as cost variance.
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	Credit	105	USD	Material	Current Cost

* Inventory is received at the current cost, and the difference between transfer price and cost is booked as cost variance.

Receipt Accounting generates accounting entries under inventory organization M1-Seattle for the return of consigned goods from M1-Seattle to AND-Fresno.

The following table describes those accounting entries:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Return to Supplier	Consigned Accrual	100	USD	PO Price
Receipt Accounting	PO Return to Supplier	Consigned Clearing	-100	USD	PO Price
Receipt Accounting	PO Return to Receiving	Consigned Clearing	100	USD	PO Price
Receipt Accounting	PO Return to Receiving	Consigned Inventory	-100	USD	PO Price

Related Topics

- What are the accounting distribution basis options for consigned inventory transactions?
- Cost Profiles, Default Cost Profiles, and Item Cost Profiles
- Consigned Inventory Lifecycle
- Consigned Inventory

Example of Consigned Inventory Accounting of an Interorganization Transfer Across Business Units

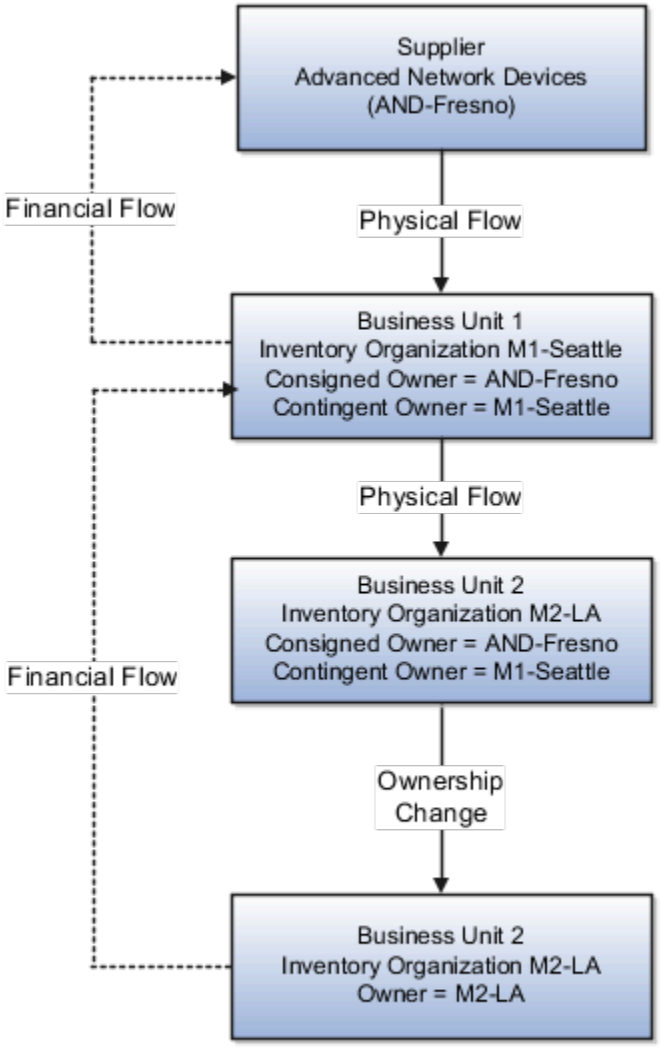
An interorganization transfer is a trade transaction involving the movement of goods or services between organizations in the supply chain.

The following is an example of accounting performed by Oracle Cost Accounting and Oracle Receipt Accounting in a simple purchase order with an interorganization transfer of goods across profit center business units. The goods remain in consigned status until ownership changes in the receiving organization. This example illustrates:

- Transactions captured in Oracle Inventory Management and interfaced to Cost Accounting and Receipt Accounting.
- Transactions captured in Oracle Supply Chain Financial Orchestration and interfaced to Cost Accounting and Receipt Accounting.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods in consigned status to inventory organization M1-Seattle, who in turn transfers the consigned goods to inventory organization M2-LA. Inventory organizations, M1-Seattle and M2-LA, are in different business units.



Interfaced Transactions

Inventory Management sends the following transactions to Receipt Accounting and Cost Accounting:

- Supplier Advanced Network Devices (AND-Fresno).
- Consignment Purchase Order #1000.
- Purchase Order price USD 100.
- Ship-to organization is M1-Seattle which is the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.
- Receipt and put away transactions performed in M1-Seattle inventory organization in consigned status.
- Goods transferred in consigned status from inventory organization M1-Seattle to M2-LA.

- When the goods are consumed ownership changes from supplier AND-Fresno to inventory organization M2-LA through M1-Seattle.

Supply Chain Financial Orchestration sets up the trade agreement, accounting rule sets, and associated purchase orders, and the information flows into Receipt Accounting and Cost Accounting. The transfer from M1-Seattle to M2-LA is based on trade agreement SFO #123 which has the following terms:

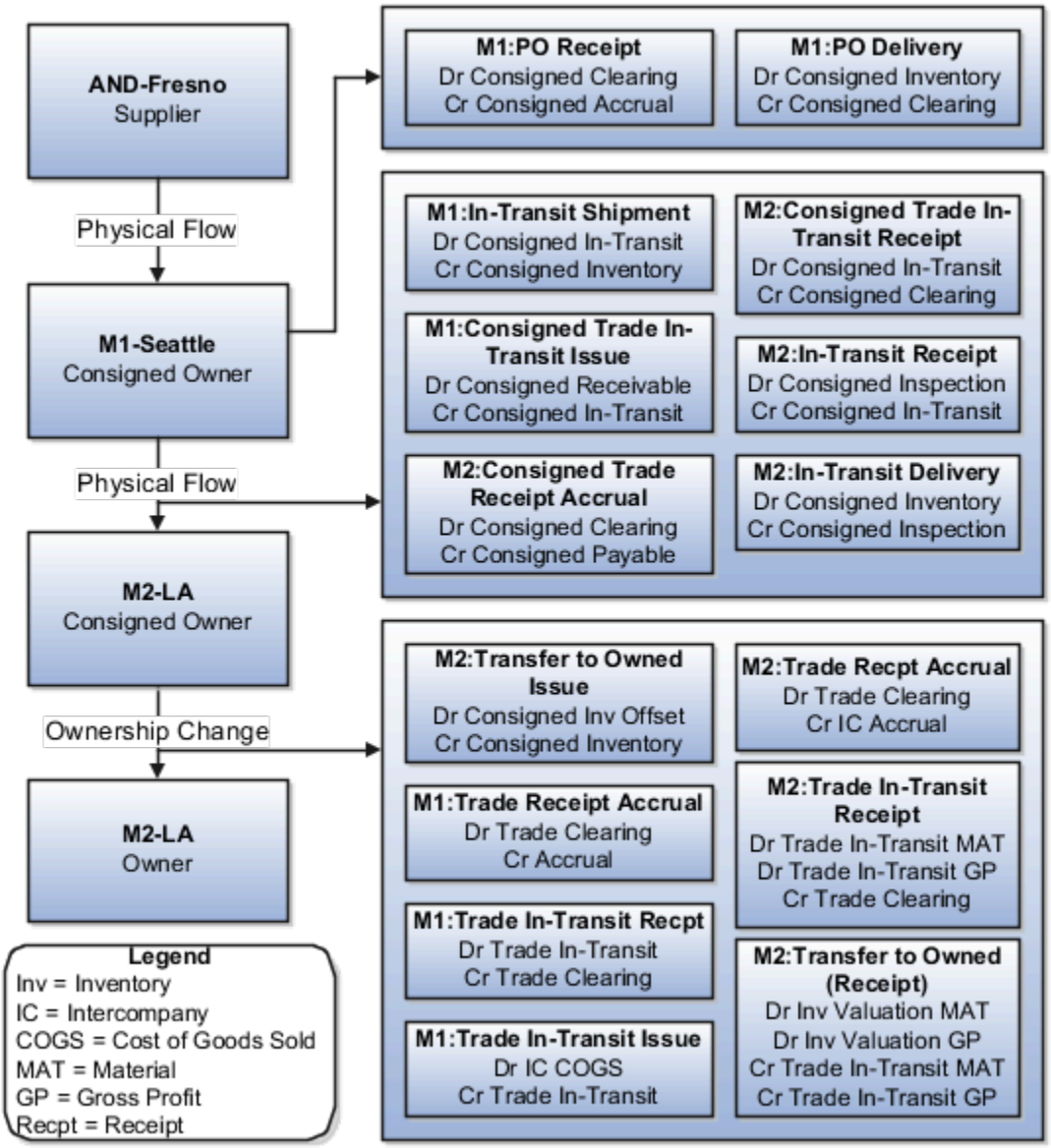
- Intercompany transfer price is USD 120.
- Intercompany invoicing is set to Yes.
- Profit tracking is set to Yes.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.



Receipt Accounting generates distributions under inventory organization M1-Seattle for the shipment from supplier AND-Fresno to M1-Seattle.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD	PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD	PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD	PO Price

Cost Accounting generates distributions under inventory organization M1-Seattle for the interorganization transfer from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Cost Accounting	In-Transit Shipment	Consigned In-Transit	100	USD	PO Price
Cost Accounting	In-Transit Shipment	Consigned Inventory	-100	USD	PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned Receivable	100	USD	PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned In-Transit	-100	USD	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the interorganization transfer from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	Consigned Trade Receipt Accrual	Trade Clearing	100	USD	PO Price
Receipt Accounting	Consigned Trade Receipt Accrual	Consigned In-Transit	-100	USD	PO Price
Receipt Accounting	Consigned Trade In-Transit Receipt	Consigned Clearing	100	USD	PO Price
Receipt Accounting	Consigned Receipt Consumption	Trade Clearing	-100	USD	PO Price
Cost Accounting	In-Transit Receipt	Consigned Inspection	100	USD	PO Price
Cost Accounting	In-Transit Receipt	Consigned In-Transit	-100	USD	PO Price
Cost Accounting	In-Transit Delivery	Consigned Inventory	100	USD	PO Price
Cost Accounting	In-Transit Delivery	Consigned Inspection	-100	USD	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD	Material	PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	120	USD	Not applicable	Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-120	USD	Not applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-120	USD	Material	Transfer Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-20	USD	Profit in Inventory	Internal Markup

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount

Inventory organization M2-LA returns the goods to supplier AND-Fresno. The return of the consignment is executed in two parts:

- An interorganization transfer from M2-LA to M1-Seattle. The accounting is the same as simple purchase order return transactions.
- A consignment return from M1-Seattle to the supplier. The accounting is the same as regular return to supplier transactions.

Related Topics

- Example of Consigned Inventory Accounting in a Simple Purchase Order
- Example of Consigned Inventory Accounting of an Interorganization Transfer Within the Same Business Unit
- What are the accounting distribution basis options for consigned inventory transactions?
- Consigned Inventory Lifecycle
- Consigned Inventory

Example of Consigned Inventory Accounting of an Interorganization Transfer Within the Same Business Unit

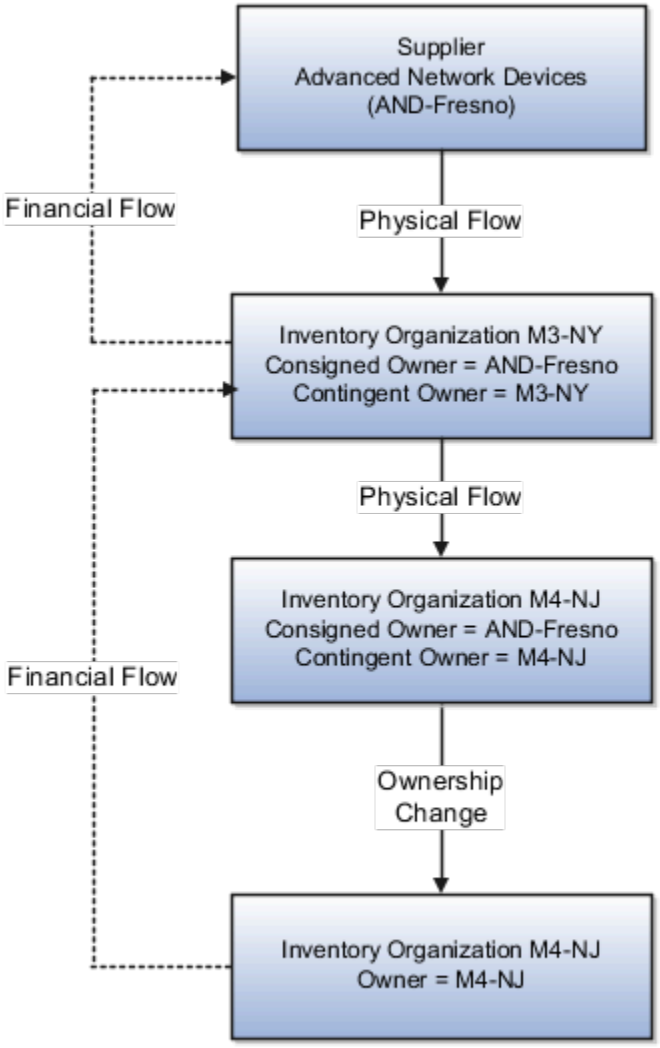
An intraorganization transfer is a trade transaction involving the movement of goods or services between organizations in the supply chain. The following is an example of accounting performed by Oracle Cost Accounting and Oracle Receipt Accounting for an interorganization transfer of goods within the same profit center business unit.

This example illustrates:

- Transactions captured in Oracle Inventory Management and interfaced to Cost Accounting and Receipt Accounting.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods in consigned status to inventory organization M3-NY, who in turn transfers the goods to inventory organization M4-NJ. Inventory organizations, M3-NY and M4-NJ, are within the same business unit.



Interfaced Transactions

Cost Accounting and Receipt Accounting receive the following transaction from Inventory Management:

- Consignment Purchase Order (PO) #1000.
- Purchase Order price USD 100.
- Ship-to organization is M3-NY which is also the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.
- Receipt and put away transactions are performed in M3-NY in consigned status.
- Goods are transferred in consigned status from M3-NY to M4-NJ.
- Ownership changes from supplier to M4-NJ through M3-NY when the goods are consumed.

Cost Accounting generates transactions for:

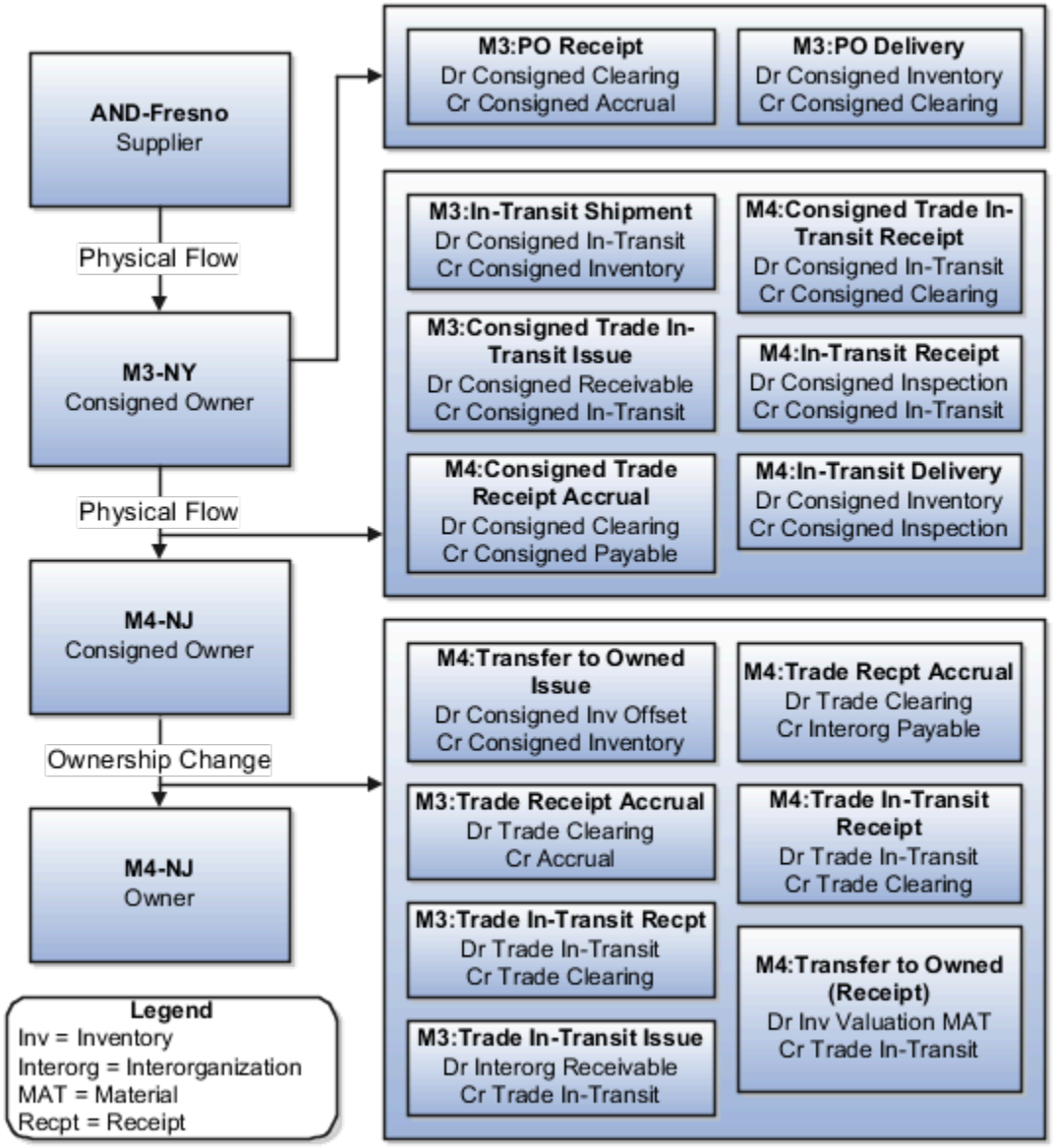
- Ownership changes from supplier AND-Fresno to inventory organization M3-NY and from M3-NY to M4-NJ.
- Transfer of goods from M3-NY to M4-NJ. The transfer is at cost because the organizations are within the same profit center business unit.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.



The following table lists the distributions that Receipt Accounting generates under inventory organization M3-NY for the shipment from supplier AND-Fresno to M3-NY.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD	PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD	PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD	PO Price
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD	PO Price

The following table lists the distributions generated by Cost Accounting under inventory organization M3-NY for the interorganization transfer from M3-NY to organization M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Cost Accounting	In-Transit Shipment	Consigned In-Transit	100	USD	PO Price
Cost Accounting	In-Transit Shipment	Consigned Inventory	-100	USD	PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned Receivable	100	USD	PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned In-Transit	-100	USD	PO Price

Cost Accounting generates distributions under inventory organization M4-NJ for the interorganization transfer from M3-NY to M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Cost Accounting	Consigned Trade Receipt Accrual	Consigned Clearing	100	USD	PO Price
Cost Accounting	Consigned Trade Receipt Accrual	Consigned Payable	-100	USD	PO Price
Cost Accounting	Consigned Trade In-Transit Receipt	Consigned In-Transit	100	USD	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Cost Accounting	Consigned Trade In-Transit Receipt	Consigned Clearing	-100	USD	PO Price
Cost Accounting	In-Transit Receipt	Consigned Inspection	100	USD	PO Price
Cost Accounting	In-Transit Receipt	Consigned In-Transit	-100	USD	PO Price
Cost Accounting	In-Transit Delivery	Consigned Inventory	100	USD	PO Price
Cost Accounting	In-Transit Delivery	Consigned Inspection	-100	USD	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M3-NY for the change of ownership from supplier AND-Fresno to M3-NY.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Interorganization Receivable	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M4-NJ for the change of ownership from M3-NY to M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD	Material	PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not applicable	Transfer Price
Receipt Accounting	Trade Receipt Accrual	Interorganization Payable	-100	USD	Not applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price

Inventory organization M4-NJ returns goods to supplier AND-Fresno. The return of the consignment is executed in two parts:

- An interorganization transfer from M4-NJ to M3-NY. The accounting is the same as simple purchase order return transactions.
- A consignment return from M3-NY to the supplier. The accounting is the same as regular return to supplier transactions.

Related Topics

- Example of Consigned Inventory Accounting of an Interorganization Transfer Across Business Units
- What are the accounting distribution basis options for consigned inventory transactions?
- Consigned Inventory Lifecycle
- Consigned Inventory

Example of Consigned Inventory Accounting in a Global Purchase Order

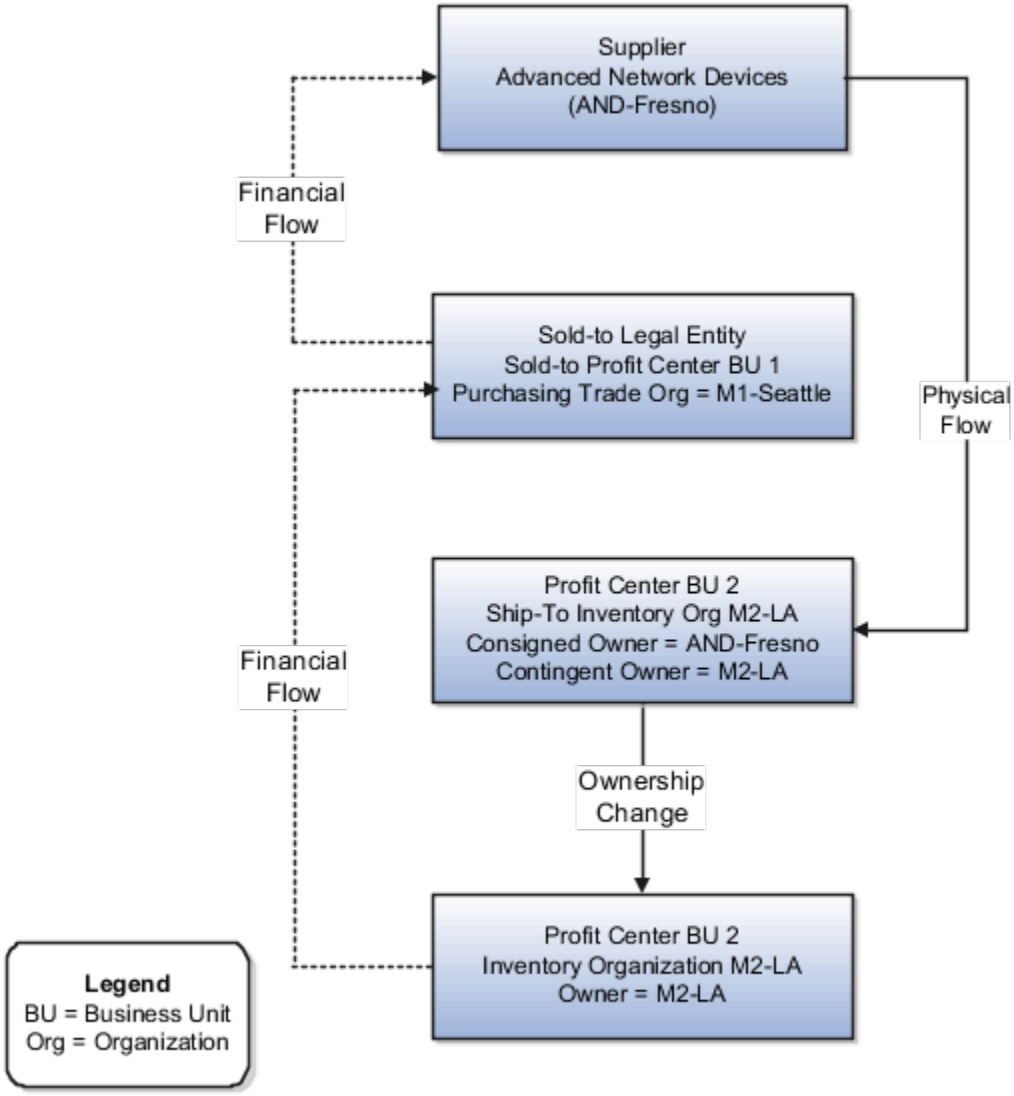
Most large enterprises use a global procurement approach to their purchasing needs, where a central buying organization buys goods from suppliers on behalf of the internal organizations. This includes trade transactions involving consigned inventory executed under a global purchase order.

Oracle Receipt Accounting and Oracle Cost Accounting process these consigned inventory transactions and generate subledger journal entries. The following example illustrates:

- The physical and financial flow of consigned inventory in a global purchase order.
- Transactions that flow from Oracle Inventory Management into Cost Accounting and Receipt Accounting.
- Transactions that flow from Oracle Supply Chain Financial Orchestration into Cost Accounting and Receipt Accounting.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

The supplier AND-Fresno ships the goods in consigned status to inventory organization M2-LA, through the purchasing trade organization M1-Seattle.



Interfaced Transactions

Cost Accounting and Receipt Accounting receive the following transaction from Inventory Management:

- Consignment Purchase Order (PO) #1000.
- Purchase Order price USD 100.
- Sold-to Legal Entity is LE1.
- Ship-to organization is M2-LA which is also the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.
- Receipt and put away transactions performed in M2-LA in consigned status.
- Ownership changes from supplier AND-Fresno to M2-LA through M1-Seattle when the goods are consumed.

The trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting. The shipment from supplier to inventory organization M2-LA is based on trade agreement GP #123 which has the following terms:

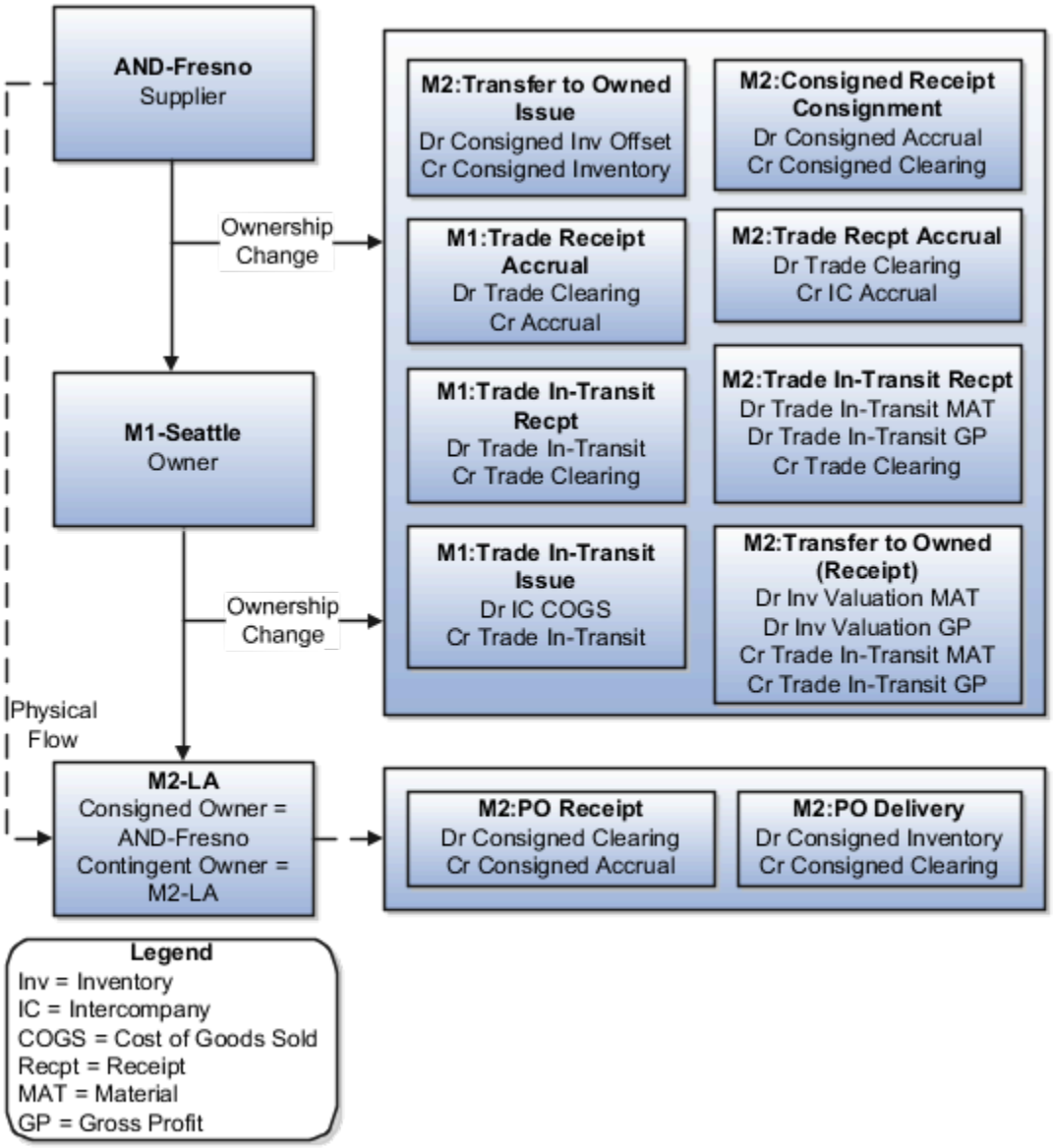
- Intercompany transfer price is USD 120.
- Intercompany invoicing is set to Yes.
- Profit tracking is set to Yes.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.



Receipt Accounting generates distributions under inventory organization M2-LA for the consigned shipment from supplier AND-Fresno to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD	PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD	PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

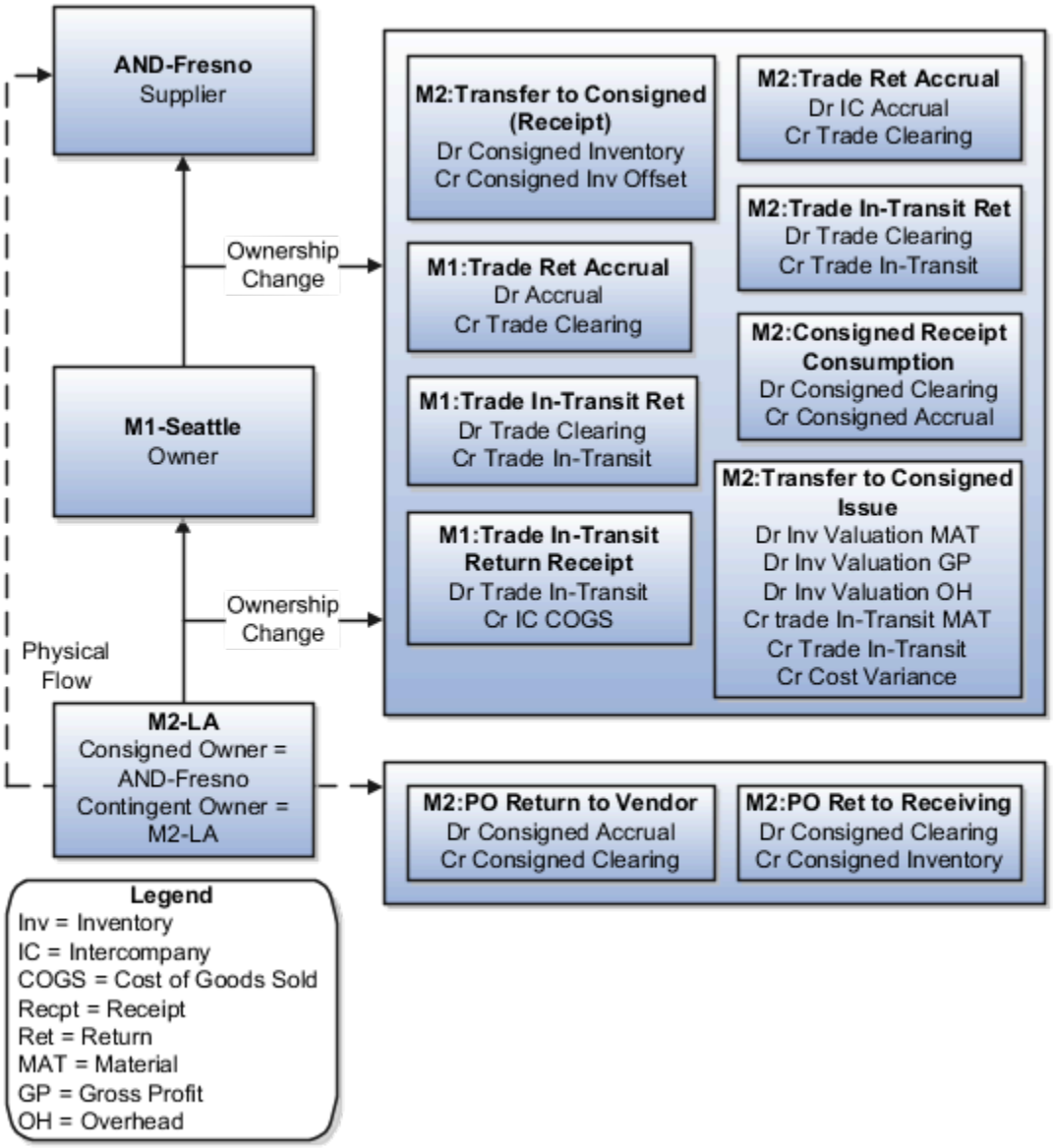
Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD	Not applicable	PO Price
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade In-Transit Receipt	Trade clearing	-100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD	Material	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	100	USD	Not applicable	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	-100	USD	Not applicable	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	120	USD	Not applicable	Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-120	USD	Not applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-120	USD	Material	Transfer Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-20	USD	Profit in Inventory	Internal Markup

Organization M2-LA returns goods to supplier AND-Fresno. The following are accounting entries for the return flow.



Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M2-LA to M1-Seattle:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned Receipt	Consigned Inventory	100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Receipt	Consigned Inventory Offset	-100	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	120	USD	Not applicable	Transfer Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-120	USD	Not applicable	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	120	USD	Material	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Consigned Receipt Consumption	Consigned Clearing	100	USD	Material	PO Price
Cost Accounting	Consigned Receipt Consumption	Consigned Accrual	-100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	10	USD	Overhead	Not applicable
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	-20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Transfer to Consigned Issue	Cost Variance*	-10	USD	Material	Not applicable

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-LA for the change of ownership from M1-LA to supplier AND-Fresno:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Accrual	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-100	USD	Material	PO Price

Receipt Accounting generates distributions under inventory organization M2-LA for the return shipment from M2-LA to supplier AND-Fresno:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Return to Supplier	Consigned Accrual	100	USD	PO Price
Receipt Accounting	PO Return to Supplier	Consigned Clearing	-100	USD	PO Price
Receipt Accounting	PO Return to Receiving	Consigned Clearing	100	USD	PO Price
Receipt Accounting	PO Return to Receiving	Consigned Inventory	-100	USD	PO Price

Related Topics

- Overview of Global Procurement Trade Accounting
- What are the accounting distribution basis options for consigned inventory transactions?
- Consigned Inventory Lifecycle
- Consigned Inventory

Example of Accounting of Global Procurement Trade Transactions into Inventory

Most large enterprises use a global procurement approach to their purchasing needs, wherein a central buying organization buys goods from suppliers on behalf of the internal organizations.

Oracle Receipt Accounting and Oracle Cost Accounting process transactions for these global procurement trade events and generate subledger journal entries.

The following is an example of accounting performed by Cost Accounting and Receipt Accounting for a global procurement flow into inventory. It illustrates:

- Transactions that are captured in Oracle Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the forward flow of a shipment from the supplier, through the intermediary distributor, to the final receiving organization.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the receiving organization to the supplier.

Scenario

China Supplier ships the goods to US Inc. through the intermediary distributor, China Ltd.

Transactions from Supply Chain Financial Orchestration

The global procurement trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

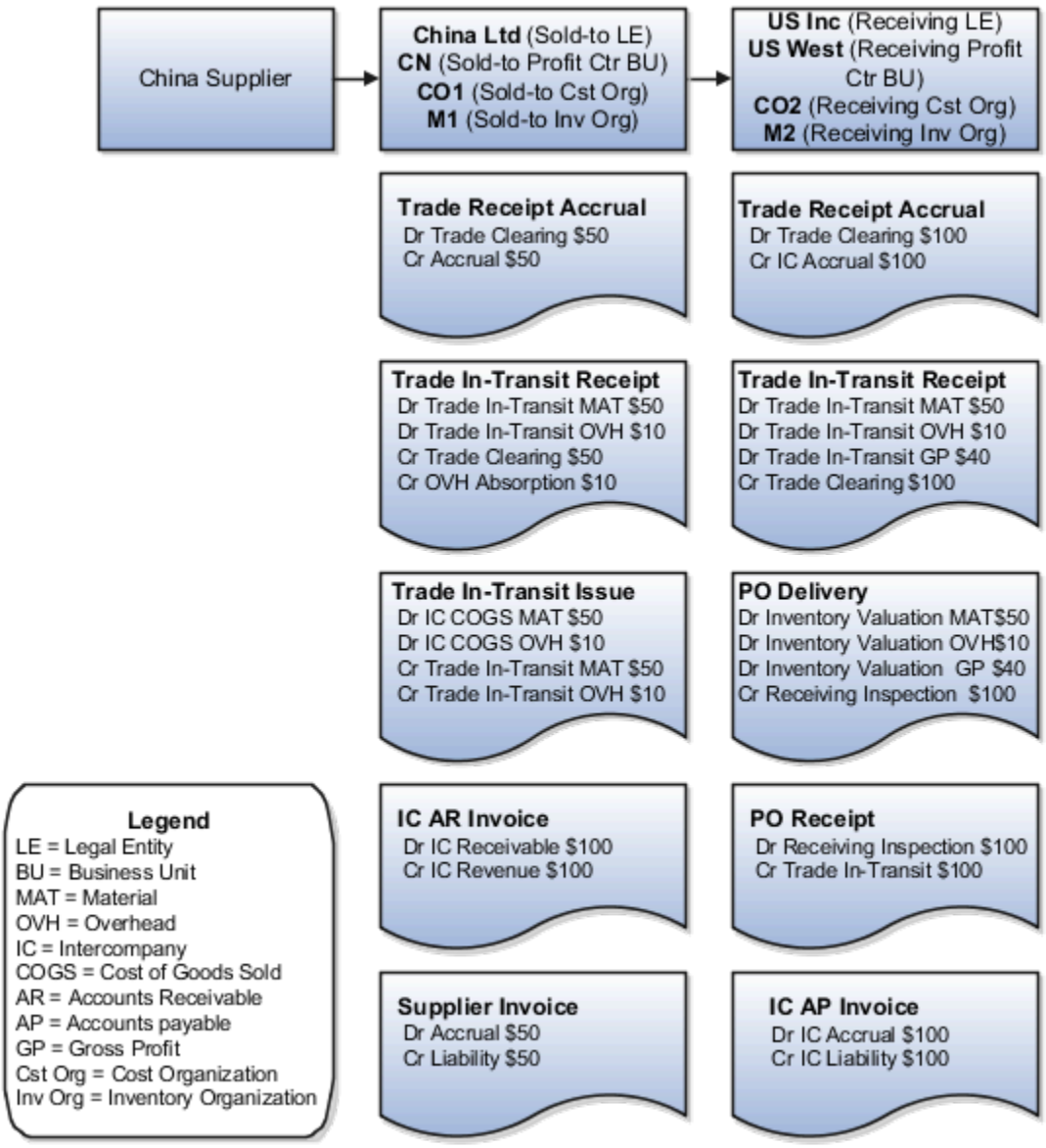
- Purchase Order (PO) price from China Supplier to China Ltd. is USD 50.
- Intercompany transfer price from China Ltd. to US Inc. is USD 100.
- Intercompany invoicing is set to Yes.
- Profit tracking is set to Yes.
- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in Cost Organization CO1.
- China Ltd books a profit of USD 40 (USD 100 transfer price - USD 50 PO price - USD 10 overhead).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following figure illustrates accounting entries for the forward flow from legal entity China Ltd. to legal entity US Inc.



Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes those distributions.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	50	USD	Not Applicable	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Accrual	-50	USD	Not Applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Expense	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Receipt	Overhead Absorption	-10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	PO Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Supplier Invoice	Accrual	50	USD	Not Applicable	PO Price
Receipt Accounting	Supplier Invoice	Liability	-50	USD	Not Applicable	PO Price

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

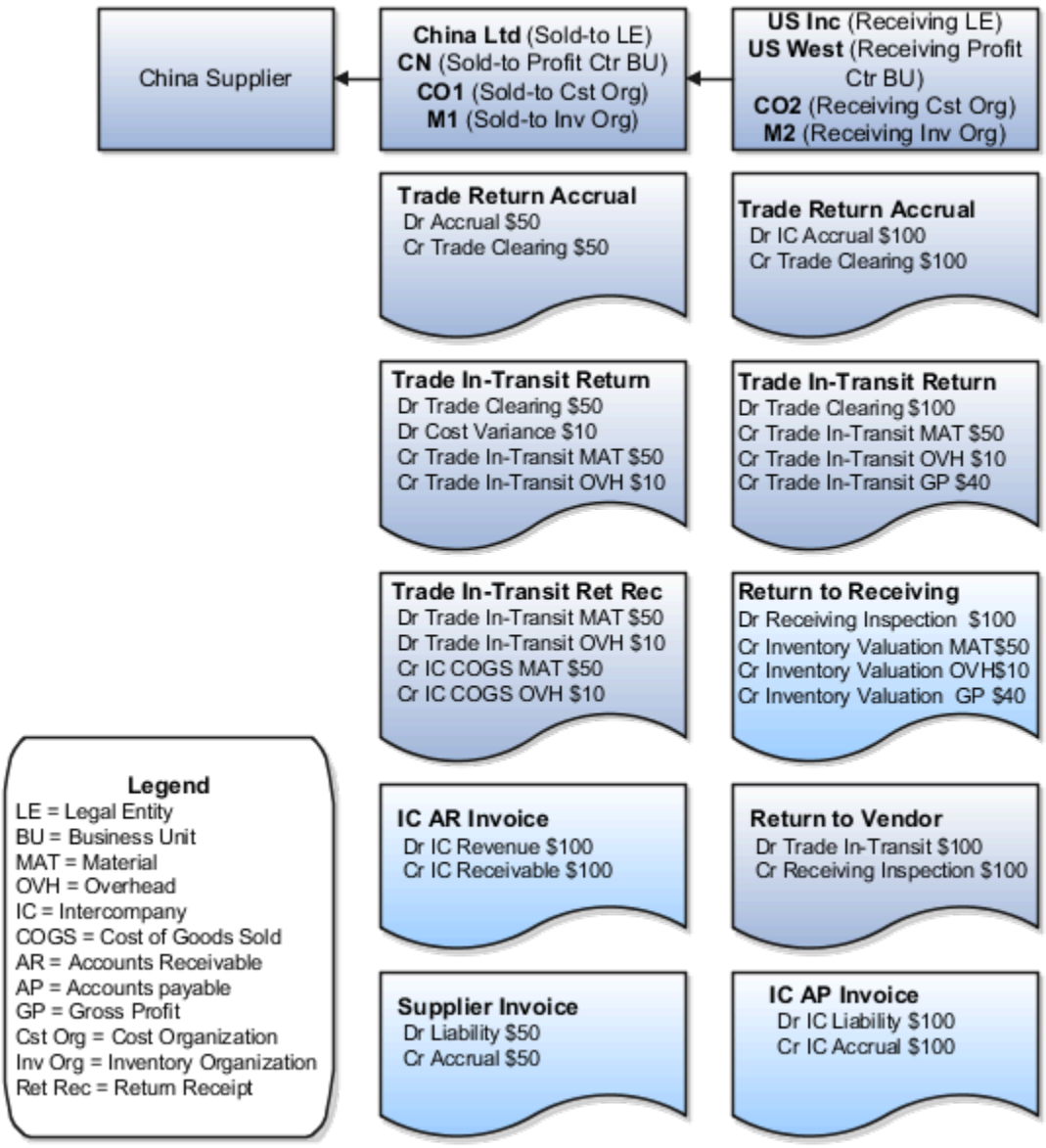
The following table describes those distributions.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not Applicable	Transfer Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	40	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Receipt	Trade In-Transit	-100	USD	Not Applicable	Transfer Price
Cost Accounting	PO Delivery	Inventory Valuation	50	USD	Material	Sending Organization Cost
Cost Accounting	PO Delivery	Inventory Valuation	10	USD	Overhead	Sending Organization Cost
Cost Accounting	PO Delivery	Inventory Valuation	40	USD	Profit in Inventory	Internal Markup
Cost Accounting	PO Delivery	Receiving Inspection	-100	USD	Not Applicable	Transfer Price

US Inc returns goods directly to China Supplier.

The following figure illustrates accounting entries for the return flow from legal entity US Inc to legal entity China Ltd.



Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

The following table describes those distributions.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD	Not Applicable	Transfer Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD	Material	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-40	USD	Profit in Inventory	Internal Markup
Cost Accounting	Return to Receiving	Receiving Inspection	100	USD	Material, Overhead, and Profit in Inventory	Transfer Price
Cost Accounting	Return to Receiving	Inventory Valuation	-50	USD	Material	Sending Organization Cost
Cost Accounting	Return to Receiving	Inventory Valuation	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Return to Receiving	Inventory Valuation	-40	USD	Profit in Inventory	Internal Markup
Receipt Accounting	Return to Supplier	Trade In-Transit	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Return to Supplier	Receiving Inspection	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Intercompany AP Invoice	Intercompany Liability	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Intercompany AP Invoice	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes those distributions.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Accrual	50	USD	Not Applicable	PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-50	USD	Not Applicable	PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Cost Variance*	10	USD	Not Applicable	Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Intercompany COGS	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Intercompany COGS	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Supplier Invoice	Liability	50	USD	Not Applicable	PO Price
Receipt Accounting	Supplier Invoice	Accrual	-50	USD	Not Applicable	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

Related Topics

- Overview of Global Procurement Trade Accounting
- Example of Accounting of Global Procurement Trade Transactions into Expense
- Review Item Cost and Global Procurement Trade Transaction Accounting

Example of Accounting of Interorganization Transfers Across Business Units

This example illustrates:

- Transactions that are captured in Oracle Supply Chain Financial Orchestration and interfaced to Oracle Receipt Accounting and Oracle Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the transfer of goods across profit center business units.

Scenario

China Ltd. ships the goods to US Inc. The organizations are in two different profit center business units.

Transactions from Supply Chain Financial Orchestration

The trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

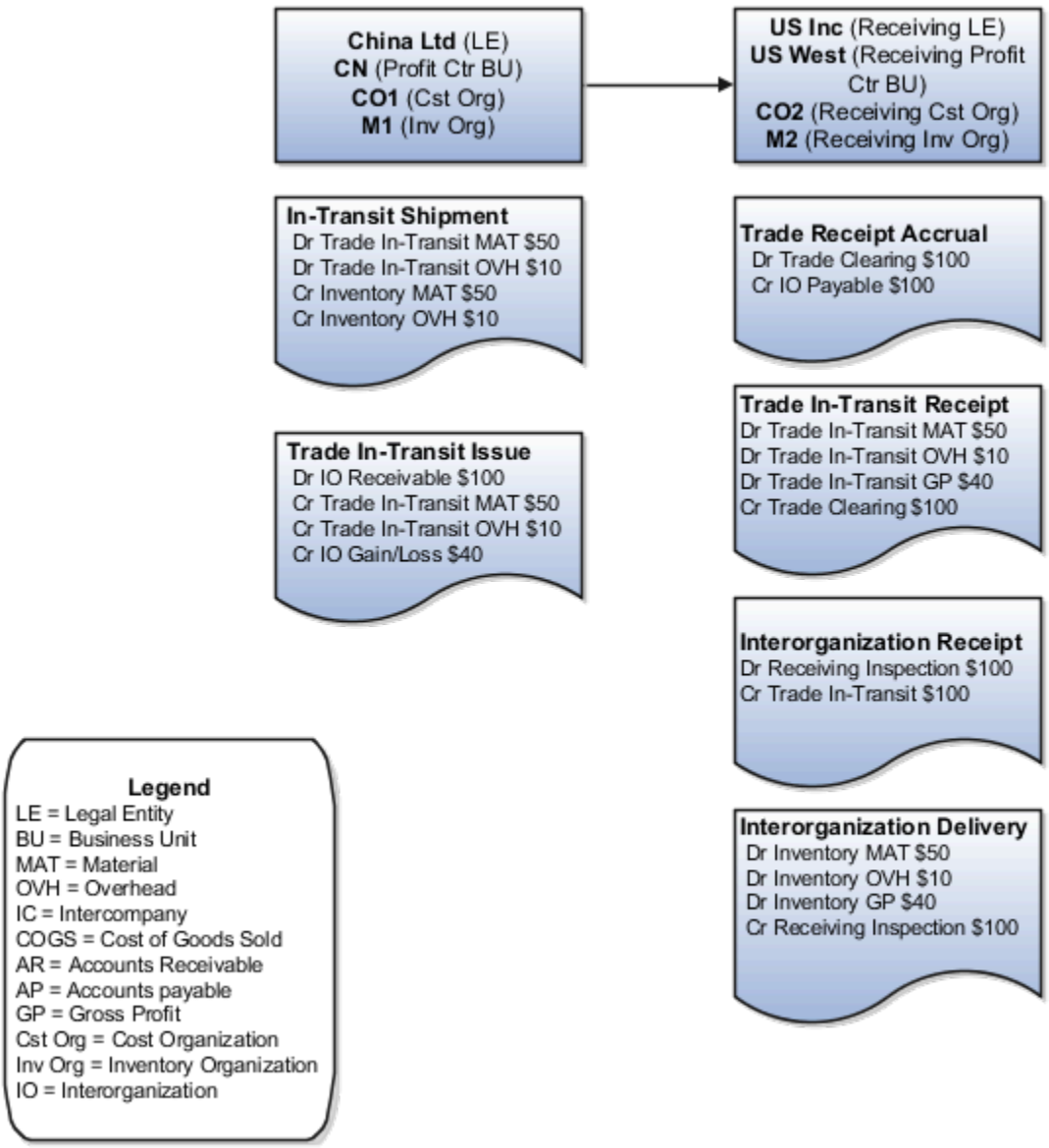
- China Ltd. acquires goods locally at the cost of USD 50, plus USD 10 overhead on the receipt of goods.
- Intercompany transfer price from China Ltd. to US Inc. is USD 100.
- Intercompany invoicing is set to No.
- Profit tracking is set to Yes.
- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in Cost Organization CO1.
- China Ltd. books a profit of USD 40 (USD 100 transfer price - USD 50 acquisition cost - USD 10 overhead).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the transfer of goods.

Accounting Entries

The following figure illustrates accounting entries for the shipment from legal entity China Ltd. to legal entity US Inc.



Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes the distributions:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	In-Transit Shipment	Trade In-Transit	10	USD	Overhead	Current Cost

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Inventory	-50	USD	Material	Current Cost
Cost Accounting	In-Transit Shipment	Inventory	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Interorganization Receivable	100	USD	Material, Overhead	Transfer Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Not applicable	Internal Markup (Transfer Price minus Current Cost)
Cost Accounting	Trade In-Transit Issue	Interorganization Gain/Loss	-40	USD	Not applicable	Internal Markup

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

The following table describes those distributions.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not applicable	Transfer Price
Receipt Accounting	Trade Receipt Accrual	Interorganization Payable	-100	USD	Not applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	40	USD	Profit in Inventory	Internal Markup

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material, Overhead, and Profit in Inventory	Transfer Price
Receipt Accounting	Interorganization Receipt	Receiving Inspection	100	USD	Not applicable	Transfer Price
Receipt Accounting	Interorganization Receipt	Trade In-Transit	-100	USD	Not applicable	Transfer Price
Cost Accounting	Interorganization Delivery	Inventory	50	USD	Material	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	40	USD	Profit in Inventory	Internal Markup
Cost Accounting	Interorganization Delivery	Receiving Inspection	-100	USD	Material, Overhead, and Profit in Inventory	Transfer Price

Related Topics

- Example of Accounting of Interorganization Transfers Within the Same Business Unit
- Review Item Cost and Global Procurement Trade Transaction Accounting

Example of Accounting of Trade Transactions in Internal Drop Shipments

An internal drop shipment is a trade transaction involving the movement of goods from an inventory organization directly to a customer, yet the business unit that sells the goods to the customer is different from the business unit to which the inventory organization belongs.

From the financial standpoint, the business unit to which the inventory organization belongs sells the goods to the other business unit who, in turn, sells the goods to the customer.

The following is an example of accounting performed by Oracle Cost Accounting and Oracle Receipt Accounting for an internal drop shipment. It illustrates:

- Transactions that are captured in Oracle Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the drop shipment flow from the selling organization to the customer of the buying organization.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the customer to the seller.

Scenario

China Ltd. drop ships the goods to the customer of US Inc.

Transactions from Supply Chain Financial Orchestration

The trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

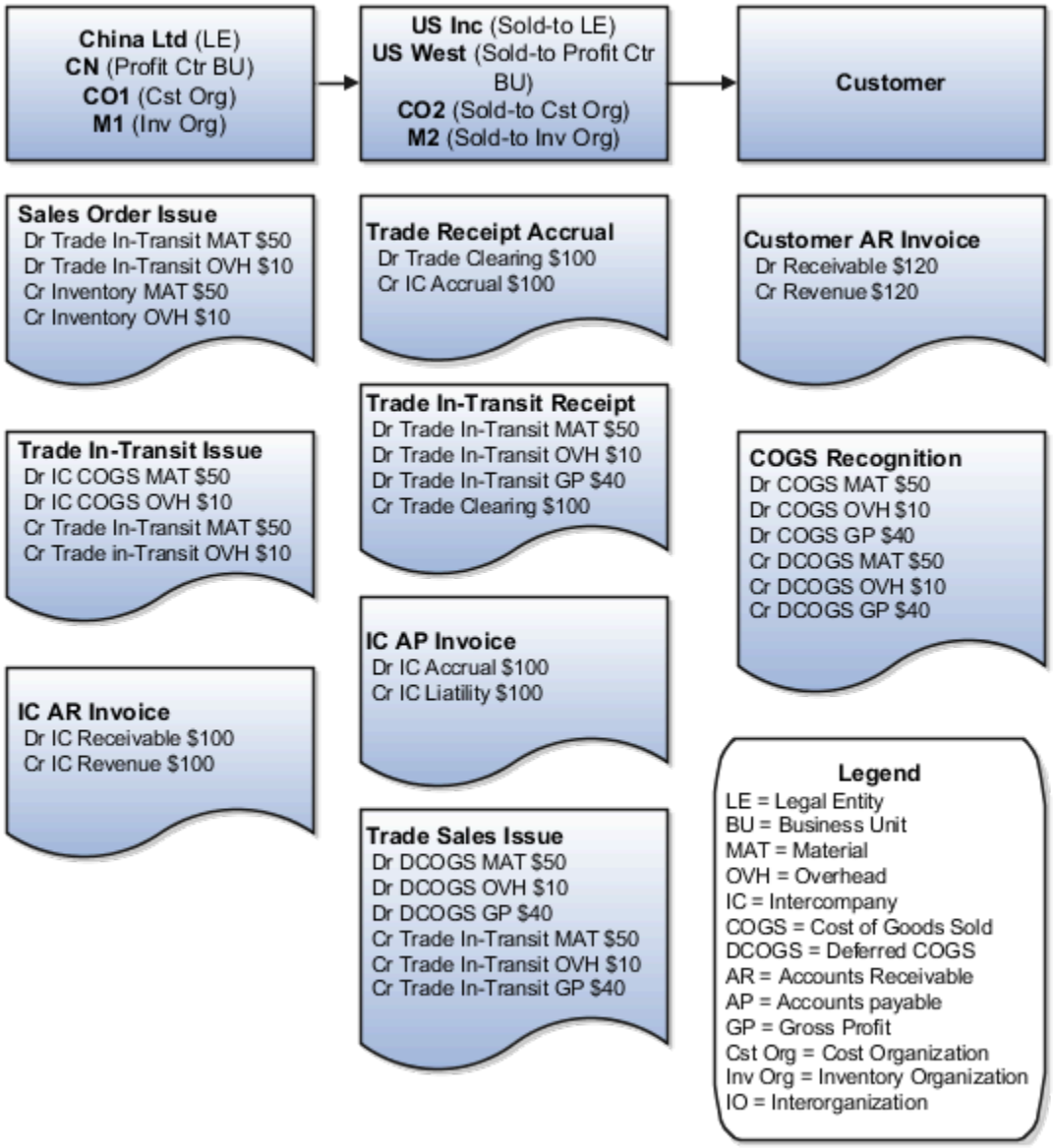
- China Ltd. acquires goods locally at the cost of USD 50, plus USD 10 overhead on the receipt of goods.
- Intercompany transfer price from China Ltd. to US Inc. is USD 100.
- Intercompany invoicing is set to Yes.
- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in Cost Organization CO1.
- US Inc. books a profit of USD 40 (USD 100 transfer price - USD 50 PO price - USD 10 overhead).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the transfer of goods.

Accounting Entries

The following figure illustrates accounting entries for the shipment from legal entity China Ltd. to legal entity US Inc.



Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes the cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Sales Order Issue	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	Sales Order Issue	Trade In-Transit	10	USD	Overhead	Current Cost

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Sales Order Issue	Inventory	-50	USD	Material	Current Cost
Cost Accounting	Sales Order Issue	Inventory	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Current Cost
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD	Not Applicable	Transfer Price

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

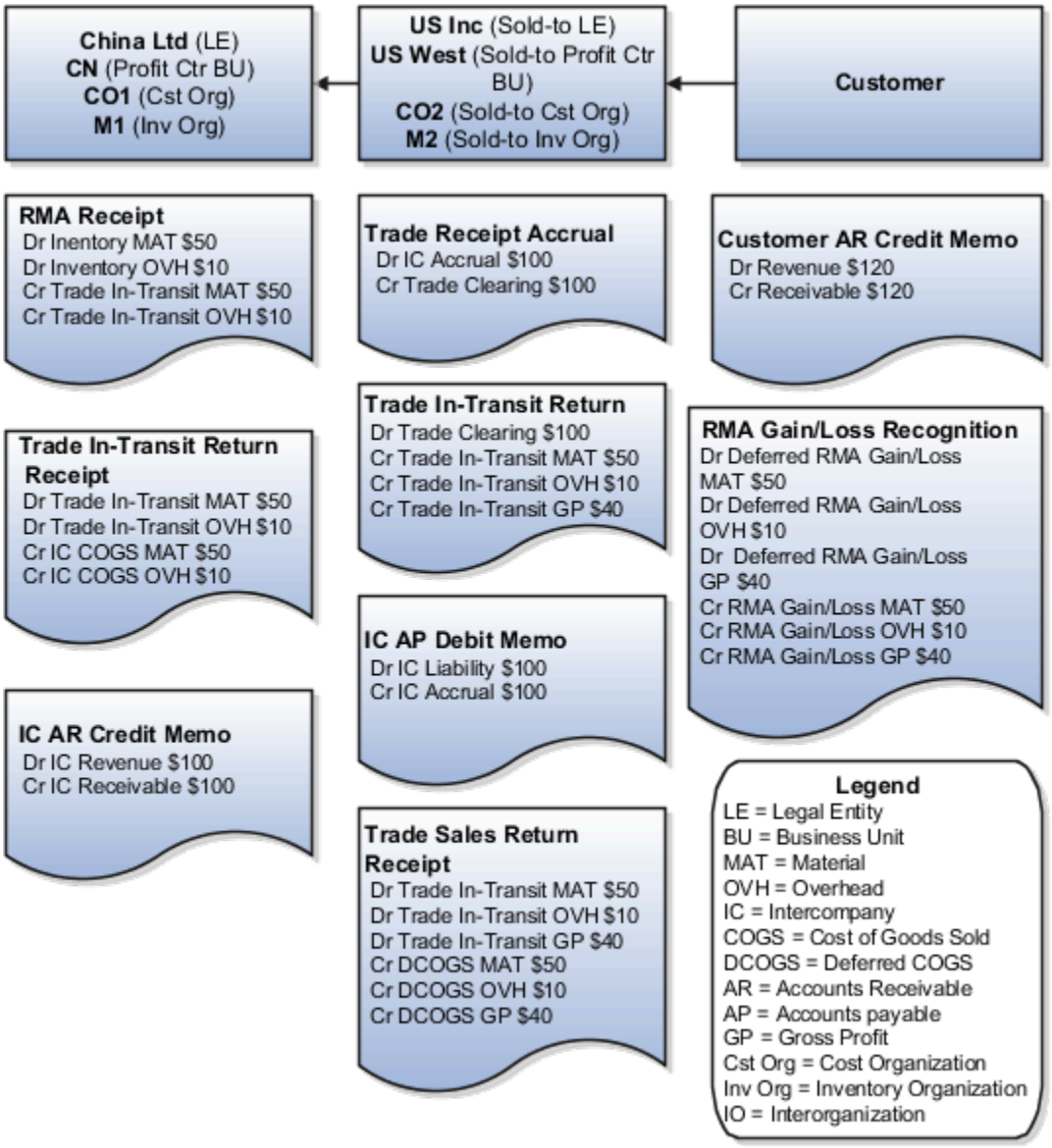
The following table describes the receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	40	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material, Overhead, and Profit in Inventory	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	40	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade Sales Issue	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade Sales Issue	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade Sales Issue	Trade In-Transit	-40	USD	Profit in Inventory	Internal Markup

The customer returns goods directly to China Ltd.

The following figure illustrates accounting entries for the return flow from US Inc (Sold-to Legal Entity) to China Ltd (Legal Entity).



Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

The following table describes those receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD	Not Applicable	Transfer Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD	Split into three lines (Material, Overhead, and Profit in Inventory)	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-40	USD	Profit in Inventory	Internal Markup
Accounts Payable	Intercompany Accounts Payable Debit Memo	Intercompany Liability	100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Debit Memo	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade Sales Return Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade Sales Return Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade Sales Return Receipt	Trade In-Transit	40	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-40	USD	Profit in Inventory	Internal Markup

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes those accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	RMA Receipt	Inventory*	50	USD	Material	Current Cost
Cost Accounting	RMA Receipt	Inventory	10	USD	Overhead	Current Cost
Cost Accounting	RMA Receipt	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	RMA Receipt	Trade In-Transit	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-10	USD	Overhead	Current Cost
Accounts Receivable	Intercompany Accounts Receivable Credit Memo	Intercompany Revenue	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Credit Memo	Intercompany Receivable	-100	USD	Not Applicable	Transfer Price

* Inventory is received at the current cost, and the difference between transfer price and cost is booked as cost variance.

Related Topics

- Overview of Global Procurement Trade Accounting
- Review Item Cost and Global Procurement Trade Transaction Accounting
- Example of Accounting of Global Procurement Trade Transactions into Inventory
- Promise Sales Orders in Your Drop Ship Flow

Example of Accounting of Global Procurement Trade Transactions into Expense

Oracle Receipt Accounting and Oracle Cost Accounting process transactions and create distributions for global procurement purchases that are received into expense destinations rather than inventory, and for services that are expensed.

The following is an example of accounting performed by Cost Accounting and Receipt Accounting for a global procurement flow into expense. It illustrates:

- Transactions that are captured in Oracle Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the forward flow of goods or services from the supplier, through the intermediary distributor, to the final receiving organization.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the receiving organization to the supplier.

Scenario

China Supplier ships the goods to US Inc. and the goods flow through an intermediary distributor, China Ltd.

Transactions from Supply Chain Financial Orchestration

The global procurement trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

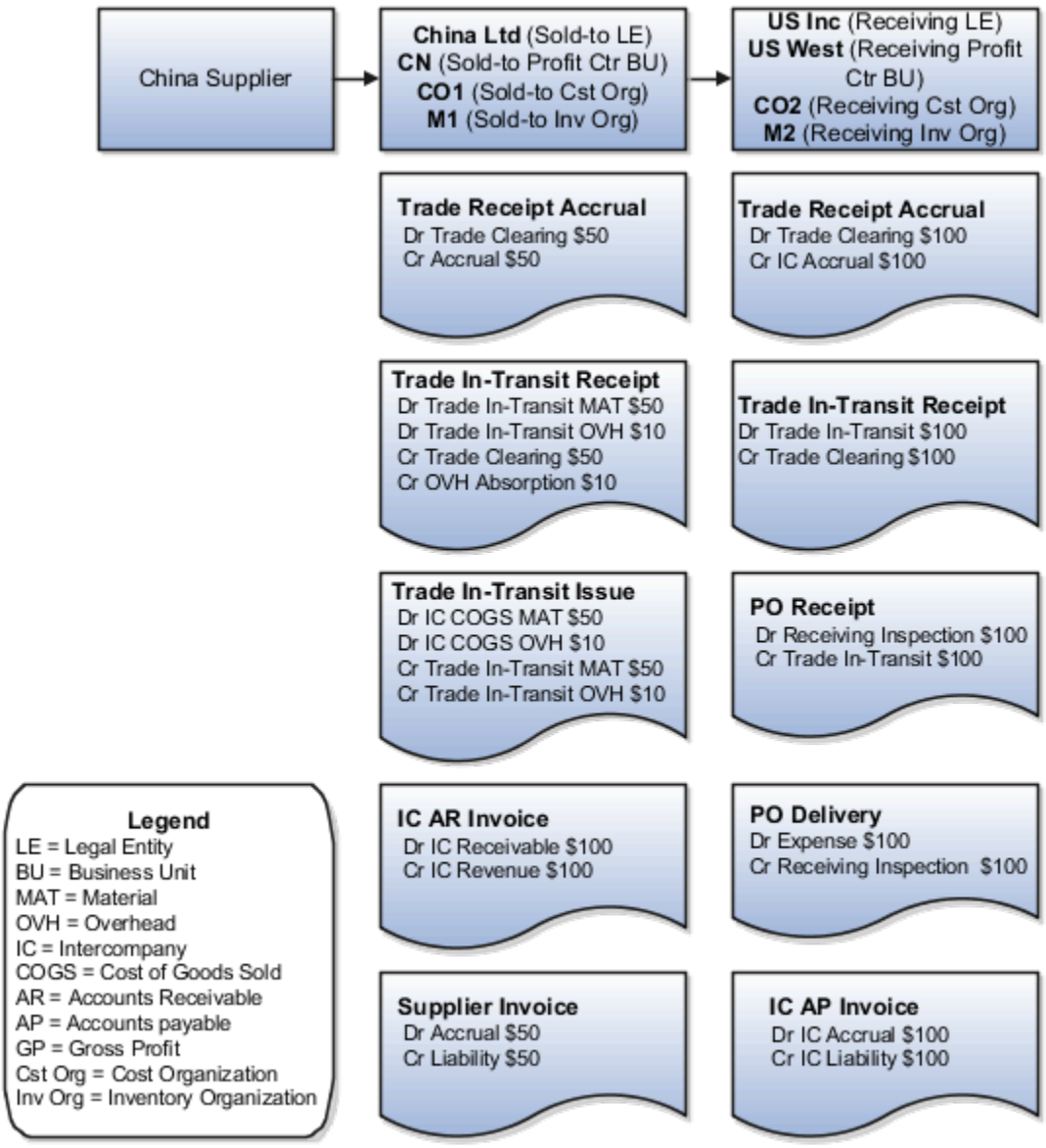
- Purchase Order (PO) price from China Supplier to China Ltd is USD 50.
- Intercompany transfer price from China Ltd to US Inc is USD 100.
- Intercompany invoicing is set to Yes.
- Profit tracking is set to Yes.
- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in cost organization CO1.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following figure illustrates the accounting entries for the forward flow from China Ltd (sold-to legal entity) to US Inc (receiving legal entity).



Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes those receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	50	USD	Not Applicable	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Accrual	-50	USD	Not Applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Receipt	Overhead Absorption	-10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Supplier Invoice	Accrual	50	USD	Not Applicable	PO Price
Receipt Accounting	Supplier Invoice	Liability	-50	USD	Not Applicable	PO Price

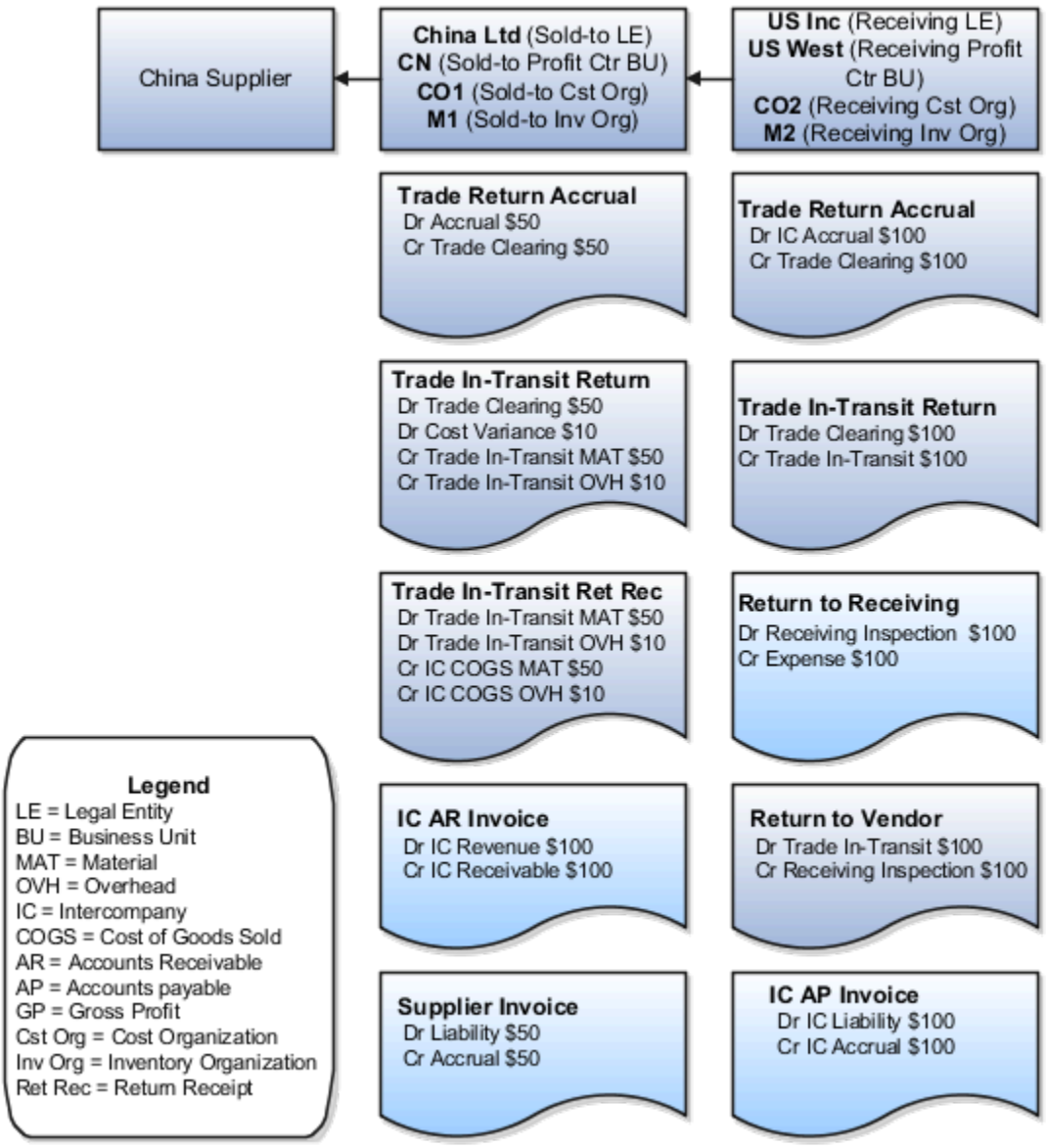
Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

The following table describes those receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Receipt	Trade In-Transit	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Delivery	Expense	100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Delivery	Receiving Inspection	-100	USD	Not Applicable	Transfer Price

US Inc. returns goods directly to China Supplier.

The following figure illustrates the accounting entries for the return flow from legal entity US Inc. to legal entity China Ltd .



Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

The following table describes those receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD	Not Applicable	Transfer Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD	Material	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD	Material	Transfer Price
Receipt Accounting	Return to Receiving	Receiving Inspection	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Return to Receiving	Expense	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Return to Supplier	Trade In-Transit	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Return to Supplier	Receiving Inspection	-100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes those receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	50	USD	Not Applicable	PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-50	USD	Not Applicable	PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	50	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Return	Cost Variance*	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	-10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivables	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Supplier Invoice	Liability	50	USD	Not Applicable	PO Price
Receipt Accounting	Supplier Invoice	Accrual	-50	USD	Not Applicable	PO Price

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

Related Topics

- Example of Accounting of Global Procurement Trade Transactions into Inventory
- Overview of Global Procurement Trade Accounting
- Review Item Cost and Global Procurement Trade Transaction Accounting

Example of Accounting of Interorganization Transfers Within the Same Business Unit

An interorganization transfer is a trade transaction involving the movement of goods or services between organizations in the supply chain. When the transfer occurs between organizations within the same profit center business unit, the transfer is always at cost and there is no intercompany invoicing.

Oracle Cost Accounting creates the trade events and they do not flow through Oracle Supply Chain Financial Orchestration.

The following is an example of accounting performed by Oracle Receipt Accounting and Cost Accounting for an interorganization transfer of goods between inventory organizations within the same profit center business unit.

Scenario

Inventory organization M1 makes a transfer of goods to inventory organization M2. Both inventory organizations are under the profit center business unit US West, which is under the legal entity US Inc.

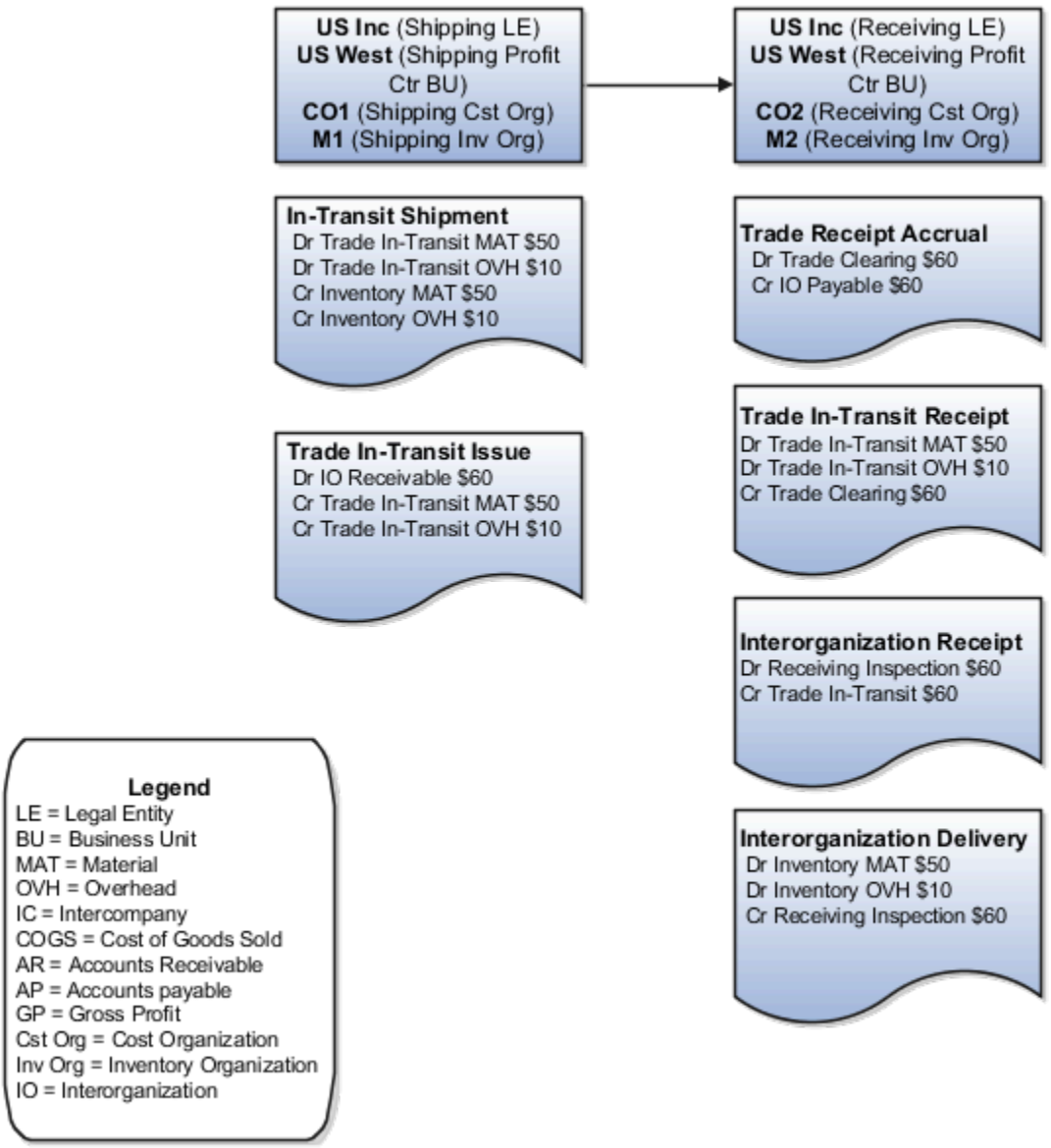
Interorganization Transfer

The cost of goods transferred from M1 to M2 is USD 50 plus overhead of USD 10.

Analysis

Receipt Accounting and Cost Accounting create accounting entries for the transfer of goods.

The following figure illustrates those accounting entries.



Accounting Entries

Receipt Accounting generates distributions under business unit US West and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes the cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Trade In-Transit	50	USD	Material	Current Cost

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Trade In-Transit	10	USD	Overhead	Current Cost
Cost Accounting	In-Transit Shipment	Inventory	-50	USD	Material	Current Cost
Cost Accounting	In-Transit Shipment	Inventory	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Interorganization Receivable	60	USD	Material + Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Current Cost

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

The following table describes the receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	60	USD	Not Applicable	Sending Organization Cost
Receipt Accounting	Trade Receipt Accrual	Interorganization Payable	-60	USD	Not Applicable	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-60	USD	Material + Overhead	Sending Organization Cost
Receipt Accounting	Interorganization Receipt	Receiving Inspection	60	USD	Not Applicable	Sending Organization Cost

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Interorganization Receipt	Trade In-Transit	-60	USD	Not Applicable	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	50	USD	Material	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Receiving Inspection	-60	USD	Material + Overhead	Sending Organization Cost

Related Topics

- Example of Accounting of Interorganization Transfers Across Business Units

Example of Purchase Order Returns Accounted Under Different Cost Methods

This example illustrates how purchase order returns are processed under different cost methods.

Scenario

Let's consider that an item was bought at a purchase order price of $100.

The table lists the accounting entries created upon PO receipt.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr
Cost Accounting	PO Receipt	Inventory Valuation	100
Cost Accounting	PO Receipt	Receiving Inspection	-100

At the time of processing the return, if the item's cost hasn't changed, these accounting entries are simply reversed. If the items's cost has changed due to any reason, returns are processed according to the cost methods used. Let's look at how purchase order returns are processed under different cost methods.

Returns Accounted Under the Perpetual Average Cost Method

Let's assume that the perpetual average cost is $120. The table lists the entries that are created for a return when the purchase order price is $100.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Cost Source
Cost Accounting	Return to Supplier	Inventory Valuation	-120	Perpetual average cost
Cost Accounting	Return to Supplier	Receiving Inspection	120	Perpetual average cost
Cost Accounting	Return to Supplier	Receiving Inspection	-20	Perpetual average cost – PO price
Cost Accounting	Return to Supplier	Cost Variance	20	Perpetual average cost – PO price

Returns Accounted Under the Actual Cost Method

Let's assume that the actual receipt layer cost is $120.

When using the actual cost-based accounting, these accounting entries are generated when the PO price is $100.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Cost Source
Cost Accounting	Return to Supplier	Inventory Valuation	-120	Receipt layer cost
Cost Accounting	Return to Supplier	Receiving Inspection	120	Receipt layer cost
Cost Accounting	Return to Supplier	Receiving Inspection	-20	Receipt layer cost - PO price
Cost Accounting	Return to Supplier	Cost Variance	20	Receipt layer cost - PO price

Returns Accounted Under the Periodic Average Cost Method

In the periodic average cost method, irrespective of the periodic average cost, the inventory is always depleted at the PO price. PO return is a cost owned transaction.

The table lists the accounting entries created for a PO return when the PO price is $100.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Cost Source
Cost Accounting	Return to Supplier	Inventory Valuation	-100	PO price
Cost Accounting	Return to Supplier	Receiving Inspection	100	PO price

Receipts and Returns Accounted Under the Standard Cost Method

Let's look at the receipt and return of a standard-costed item, where the standard cost is $110.

These accounting entries are created upon PO receipt when the PO price is $100:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Cost Source
Cost Accounting	PO Receipt	Inventory Valuation	110	Standard cost

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Cost Source
Cost Accounting	PO Receipt	Receiving Inspection	-110	Standard cost
Cost Accounting	PO Receipt	Receiving Inspection	10	Standard cost - PO price
Cost Accounting	PO Receipt	Purchase Price Variance	-10	Standard cost - PO price

If there is no change in the standard cost, the above entries will be reversed upon purchase order return.

Assuming that the standard cost has increased to $120, these accounting entries will be created for the purchase order return.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Cost Source
Cost Accounting	Return to Supplier	Inventory Valuation	-120	Standard cost
Cost Accounting	Return to Supplier	Receiving Inspection	120	Standard cost
Cost Accounting	Return to Supplier	Receiving Inspection	-20	Standard cost - PO price
Cost Accounting	Return to Supplier	Purchase Price Variance	20	Standard cost - PO price

Example of Tax Accounting for a Simple Procurement Transaction

This example illustrates tax accounting performed by Oracle Receipt Accounting and Oracle Cost Accounting for a simple procurement transaction that uses a tax point basis of delivery, that is, taxes are accounted at receipt of the goods.

Scenario

The supplier makes a shipment to the inventory organization based on a purchase order (PO) for USD 1,000, with the following tax details:

- Tax A delivery basis = 10%. Recoverable and nonrecoverable portions are both 50%
- Tax B invoice basis = 20%. Recoverable and nonrecoverable portions are both 50%

Tax Details at Receipt and Invoice

Tax details at the time of receipt of goods are:

- Tax A delivery basis = 15%, which is changed from 10% estimated at the time of purchase order. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 75 (that is, USD 1,000 * 15% * 50%).
- Tax B invoice basis = 25%, which is changed from 20% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 125 (that is, USD 1,000 * 25% * 50%).

Tax details at the time of invoice are:

- Tax A delivery basis = 20%, which is changed from 15% reported and accounted on receipt. Recoverable and nonrecoverable portions are both 50%, however taxes are not recalculated because this transaction uses a tax point basis of delivery.
- Tax B invoice basis = 30%, which is changed from 25% estimated on receipt. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 150.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions when the goods are received and when the invoice is accounted.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Receiving Inspection	1,000	USD	Material	PO Price
Receipt Accounting	PO Receipt	Receiving Inspection	75	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	PO Receipt	Tax Recoverable	75	USD	Tax	Tax A Delivery-Based Recoverable: USD 1,000 * 15% * 50%
Receipt Accounting	PO Receipt	Receiving Inspection	125	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 25% * 50%
Receipt Accounting	PO Receipt	Supplier Accrual	-1,275	USD	Not applicable	Not applicable
Cost Accounting	PO Delivery	Inventory Valuation	1,200*	USD	Not applicable	Not applicable
Cost Accounting	PO Delivery	Receiving Inspection	-1,200*	USD	Not applicable	Not applicable

*PO price plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the supplier when invoice is created:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	1,275	USD	Not applicable	Not applicable
Accounts Payable	Invoice	Tax Recoverable	150	USD	Tax	Tax B Invoice-Based Recoverable: USD 1,000 * 30% * 50%
Accounts Payable	Invoice	Tax B Rate Variance*	25	USD	Not applicable	Difference between tax estimated at 25% and actual calculated at 30%
Accounts Payable	Invoice	Supplier Liability	-1,450	USD	Not applicable	Not applicable

*Tax variance due to the difference between rates at time of delivery versus invoice.

Receipt Accounting and Cost Accounting generate the following accounting entries when invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency
Receipt Accounting	Invoice Price	Receiving Inspection	25	USD
Receipt Accounting	Invoice Price Adjustment	Tax B Rate Variance*	-25	USD
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation**	25	USD
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-25	USD

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

**Inventory acquisition cost adjustment for nonrecoverable tax B.

Related Topics

- Tax Accounting for Receipt Transactions
- What's a tax point basis?
- What's a tax point date?
- When are nonrecoverable taxes calculated on Intercompany transactions?

Example of Tax Accounting for a Consigned Inventory Transaction

This example illustrates tax accounting performed by Oracle Receipt Accounting and Oracle Cost Accounting for a consigned inventory transaction in the supply chain. This transaction uses a tax point basis of delivery, that is, taxes are accounted at receipt of the goods.

Scenario

The supplier makes a consigned shipment to the inventory organization based on a consigned purchase order (PO) for USD 1,000 with the following tax details:

- Tax A delivery basis = 10%. Recoverable and nonrecoverable portions are both 50%
- Tax B invoice basis = 20%. Recoverable and nonrecoverable portions are both 50%

Tax Details at Receipt and Invoice

Tax details at the consigned receipt of goods are:

- Item value = USD 1,000
- Tax A delivery basis = 15%, which is changed from 10% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, or USD 75, that is, USD 1,000 * 15% * 50%.
- Tax B invoice basis = 25%, which is changed from 20% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, or USD 125, that is, USD 1,000 * 25% * 50%.

Tax details at the time of invoice are:

- Item value = USD 1,000
- Tax A delivery basis = 20%. Recoverable and nonrecoverable portions are both both 50%, however taxes are not recalculated because this transaction uses a tax point basis of delivery.
- Tax B invoice basis = 30%, which is changed from 25% estimated at the time of receipt. Recoverable and nonrecoverable portions are both 50%, or USD 150.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions when the consigned good are received, when the status changes from consigned to owned, and when the invoice is accounted.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt of consigned goods:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	1,000	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	75	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	125	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 25% * 50%
Receipt Accounting	Consigned PO Receipt	Consigned Accrual	-1,200	USD	Not applicable	Not applicable
Cost Accounting	Consigned PO Delivery	Consigned Inventory*	1,200	USD	Not applicable	Not applicable
Receipt Accounting	Consigned PO Delivery	Consigned Clearing	-1,200	USD	Not applicable	Not applicable

*PO price plus nonrecoverable taxes A and B.

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of change of status from consigned to owned stock:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	1,000	USD	Material	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	75	USD	Not applicable	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	125	USD	Not applicable	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	-1,200	USD	Not applicable	Not applicable

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	1,000	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	75	USD	Nonrecoverable Tax	Tax A Delivery-Based Nonrecoverable
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	125	USD	Nonrecoverable Tax	Tax B Invoice-Based Nonrecoverable
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-1,200	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	1,000	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	75	USD	Not applicable	Tax A Delivery-Based Nonrecoverable
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	125	USD	Not applicable	Tax B Invoice-Based Nonrecoverable
Receipt Accounting	Trade Receipt Accrual	Tax Recoverable*	75	USD	Not applicable	Tax A Delivery-Based Recoverable
Receipt Accounting	Trade Receipt Accrual	Supplier Accrual	-1,275	USD	Not applicable	Not applicable
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	1,000	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	75	USD	Not applicable	Tax A Delivery-Based Nonrecoverable
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	125	USD	Not applicable	Tax B Invoice-Based Nonrecoverable
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-1,200	USD	Not applicable	Not applicable
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	1,000	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	75	USD	Nonrecoverable Tax	Tax A Delivery-Based Nonrecoverable
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	125	USD	Nonrecoverable Tax	Tax B Invoice-Based Nonrecoverable
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-1,200	USD	Not applicable	Not applicable

*Delivery-based recoverable tax A is calculated on consigned receipt but will be accounted after ownership change event.

Accounts Payable generates the following accounting entries when the invoice is created:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	1,275	USD	Not applicable
Accounts Payable	Invoice	Tax B Recovery	150	USD	Tax B Invoice-Based Recoverable
Accounts Payable	Invoice	Tax B Rate Variance*	25	USD	Not applicable
Accounts payable	Invoice	Supplier Liability	-1,450	USD	Not applicable

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

Receipt Accounting and Cost Accounting generate the following accounting entries when invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency
Receipt Accounting	Invoice Price Adjustment	Trade Clearing	25	USD
Receipt Accounting	Invoice Price Adjustment	Tax B Rate Variance*	-25	USD
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation**	25	USD

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency
Cost Accounting	Acquisition Cost Adjustment	Trade Clearing	-25	USD

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

**Inventory acquisition cost adjustment for nonrecoverable tax B.

Related Topics

- Tax Accounting for Receipt Transactions
- What's a tax point basis?
- What's a tax point date?

Example of Tax Accounting for a Purchase Order Retroactive Price Change

This example illustrates tax accounting performed by Oracle Receipt Accounting and Oracle Cost Accounting for a retroactive price change on a purchase order (PO) receipt that is partially invoiced.

Scenario

The supplier makes a shipment to the inventory organization based on a purchase order for 10 units, at a per unit price of USD 100. After receipt of the goods, a partial invoice is created for 2 units at USD 100 per unit.

The purchase order price changes retroactively from USD 100 to USD 120. The remaining balance of 8 units is invoiced at USD 120 per unit.

Tax Details

This transaction uses a tax point basis of delivery, that is, taxes are accounted at the time of receipt of goods.

Taxes details are the same after the retroactive price change on the PO:

- Tax A delivery basis = 20%. Recoverable and nonrecoverable portions are both 50%.
- Tax B invoice basis = 30%. Recoverable and nonrecoverable portions are both 50%.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions at the time of receipt of goods, after the retroactive purchase order price change, and for the differential invoice.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt of goods:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Receiving Inspection	1,000	USD	Material	PO Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 20% * 50%
Receipt Accounting	PO Receipt	Tax Recoverable (Tax A)	100	USD	Tax	Tax A Delivery-Based Recoverable: USD 1,000 * 20% * 50%
Receipt Accounting	PO Receipt	Receiving Inspection	150	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 30% * 50%
Receipt Accounting	PO Receipt	Supplier Accrual	-1,350	USD	Material	Not applicable
Cost Accounting	PO Delivery	Inventory Valuation	1,250*	USD	Not applicable	Not applicable
Cost Accounting	PO Delivery	Receiving Inspection	-1,250*	USD	Not applicable	Not applicable

*PO price plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the supplier when partial invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	270*	USD	Not applicable	Item Price plus Nonrecoverable Taxes A and B for 2 units = USD 1, 350/10 * 2
Accounts Payable	Invoice	Tax Recoverable	30	USD	Tax	Tax B Invoice-Based Recoverable: USD 200 * 30% * 50%
Accounts Payable	Invoice	Supplier Liability	-300	USD	Not applicable	Not applicable

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount

*Accrual is debited to the extent quantity is invoiced, which is 2 units.

Receipt Accounting and Cost Accounting generate the following accounting entries after the retroactive purchase order price change:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	160*	USD	Material	USD 120 - USD 100 * uninvoiced quantity of 8 units
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	16	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Tax Recoverable (Tax A)	16	USD	Tax	Tax A Delivery-Based Recoverable: USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	24	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Supplier Accrual	-216	USD	Material	Not applicable
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation	200**	USD	Not applicable	Not applicable
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-200	USD	Not applicable	Not applicable

*Retroactive price adjustment accounted only for the uninvoiced quantity, that is, 10 units received minus 2 units invoiced = 8 units uninvoiced.

** Retroactive PO price change plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the balance of 8 units:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	960	USD	Item Price USD 120 * 8
Accounts Payable	Invoice	Supplier Accrual	96	USD	Tax A Delivery-Based Nonrecoverable: USD 120 * 8 * 20% * 50%
Accounts Payable	Invoice	Supplier Accrual	96	USD	Tax A Delivery-Based Recoverable: USD 120 * 8 * 20% * 50%
Accounts Payable	Invoice	Supplier Accrual	144	USD	Tax B Invoice-Based Nonrecoverable: USD 120 * 8 * 30% * 50%
Accounts Payable	Invoice	Recoverable Tax B	144	USD	Tax B Invoice-Based Recoverable: USD 120 * 8 * 30% * 50%
Accounts Payable	Invoice	Supplier Liability	-1,440	USD	Not applicable

Accounts Payable generates the following accounting entries for the original invoice quantity of 2 units at the revised PO price:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Accounts Payable	Invoice	Invoice Price Variance	40	USD	Difference in PO Item Price USD 20 * 2
Accounts Payable	Invoice	Tax Invoice Price Variance Tax A	4	USD	Tax A Delivery-Based Nonrecoverable
Accounts Payable	Invoice	Tax Invoice Price Variance Tax B	6	USD	Tax B Invoice-Based Nonrecoverable
Accounts Payable	Invoice	Recoverable Tax A	4	USD	Tax A Delivery-Based Recoverable
Accounts Payable	Invoice	Recoverable Tax B	6	USD	Tax B Invoice-Based Recoverable
Accounts Payable	Invoice	Supplier Liability	-60	USD	Not applicable

Cost Accounting and Receipt Accounting generate the following accounting entries for the differential invoice:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency
Receipt Accounting	Invoice Price Adjustment	Receiving Inspection	50	USD
Receipt Accounting	Invoice Price Adjustment	Invoice Price Adjustment	-40	USD
Receipt Accounting	Invoice Price Adjustment	Tax Invoice Price Adjustment	-10*	USD
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation	50**	USD
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-50	USD

*Nonrecoverable taxes A and B on the differential invoice price.

**Difference between invoice price and nonrecoverable taxes A and B.

Related Topics

- Tax Accounting for Receipt Transactions
- What's a tax point basis?
- What's a tax point date?

Example of Tax Accounting for Interorganization Transfers Across Business Units

This example illustrates tax accounting performed by Oracle Receipt Accounting and Oracle Cost Accounting for interorganization transfers across business units.

Scenario

Vision Operations ships the goods to Singapore Operations. The organizations are in two different profit center business units.

Transactions from Oracle Supply Chain Financial Orchestration

The trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

- Vision Operations acquires goods locally at the cost of USD 12.

- Intercompany transfer price from Vision Operations to Singapore Operations is USD 15, with the following tax details:
    - Exclusive Tax A = 1.5 USD.
    - Recoverable and nonrecoverable portions are both same, that is, 50%.
- Order is for 1 unit.
- Profit tracking is set to Yes.
- Intercompany Invoicing is set to Yes.
- Vision Operations books a profit of USD 3 (USD 15 transfer price - USD 12 acquisition cost).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the transfer of goods.

Accounting Entries

Accounting entries are created for shipment of goods from the legal entity Vision Operations to the other legal entity Singapore Operations.

The following table describes the accounting entries for the shipping organization, that is, for Vision Operations:

Subledger	Event Type	Account Line Type	Cost Element	Amount in Functional Currency +Dr/-Cr
Cost Accounting	Transfer Order Shipment	Trade In-Transit	Item Cost	12
Cost Accounting	Transfer Order Shipment	Inventory Valuation	Item Cost	-12
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	Item Cost	12
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	Item Cost	-12
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	Transfer Price	15
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	Transfer Price	-15
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	Total Tax	1.5
Accounts Receivable	Intercompany Accounts Receivable Invoice	Tax Liability	Total Tax	-1.5

The following table describes the accounting entries for the receiving organization, that is, for Singapore Operations:

Event	Event Type	Account Line Type	Cost Element	Amount in Functional Currency +Dr/-Cr
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	Transfer Price	15
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	Nonrecoverable Tax	0.75
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	Transfer Price	-15
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	Nonrecoverable Tax	-0.75
Receipt Accounting	Transfer Order Receipt	Receiving Inspection	Transfer Price	15
Receipt Accounting	Transfer Order Receipt	Receiving Inspection	Nonrecoverable Tax	0.75
Receipt Accounting	Transfer Order Receipt	Trade In-Transit	Transfer Price	-15
Receipt Accounting	Transfer Order Receipt	Trade In-Transit	Nonrecoverable Tax	-0.75
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	Item Cost	12
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	Item Cost	-12
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	Nonrecoverable Tax	0.75
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	Nonrecoverable Tax	-0.75
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	Profit In Inventory	3
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	Profit In Inventory	-3
Cost Accounting	Transfer Order Receipt	Inventory Valuation	Item Cost	12
Cost Accounting	Transfer Order Receipt	Receiving Inspection	Item Cost	-12
Cost Accounting	Transfer Order Receipt	Inventory Valuation	Nonrecoverable Tax	0.75
Cost Accounting	Transfer Order Receipt	Receiving Inspection	Nonrecoverable Tax	-0.75
Cost Accounting	Transfer Order Receipt	Inventory Valuation	Profit In Inventory	3
Cost Accounting	Transfer Order Receipt	Receiving Inspection	Profit In Inventory	-3

Event	Event Type	Account Line Type	Cost Element	Amount in Functional Currency +Dr/-Cr
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	Transfer Price	15
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	Transfer Price	-15
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	Nonrecoverable Tax	0.75
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	Nonrecoverable Tax	-0.75
Accounts Payable	Intercompany Accounts Payable Invoice	Tax Recoverable	Recoverable Tax	0.75
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	Recoverable Tax	-0.75

Related Topics

- Tax Accounting for Receipt Transactions
- What's a tax point basis?
- What's a tax point date?

Example of Tax Accounting for Internal Drop Shipments

This example illustrates tax accounting performed by Oracle Receipt Accounting and Oracle Cost Accounting for internal drop shipment.

Scenario

Vision Operations drop ships the goods to the customer of Singapore Operations.

Transactions from Oracle Supply Chain Financial Orchestration

The trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

- Vision Operations acquires goods locally at the cost of USD 12.
- Intercompany transfer price from Vision Operations to Singapore Operations is USD 15, with the following tax details:
    - Exclusive Tax A = 1.5 USD.
    - Recoverable and nonrecoverable portions are both same, that is, 50%.

- Order is for 1 unit.
- Profit tracking is set to Yes.
- Intercompany Invoicing is set to Yes.
- Vision Operations books a profit of USD 3 (USD 15 transfer price - USD 12 PO price).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the transfer of goods.

Accounting Entries

Accounting entries are created for shipment of goods from the legal entity Vision Operations to the other legal entity Singapore Operations.

The following table describes the accounting entries for the shipping organization, that is, for Vision Operations:

Subledger	Event Type	Account Line Type	Cost Element	Amount in Functional Currency +Dr/-Cr
Cost Accounting	Sales Order Shipment	Trade In Transit	Item Cost	12
Cost Accounting	Sales Order Shipment	Inventory Valuation	Item Cost	-12
Cost Accounting	Trade In Transit Issue	Intercompany Cost of Goods Sold	Item Cost	12
Cost Accounting	Trade In Transit Issue	Trade In Transit	Item Cost	-12
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	Transfer Price	15
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	Transfer Price	-15
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	Total Tax	1.5
Accounts Receivable	Intercompany Accounts Receivable Invoice	Tax Liability	Total Tax	-1.5

The following table describes the accounting entries for the receiving organization, that is, for Singapore Operations:

Subledger	Event Type	Account Line Type	Cost Element	Amount in Functional Currency +Dr/-Cr
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	Transfer Price	15

Subledger	Event Type	Account Line Type	Cost Element	Amount in Functional Currency +Dr/-Cr
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	Nonrecoverable Tax	0.75
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	Transfer Price	-15
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	Nonrecoverable Tax	-0.75
Cost Accounting	Trade In Transit Receipt	Trade In Transit	Item Cost	12
Cost Accounting	Trade In Transit Receipt	Trade Clearing	Item Cost	-12
Cost Accounting	Trade In Transit Receipt	Trade In Transit	Nonrecoverable Tax	0.75
Cost Accounting	Trade In Transit Receipt	Trade Clearing	Nonrecoverable Tax	-0.75
Cost Accounting	Trade In Transit Receipt	Trade In Transit	Profit In Inventory	3
Cost Accounting	Trade In Transit Receipt	Trade Clearing	Profit In Inventory	-3
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	Item Cost	12
Cost Accounting	Trade Sales Issue	Trade In Transit	Item Cost	-12
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	Nonrecoverable Tax	0.75
Cost Accounting	Trade Sales Issue	Trade In Transit	Nonrecoverable Tax	-0.75
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	Profit In Inventory	3
Cost Accounting	Trade Sales Issue	Trade In Transit	Profit In Inventory	-3
Cost Accounting	Cost of Goods Sold Recognition	Cost of Goods Sold	Item Cost	12
Cost Accounting	Cost of Goods Sold Recognition	Deferred Cost of Goods Sold	Item Cost	12
Cost Accounting	Cost of Goods Sold Recognition	Cost of Goods Sold	Nonrecoverable Tax	0.75

Subledger	Event Type	Account Line Type	Cost Element	Amount in Functional Currency +Dr/-Cr
Cost Accounting	Cost of Goods Sold Recognition	Deferred Cost of Goods Sold	Nonrecoverable Tax	-0.75
Cost Accounting	Cost of Goods Sold Recognition	Cost of Goods Sold	Profit In Inventory	3
Cost Accounting	Cost of Goods Sold Recognition	Deferred Cost of Goods Sold	Profit In Inventory	-3
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	Transfer Price	15
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	Transfer Price	-15
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	Nonrecoverable Tax	0.75
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	Nonrecoverable Tax	-0.75
Accounts Payable	Intercompany Accounts Payable Invoice	Tax Recoverable	Recoverable Tax	0.75
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	Recoverable Tax	-0.75

Note: Inventory is received at the current cost, and the difference between transfer price and cost is booked as cost variance.

Related Topics

- Tax Accounting for Receipt Transactions
- What's a tax point basis?
- What's a tax point date?

Reports and Analytics for Receipt Accounting

You can use the Reports and Analytics work area to access predefined reports and analytics that are related to your role.

The reports available for Receipt Accounting are listed here. You can generate these reports for a specific business unit. You can optionally specify an item range or item category range, supplier, and supplier site to filter the information in the reports.

- Accrual Clearing Report

  The Accrual Clearing Report provides a list of accrual clearing transactions, for a purchase order and accrual account, that have been automatically or manually cleared. As a cost accountant, you would typically use this report during period end to review the accruals cleared. You must specify a date range within which the transactions occurred will be considered for generating the report. You can optionally specify the accrual account for which the report must be generated.

- Accrual Reconciliation Report

  The Accrual Reconciliation Report provides information for reviewing and reconciling accrual balances. You can manage the balance of accrued supplier liabilities for a business unit. As a cost accountant, you would typically use this report during period end to review balances in the accrual account.

  You must specify a date range within which the transactions occurred will be considered for generating the report. You can optionally specify the accrual account for which the report must be generated.

  You can also opt to specify an accrual tolerance amount and a comparison operator. For example, if Accrual Tolerance Amount > 0 means the received amount is greater than the invoiced amount. If Accrual Tolerance Amount = 0 means invoiced and received amounts are same. If Accrual Tolerance Amount < 0 means invoiced amount is greater than received amount.

  You can either generate a Detail report or a Summary report by specifying the layout during report generation.

- Period In-transit Inventory Valuation Report for Purchase Orders

  The Period In-transit Inventory Valuation Report for Purchase Orders helps in reviewing and analyzing detailed in-transit information for each purchase order schedule and shipment line. This report also provides a summary of in-transit amounts, distributions amounts, and final accounted amounts by inventory organization for a period.

  The in-transit amount is computed by multiplying the net shipment quantity with the sum of the purchase order price and nonrecoverable tax. The net shipment quantity is arrived at by deducting the receipt quantity for the purchase order schedule from the shipment quantity on the ASN.

  The report provides age information that helps you identify old advanced shipment notices (ASNs) and take corrective actions.

  This report is automatically generated when you run the Record In-transit Inventory and Expense for External Purchases process.

- Uninvoiced Receipt Accrual Report

  The Uninvoiced Receipt Accrual Report provides information for reviewing uninvoiced purchase order receipts due for accrual or already accrued in a business unit for a given period. As a cost accountant, you would typically use this report during period end to review the receipt accruals.

  You must specify the accounting period for which you want to generate the report. You can also opt to specify an accrual tolerance amount and a comparison operator. For example, if Accrual Tolerance Amount > 0 means the received amount is greater than the invoiced amount. If Accrual Tolerance Amount = 0 means invoiced and

received amounts are same. If Accrual Tolerance Amount < 0 means invoiced amount is greater than received amount.

You can either generate a Detail report or a Summary report by specifying the layout during report generation.

As a best practice, you must run the Create Uninvoiced Receipt Accruals process in the Report mode, to view the report data and then run the Create Uninvoiced Receipt Accruals in the Accounting Mode after the numbers are clean.

You can also manually generate these reports or schedule automatic generation of these reports from the Scheduled Processes work area.

Predefined OTBI Reports

You can also use the various predefined OTBI reports to generate, review, and analyze the relevant information. These reports, which you can modify as per your requirements, can be accessed from **Shared Folders/Supply Chain Management/Cost Management/Transactional Analysis Samples**.

- Goods Received Not Invoiced: This dashboard is available under the **Receipt Accounting Distributions** subfolder.
- Receipt Accounting Period End Validation Error Transactions: This dashboard is available under the **Period End** subfolder.
- Receipt Accounting Period End Validation Summary: This dashboard is available under the **Period End** subfolder.
- Uninvoiced Period End Receipt Accruals: This dashboard provides these reports:
    - Uninvoiced Receipts Period End Accrual Summary
    - Uninvoiced Receipts Period End Accrual Details
    - Accrue at Period End Purchases Receipt Details
    - Accrue at Period End Purchases Invoice Details

  You must run the Create Uninvoiced Receipt Accruals process either in the Report or Accounting mode for the data to be available for analyzing and reporting in OTBI.

OTBI Subject Areas

In addition to the predefined reports, you can generate custom reports and analytics by using the subject areas listed here:

- Receipt Accounting Real Time
- Receipt Accounting Period Close Real Time
- Receipt Accounting Uninvoiced Receipt Accruals Real Time
- Landed Costs Real Time

For more information on accessing and modifying reports and analytics, refer to the guide Creating and Administering Analytics and Reports.

Related Topics

- Overview of Creation and Administration of SCM Analytics and Reports
- Oracle Supply Chain Management Cloud: View Supply Chain Management Reports and Analyses
- Business Intelligence Catalog
- SCM Subject Areas in Oracle Transactional Business Intelligence

FAQ for Receipt Accounting Reports

Why is the Accrual Reconciliation Report not populated with any data?

To ensure that the report is populated with the appropriate data, you must perform these tasks:

1. Receive purchase order lines.
2. Run the processes listed here from the Scheduled Processes work area:
    - Transfer from Receiving to Cost Management
    - Transfer from Inventory to Cost Management
    - Transfer Cost to Cost Management (ensure that the invoices are final accounted)
3. Run the Create Receipt Accounting Distributions process for the business unit.
4. Run the Create Accounting process with the Subledger Application set to **Receipt Accounting** and Accounting Mode set to **Final**.
5. Run the Match Receipt Accruals process.
6. Generate the Accrual Reconciliation Report.

Also, ensure that you generate the report for a requisition business unit.

Why aren't some of the purchase orders not appearing in the Accrual Reconciliation Report?

The Accrual Reconciliation Report lists only purchase orders that are set to accrue at receipt.

To review information about purchase orders that are set to accrue at period end, you can perform one of these tasks:

- Run the Uninvoiced Receipt Accruals Report from the Reports and Analytics work area. This report helps you to review the uninvoiced purchase order receipts due for accrual for a given period.
- Run the Create Uninvoiced Receipt Accruals process to create the accounting distributions that can be reviewed on the Review Receipt Accounting Distributions page. On the Review Receipt Accounting Distributions page, search for transactions with the transaction type Period End Accrual. You can scroll down on the page and select the Distributions and Journal Entries tabs to view the accounting details.

Does the Accrual Reconciliation Report provide all the accrual information?

No. The Accrual Reconciliation Report provides accrual information for only purchase orders that are set to accrue at receipt. This report doesn't contain information for purchase orders that are set to accrue at period end, intercompany accruals, and consigned accruals.

Can I use the Receipt Accounting Real Time subject area for accrue at receipt and accrue at period end purchases?

Yes. You can use the Receipt Accounting Real Time subject area to analyze purchases that accrue at receipt and purchases that accrue at period end. You can also use the subject area for intercompany and consigned purchases.

FAQs for 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:
    - Transfer Transactions from Receiving to Receipt Accounting process. Interfaces receipt transactions.
    - Transfer Costs from Payables to Cost Management process. Interfaces accounts payable transactions.
2. Receipt accounting:
    - Receipt Accounting Distribution process.
    - Clear Receipt Accrual Balances process. Executes only if you have predefined accrual clearing rules. Marks purchase orders for automatic clearing.
    - Receipt Accounting Distribution process. Creates distributions for cleared accrual balances.
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.

      > **Note:** You can also perform this step before running the subledger accounting process to know the approximate accrual amount for reconciliation.

- Audit Receipt Accrual Clearing Balances process. Audit the General Ledger accounted accrual balances.

Related Topics

- Receipt Accounting Tasks and Accounting Events

What are the accounting distribution basis options for consigned inventory transactions?

You can perform cost accounting of consigned inventory transactions using zero value or actual cost. Typically, the valuation on the balance sheet for supplier-owned consigned inventory is zero. But you may sometimes want to perform accounting using actual cost.

In either case, the inventory valuation reports always display the pro forma value of consigned goods. Select the accounting distribution basis for consigned inventory on the Manage Cost Profiles page in the Setup and Maintenance work area.

How do I set up accounts for different receipt accounting events?

You can define account rules to assign general ledger accounts to accounting events. Also, you can create mapping sets to define a segment or account combination value for one or more transaction or reference attribute values.

Related Topics

- Set Up User-Defined Account Rules
- Mapping Sets
- Use Predefined Mapping Sets

Why do I see a receipt inspection balance for the purchase orders?

If you're using dual units of measure and the delivered quantity of the purchase order item is more that the received quantity, this will create a receipt inspection balance. You must put away the received quantity so that a receiving inspection imbalance isn't created.

To change the quantity after you put away the received quantity, perform a miscellaneous inventory transaction.

What's a tax point basis?

A point in the receipt transaction process where taxes are accounted and reported to the tax authorities. These can be classified into two categories: delivery-based and invoice-based tax points.

Delivery-based taxes are accounted and reported on the receipt transaction. Invoice-based taxes are accounted and reported when the supplier invoice is created, accounted, or paid.

What's a tax point date?

Tax point date is the date on which the tax is calculated. Tax point date can be either the receipt date or invoice date. Tax rate as on the tax point date is considered for tax calculation.

Tax point date is used in conjunction with tax point basis. For more information about configuring and calculating taxes, see the Oracle Financials Cloud Using Tax guide available on the Oracle Help Center.

When are nonrecoverable taxes calculated on Intercompany transactions?

When trade receipt accrual occurs in the receiving organization, the receipt accounting distributions are created for:

- internal material transfers
- internal drop shipments
- intercompany returns

When creating receipt accounting distributions, both recoverable and nonrecoverable taxes are calculated and accounted. The item cost includes both transfer price and nonrecoverable exclusive tax accrued in the receiving organization.

For material return transactions, tax is calculated only if the referenced transaction has taxes on it.

What's the difference between inclusive basis and exclusive basis in tax calculations?

Inclusive taxes are included in the assessable value or purchase price. For example:

- PO amount: USD 100
- Inclusive tax rate: 10%
- Tax: 100/1.10 = USD 9.09 (distribution amount divided by (1 + tax rate))

Exclusive taxes are added to the purchase price or assessable value. For example:

- PO amount: USD 100
- Exclusive tax rate: 10%
- Tax: 100*0.10 = USD 10.00 (distribution amount multiplied by tax rate)

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.

In the **Setup and Maintenance** work area, you can access both the **Manage Account Rules** task and the **Manage Subledger Journal Entry Rule Sets** task in the **Manufacturing and Supply Chain Materials Management** offering.

> **Note:** You must configure the account rules and journal entry rule sets before proceeding with the setup of subledger accounting rules for receipt accounting.

Is the currency conversion rate on receipt required for foreign currency purchases that are matched to receipt?

If the Match Option is set to Receipt, the conversion rate is derived at the time of receipt creation. However, if the conversion rate isn't available when the receipt is created, then Receipt Accounting considers the rate from General Ledger while the invoice uses the conversion rate in the purchase order.

This can create an imbalance in accounting with open accruals in Receipt Accounting after processing the variances. These open accruals must be manually adjusted in Receipt Accounting.

Is there a separate transfer price for the transfer in secondary ledger?

Transfer price is calculated for the primary ledger and the same is used be for the secondary ledger. Any mismatch between the primary and secondary ledgers must be managed through manual adjustments in the secondary ledger.

What's the implication of changing the accrual setting from at receipt to at period end?

When you change the accrual setting from accrue at receipt to accrue at period end, for all new purchase orders the new setting will be used as the default at the line or schedule level.

Any receipts created for these purchase orders won't be accrued during receipts. After you run the Create Uninvoiced Receipt Accruals process at period end, receipts for these purchase orders will be accrued. However, this won't change anything on the existing open purchase orders or receipts.

3 Cost Planning

Cost Planning Process

Cost Management provides robust support for planning, costing, and analysis of manufacturing costs. You can determine which work definitions to use in costing, efficiently enter and import material, resource, and overhead costs using spreadsheet, and perform cost rollup.

You can simultaneously use multiple costs; for example, one for official external reporting and one for internal simulations. By creating cost profiles, you can define flexible account defaulting rules and valuation policies. In terms of cost analysis, you can view costs by work order, operation, cost element, and variances.

You start cost planning by creating a cost scenario and then defining the various standard costs for items, the resource rates, and the overhead rates. Next, you roll up these costs for a cost scenario to generate the unit cost for assemblies. By creating multiple costs scenarios, you can compare and analyze the costs before you publish the costs. After you're satisfied with the generated costs, you publish the costs so that they can be used for costing the corresponding transactions.

Configuring Item Attributes to Enable Costing

You must configure these costing prerequisite settings on the Manage Items page of the Product Information Management work area:

- Costing Enabled - Set this attribute to Yes to ensure that item costs are reported, valued, and accounted.
- Include in Rollup - Set this attribute to Yes to ensure that items are included in the cost rollup. If this attribute isn't set, the Roll up Costs process defaults it to Yes. To ensure that an item cost isn't considered for cost rollup, you must explicitly set this attribute to No.

For more information on configuring Product Information Management settings for Cost Planning, see the guide Using Product Master Data Management.

Related Topics

- Create a Cost Scenario for Regular Items
- Manage Standard Costs in a Spreadsheet
- Cost Analysis

Supply Chain Cost Rollup

Supply Chain Cost Rollup

Supply chain cost rollup supports multi-level item structure where items at different levels might be manufactured in or procured from different organizations.

You can perform supply chain cost rollup for all manufactured products across multiple organizations, whether you use discrete manufacturing, process manufacturing, or mixed mode manufacturing. However, you can't perform the cost rollup for configured products.

This is useful when:

- You have a multi-level BOM structure spanning across manufacturing organizations where a subassembly is manufactured one plant and then transferred to another plant to manufacture the finished good and both the plants belong to different business units.
- You source the components from multiple sources, say 50% make and 50% buy in an organization. Or you could be doing a 60% buy and 40% transfer from another organization. You can include the blended cost of components for calculating the cost of finished goods.

Supply chain cost rollup considers the sourcing rules to determine whether an item or subassembly is:

- procured from the supplier
- transferred from an internal organization
- manufactured in the current organization

This sourcing rule with rank 1 is used in determining the cost of the item. The sourcing rules can be blended for determining the weighted average cost of an item in the organization, in case there are multiple sourcing rules with a percent allocation.

Note:

- Sourcing rules for items with the supply type set to Phantom are ignored.
- Sourcing rules for items yielded as by-products from process manufacturing work definitions are ignored. The costs of these items would be rolled up using their process manufacturing work definitions.
- For output items that are by-products in the process manufacturing work definitions, costs are calculated assuming 100% make sourcing rule. Any other sourcing rule type is disregarded for these items.

Prerequisites for Supply Chain Cost Rollup

You need to complete the pre-requisites listed here:

- Create active sourcing rules for your items based on your sourcing decisions.
- Assign the sourcing rules to the assignment set.
- Run the Extract Supply Sources process for the assignment set. The sourcing rules in this assignment set can now be used to roll up the costs.

After the sourcing rules are extracted, you can create cost scenarios that are enabled for running supply chain cost rollup. In a supply chain cost rollup enabled scenario, you can select a cost rollup group to specify the organizations in which you want to roll up the costs. You can also select the assignment set that includes your sourcing rules and these rules would be used for calculating the product costs. In addition, if you want to incur transportation charges when your items are transferred across organizations, you can include the transfer charge rule set. Supply chain cost rollup will use the sourcing rule for a combination of item, inventory organization, assignment set, and effective date.

How the Costs are Rolled Up

All products with active work definitions will be rolled up by the supply chain cost rollup process. The standard cost for these products is equal to their rolled-up costs from the work definitions.

The cost rollup process starts by determining if the first level subassembly or components have sourcing rules defined. If not defined, it expects a cost to be set up in the organization associated with the cost scenario. If a sourcing rule is available for the component item, it may be a make item or a buy item in the source organization.

- If the component is a buy item in the source organization, the sourcing rules for the item in the source organization is used.
- In case of a make item, the cost to use is determined based on whether the rollup option is single-level or full cost rollup.
    - For single-level rollup, the latest cost of the item is used. In the case of actual cost, where multiple layers with different costs are available, the average of the layers is used.
    - For full cost rollup, the cost of the subassembly is first rolled up.

When multiple sourcing rules (rank = 1) are defined:

Standard cost of product = (User entered buy cost * Buy sourcing rule allocation) + (Rolled-up cost from work definition * Make sourcing rule allocation) + (Transfer cost * Transfer sourcing rule allocation)

Related Topics

- Create a Cost Scenario for Supply Chain Cost Rollup
- Roll Up Costs

Manage Cost Rollup Groups

A cost rollup group encompasses multiple combinations of cost organization and cost book enabling you to roll up the costs of your products across organizations using a cost scenario.

You need to define a cost rollup group with the cost organization and cost book combinations for which you want to roll up the costs. A cost organization can be used only once in a rollup group. That's to say you can't have a cost organization with two different cost books added to the cost rollup group. Also, you can only add cost organizations that you have access to.

You can create multiple cost rollup groups based on your business needs. A cost rollup group can be used across multiple cost scenarios. After you add a cost rollup group to a cost scenario you can't delete it.

To create a cost rollup group, perform these steps:

1. In the Cost Accounting work area, click the **Manage Cost Rollup Groups** task.
2. Click **Create** on the Cost Rollup Groups page.
3. Enter a name and description for the rollup group and then click **Add**.
4. Select the required cost organization and cost book.

   Repeat steps 3 and 4 for each cost organization and cost book combination that you want to add to the cost rollup group.
5. Click **Create**.

You can also use the REST APIs to create the cost rollup groups with cost organization and cost book combinations.

After you create a cost rollup group you edit or delete it. However, you can't delete a cost rollup group after it's used to create a cost scenario. You can delete such a rollup group only after it's disassociated from the cost scenario.

To edit a cost rollup group, click the edit icon corresponding to the group in the Actions column on the Cost Rollup Groups page. You can add or remove cost organization and cost book combinations when editing a cost rollup group. A cost rollup group must contain at least one cost organization and cost book combination.

Manage Transfer Charge Rules and Rule Sets

Transfer charge rules let you define the charges for transferring an item from one organization to another. The charge rules are defined for cost elements of type Overhead.

Transfer charge rules are defined within a rule set. A transfer charge rule set can be used across multiple scenarios. You can define multiple transfer charge rule sets for different business requirements or for simulation purposes.

Within a rule set, you can define multiple transfer charge rules. A rule must be unique for a given source organization, destination organization, and effective date. You can end date a rule and create a new rule with revised charges in a rule set. You can't edit a transfer charge rule after it has been used by the Roll up Costs process to calculate transfer costs of items.

You can only calculate transfer charges as a percentage of the standard cost of the item in the source organization. All cost elements at all levels participate in calculating the transfer charge.

Standard cost of item in destination organization = Standard cost of item in source organization + Transfer charges.

> **Note:** The standard cost of the item in destination organization won't carry over the expense pool associated with the standard cost of the item in source organization.

To create a transfer charge rule set, perform these steps:

1. In the Cost Accounting work area, click the **Manage Transfer Charge Rule Sets** task.
2. Click **Create** on the Transfer Charge Rule Sets page.
3. Enter a name and description for the rule set and click the save icon.

After you create a rule set, you can add transfer charge rules to it. To create a transfer charge rule, perform these steps:

1. In the Cost Accounting work area, click the **Manage Transfer Charge Rules** task.
2. Click **Create** on the Transfer Charge Rules page.
3. Select the transfer charge rule set to which you want to add the transfer charge rule.
4. Select the source and destination organizations.
5. Set the effective start and end date for the rule.
6. Click **Add**.
7. Select the cost element and expense pool and set the charge value. Only cost elements of type Overhead can be used when defining a charge rule.

   The charge value is a percentage of the standard cost of the item. Define the transfer charges for all the required cost elements by repeating steps 6 and 7.
8. Click **Create** to save the transfer charge rule.

You can also use the REST API to create the transfer charge rule sets and rules.

Transfer charge rules are required if you want to apply markup on the costs of materials when they are transferred across organizations. You can select the transfer charge rule set in your supply chain cost rollup enabled cost scenario. The rollup process would use the transfer charge rules which are effective as of the scenario effective date in the rule set.

Let's consider an example of transfer charge rule set. The source organization is Vision Operations and the destination organization in Seattle.

Cost Element	Cost Element Type	Expense Pool	Charge Type	Value
Freight	Overhead	Transfer EP	Percentage	1.0%

Here's the source assignment for item ABC:

Planning Organization	Sourcing Rule Type	Rule Allocation	Source Organization
Seattle	Transfer From	100%	Vision Operations

The standard cost for ABC in Vision Operations is $3.00 as summed up in this table.

Cost Element	Cost Element Type	Expense Pool	Unit Cost
ZCST-Material	Material		$1.00
ZCST-Electrical	Overhead	MFG Exp Pool	$1.50
ZCST-Rent	Overhead	MFG Exp Pool	$0.50

With the transfer charge applied, standard cost of item ABC in Seattle as calculated by the Roll up Costs process is listed in the table.

Cost Element	Cost Element Type	Expense Pool	Unit Cost
ZCST-Material	Material		$1.00
ZCST-Electrical	Overhead		$1.50
ZCST-Rent	Overhead		$0.50
Freight	Overhead	Transfer EP	$0.03

The standard cost for ABC is $3.03 in Seattle.

Standard cost of item in destination organization = Standard cost of item in source organization + transfer charges

Make Sourcing Variance

If you've defined multiple sourcing rules for a manufactured item, after costing the work order close event for such an item, you'll see Make sourcing variance reported by the application.

Make sourcing variance = (Latest rolled-up cost from work definition - Weighted average cost used for product completion and product return transactions reported during work order execution) * Total completion quantity

A simple example to calculate the make sourcing variance would be as follows:

Assume that the rolled-up cost of your item using its work definition is $15.00. You have manufactured 10 units of this item and the standard cost used to revalue inventory was $10.00. Also, 2 units of the item were returned subsequently, and the standard cost of the item was recalculated as $12.00.

Here, weighted average cost = ($10.00*10.0 + $12.00*2.0)/(10.0+2.0) = $124.00/12.0 = $10.33

Therefore, the make sourcing variance = ($15.00 - $10.33) * 8 = $37.36

You can view the variances on the Variance Amounts tab in the Work Order Detailed Balances page. You can access this page from the Review Work Order Costs page.

Cost Scenario

Cost Rollup Scope

Cost rollup is the process of adding the material, resource, and overhead costs to obtain the total manufacturing cost per unit. When creating a cost scenario, you can set one of these cost rollup scopes that the Roll up Costs process must consider.

- All Items - The process rolls up costs of all the items with an active work definition in the production plant. This rollup scope is only applicable in the case of cost scenarios for regular items.
- Unprocessed Purchase Orders and Work Orders - The process rolls up costs of manufactured configured items and procured configured items if new work orders and purchase orders are generated, respectively. This rollup scope is only applicable in the case of cost scenarios for configured items.

  With this rollup scope you can also define a date from which work orders and purchase orders must be considered for cost rollup. Only work orders with a start date on or after the defined date and purchase orders with an approval date on or after the defined date will be considered for cost rollup.
- Selected Items - The process rolls up costs of only the selected items. In the case of cost scenarios for configured items, if you select a base model, the costs of all configured items associated with the base model get rolled up.
- Selected Item Categories - The process rolls up costs of the items from the selected category.
- Where Used - The process rolls up costs of only those manufactured items that have changes in the component costs or resource rates. This is especially useful when you want to avoid changing standard costs of items that aren't impacted by component cost changes. In the case of cost scenarios for configured items, you can select the items and resources to ensure that only configured items which consume the selected items and resources are considered for cost rollup.

  This rollup scope is also helpful for simulations that help you understand the impact of component costs change on the costs of the manufactured items, while keeping the costs unaffected by manufacturing work definition changes.

Additionally, in the case of cost scenarios for regular items, you can define whether the cost rollup is for a single level or not. If you choose single-level rollup, the process rolls up the cost of only the first level of the item structure for selected items. This helps in calculating the cost of specific items without recalculating cost of its sub-assemblies. When creating a cost scenario, if you don't select single level rollup, the process rolls up the costs of the selected items and all the corresponding subassembly.

Note: Rollup applies only to work definitions of type Standard. Work definitions of type Rework and Transform won't be rolled up.

Use Latest Work Definitions for Cost Rollup

When defining a cost scenario, you can specify whether the latest or active work definitions must be used to calculate the costs by the Roll up Costs process.

In a cost scenario, you can select the **Use Latest Work Definitions** options to indicate that the Roll up Costs process must consider the current active work definition from Manufacturing to calculate the costs. In the case of configured items, the process uses the latest configuration options based on the active work definition of the base models.

If this option isn't selected, the Roll up Costs process uses the work definition structure used to calculate the current standard cost of the regular items. For configured items, the process uses the configuration options used to calculate the current standard cost.

In the case of a cost scenario for regular items, this option is applicable only if the cost rollup scope is set to All Item, Selected Items, or Selected Item Categories. In the case of a cost scenario for configured items, this option is applicable only if the cost rollup scope is set to Selected Items, Selected Item Categories, or Where Used.

The table here lists the impact of selecting or not selecting this option in the case of cost scenarios for configured items.

Rollup Scope	Use Latest Work Definitions Selected	Use Latest Work Definitions Not Selected
Selected Items	Costs of manufactured configured items are rolled up based on the latest configuration options and active work definitions of base models.	Costs of manufactured and procured configured items are rolled up with the configuration options used in the prior cost scenarios to rollup the current standard costs.
Selected Item Categories	Costs of manufactured configured items are rolled up based on the latest configuration options and active work definitions of base models.	Costs of manufactured and procured configured items are rolled up with the configuration options used in the prior cost scenarios to rollup the current standard costs.
Where Used	Costs of manufactured configured items are rolled up when the active work definitions of the base models include the specified components and resources.	Costs of manufactured and procured configured items are rolled up when the configuration options used in the prior cost scenarios to rollup the current standard costs include the specified component and resources.

Effective Date

The effective date of a cost scenario is the date when the estimated standard costs for materials, resources, and overheads are effective as published frozen standard costs.

The effective date is usually a future date, but can also be the current date or a past date. Multiple cost scenarios can have the same effective date.

To process a work definition, the work definition must be active in the manufacturing organization and the effective date of the cost scenario must be same as or later than that of the work definition date.

In the case of cost scenario for configured items, to process a new work order, the planned start date of the work order must be same as or later than that of the scenario effective date. The material costs and resource rates rolled up for the configured items are the published costs as of the scenario effective date. Similarly, to process a new purchase order, the approval date of the purchase order must be same as or later than that of the scenario effective date.

If you schedule the Roll up Costs process to run on a recurring basis for a cost scenario of type configured items, then the scenario effective date gets defaulted to the system date when the process in run.

Create a Cost Scenario for Regular Items

You can define the cost scope for cost organization and cost book combinations by using a cost scenario. While planning costs, you can define separate cost scenarios for regular items and configured items.

If you're using a periodic average cost enabled cost book, then you can define only one cost scenario for a cost organization, cost book, and period combination.

1. In the Cost Accounting work area, click the **Manage Cost Scenarios** task.
2. Click on the Add icon.
3. On the Create Cost Scenario page, enter a name for the cost scenario and select the appropriate **Cost Organization** and **Cost Book**.

   If you select a periodic average cost enabled cost book, then you can save the cost scenario after performing this step. Tasks mentioned from step 4 onwards aren't applicable for a periodic average cost enabled cost book.

   a. Select the **Period** for which you're creating the cost scenario.

      You can select only a period that's in the open, pending close, or never opened status. The effective date for the cost scenario is automatically set to the first day of the selected period and the scenario type is set to Regular Items.
   b. Click **Save and Close**.
4. Select the **Effective Date** for the cost scenario.
5. Select **Regular items** as the **Scenario Type**.
6. Select the cost rollup scope to identify the items for cost rollup.

   If you set the rollup scope as **Selected Items** or **Selected Item Categories**, then click the Add icon to search and select the required items from the Select and Add: Items dialog or the Select and Add: Item Categories dialog respectively.

   If you set the rollup scope as **Where Used**, then the Use Latest Work Definitions parameter is ignored.
7. Specify whether the cost rollup is for a single level or not.

   The **Single-level Cost Rollup** parameter is available only when you set the **Rollup Scope** as **Selected Items** or **Selected Item Categories**.
8. Define the criteria to select the work definitions for the cost rollup by using these parameters.

Field	Description
Use Latest Work Definitions	Select this check box to ensure that the Roll Up Costs process checks for the latest work definition changes from Manufacturing.

Field	Description
	If not selected, the process uses the work definitions used to calculate the cost of make items in the prior published scenarios, instead of using the latest work definitions that are active on the scenario effective date.
Work Definition Priority	The priority determines which work definition must be used to calculate the costs when multiple work definitions exist for a make assembly. Define the priority for selecting the work definition by using any combination of these options: o **Top production priority** o **Top costing priority** o **Work definition name** When you select multiple options, you can reorder them using the up and down arrow buttons.
Work Definition	If you selected **Work definition name** for the Work Definition Priority parameter, select the work definition that the Roll up Costs process must use.

9. Click **Save and Close**.

After you create a cost scenario, you can define the material, resource, and overhead rates in the cost scenario. Then, you can manually run the processes such as Roll up Costs and Update Standard Costs from the cost scenario.

If you want to make changes to the published costs, you can run the Undo Cost Update process after you have published the costs. The costs can be unpublished and changed only if they haven't been used for costing transactions.

Note: For a periodic average cost enabled cost book, you cannot update the cost scenario:
- If the corresponding period status is closed or permanently closed.
- After you've published it. Also, such a published cost scenario can't be unpublished. However, for a published cost scenario, you can add or update standard costs and resource rates, as long as the corresponding period is in the open or pending close status. You can't delete published standard costs and resource rates.

Related Topics
- Cost Planning Process
- Cost Rollup Scope
- Use Latest Work Definitions for Cost Rollup
- Manage Standard Costs in a Spreadsheet

Create a Cost Scenario for Configured Items

You can define the cost scope for cost organization and cost book combinations by using a cost scenario. While planning costs, you can define separate cost scenarios for regular items and configured items.

1. In the Cost Accounting work area, click the **Manage Cost Scenarios** task.
2. Click the Add icon.
3. On the Create Cost Scenario page, enter a name for the cost scenario and select the appropriate **Cost Organization** and **Cost Book**.
4. Select the **Effective Date** for the cost scenario.
5. Select **Configured items** as the **Scenario Type**.
6. Select the cost rollup scope to identify the items for cost rollup.

Rollup Scope	Description
Unprocessed Purchase Orders and Work Orders	If you set the rollup scope as **Unprocessed Purchase Orders and Work Orders**, you must set the **Include Orders From** date. This date determines the purchase orders and work orders that will be considered for cost rollup. Only work orders with a start date on or after the set date and purchase orders with an approval date on or after the set date will be considered for cost rollup. The default date is 30 days prior to the scenario effective date. You can change this date as per your business needs.
Selected Items	If you set the rollup scope as **Selected Items**, then click the Add icon to search and select the items for which the costs must be rolled up from the Select and Add: Items dialog. You can also specify the assemble to order model and the cost of all associated configured items will be rolled up.
Selected Item Categories	If you set the rollup scope as **Selected Item Categories**, then click the Add icon to search and select the item categories for which the costs must be rolled up from the Select and Add: Item Categories dialog.
Where Used	If you set the rollup scope as **Where Used**, then click the Add icon to search and select the required items and resources from the Select and Add: Items and Resources dialog. Only the configured items that consume the selected items and resources will be considered for cost rollup.

7. Select **Use Latest Work Definitions** to ensure that the Roll Up Costs process checks for the latest work definition changes from Manufacturing.

   If not selected, the process uses the work definitions used to calculate the cost of make items in the prior published scenarios, instead of using the latest work definitions that are active on the scenario effective date.

   Note:
   - This option is applicable only for make configured items. If you're using purchased configured items, this option must be unchecked during selective rollup of configured items.
   - This option isn't applicable if the rollup scope is set to **Unprocessed Purchase Orders and Work Orders**.

8. Click **Save and Close**.

After you create a cost scenario, you can define the material, resource, and overhead rates in the cost scenario. Then, you can manually run the processes such as Roll up Costs and Update Standard Costs from the cost scenario. Alternately, you can schedule these processes to run at periodic intervals.

If you want to make changes to the published costs, you can run the Undo Cost Update process after you've published the costs. The costs can be unpublished and changed only if they haven't been used for costing transactions.

Note: You can't use a periodic average cost enabled cost book with cost scenarios for configured items.

Related Topics
- Cost Planning Process
- Cost Rollup Scope
- Use Latest Work Definitions for Cost Rollup
- Manage Standard Costs in a Spreadsheet

Create a Cost Scenario for Supply Chain Cost Rollup

You can define cost scenario to perform standard cost rollup of all manufactured products across multiple organizations, whether you use discrete manufacturing, process manufacturing, or mixed mode manufacturing. This is available only if you have opted in to this feature.

If you're using a periodic average cost enabled cost book, then you can define only one cost scenario for a cost organization, cost book, and period combination.

1. In the Cost Accounting work area, click the **Manage Cost Scenarios** task.
2. Click on the Add icon.
3. On the Create Cost Scenario page, enter a name for the cost scenario.
4. Select **Enable Supply Chain Cost Rollup**.

   The supply chain cost rollup can be used only for regular items. The Scenario Type will default to Regular items when this option is selected.
5. Set the organization context to specify whether the cost rollup would be for a cost organization and cost book combination or for a group of cost organization and cost book combinations.
6. If you've set the Organization Context as Group then select the **Cost Rollup Group** else select the appropriate **Cost Organization** and **Cost Book**.

You can't select a periodic average cost book.

7. Select the **Effective Date** for the cost scenario.
8. Select the **Assignment Set Name** and **Transfer Charge Rule Set**.

   Assignment Set Name is mandatory for the scenario. You need to run the Extract Supply Sources process for the assignment set before running the Roll up Costs process.

   Transfer Charge Rule Set is optional. You can use this configuration when you want to apply transfer charges to material costs when materials get transferred across organizations. To apply a transfer charge rule, the cost scenario effective date should be between the effective start date and effective end date of the transfer charge rule.
9. Select the cost rollup scope to identify the items for cost rollup.

   If you set the rollup scope as **Selected Items** or **Selected Item Categories**, then click the Add icon to search and select the required items from the Select and Add: Items dialog or the Select and Add: Item Categories dialog respectively.
10. Define the criteria to select the work definitions for the cost rollup by using these parameters.

Field	Description
Use Latest Work Definitions	Select this check box to ensure that the Roll Up Costs process checks for the latest work definition changes from Manufacturing. If not selected, the process uses the work definitions used to calculate the cost of make items in the prior published scenarios, instead of using the latest work definitions that are active on the scenario effective date.
Work Definition Priority	The priority determines which work definition must be used to calculate the costs when multiple work definitions exist for a make assembly. Define the priority for selecting the work definition by using any combination of these options: o **Top production priority** o **Top costing priority** o **Work definition name** When you select multiple options, you can reorder them using the up and down arrow buttons.
Work Definition	If you selected **Work definition name** for the Work Definition Priority parameter, select the work definition that the Roll up Costs process must use.

11. Click **Save and Close**.

After you create a cost scenario, you can define the material, resource, and overhead rates in the cost scenario. Then, you can manually run the processes such as Roll up Costs and Update Standard Costs from the cost scenario.

If you want to make changes to the published costs, you can run the Undo Cost Update process after you have published the costs. The costs can be unpublished and changed only if they haven't been used for costing transactions.

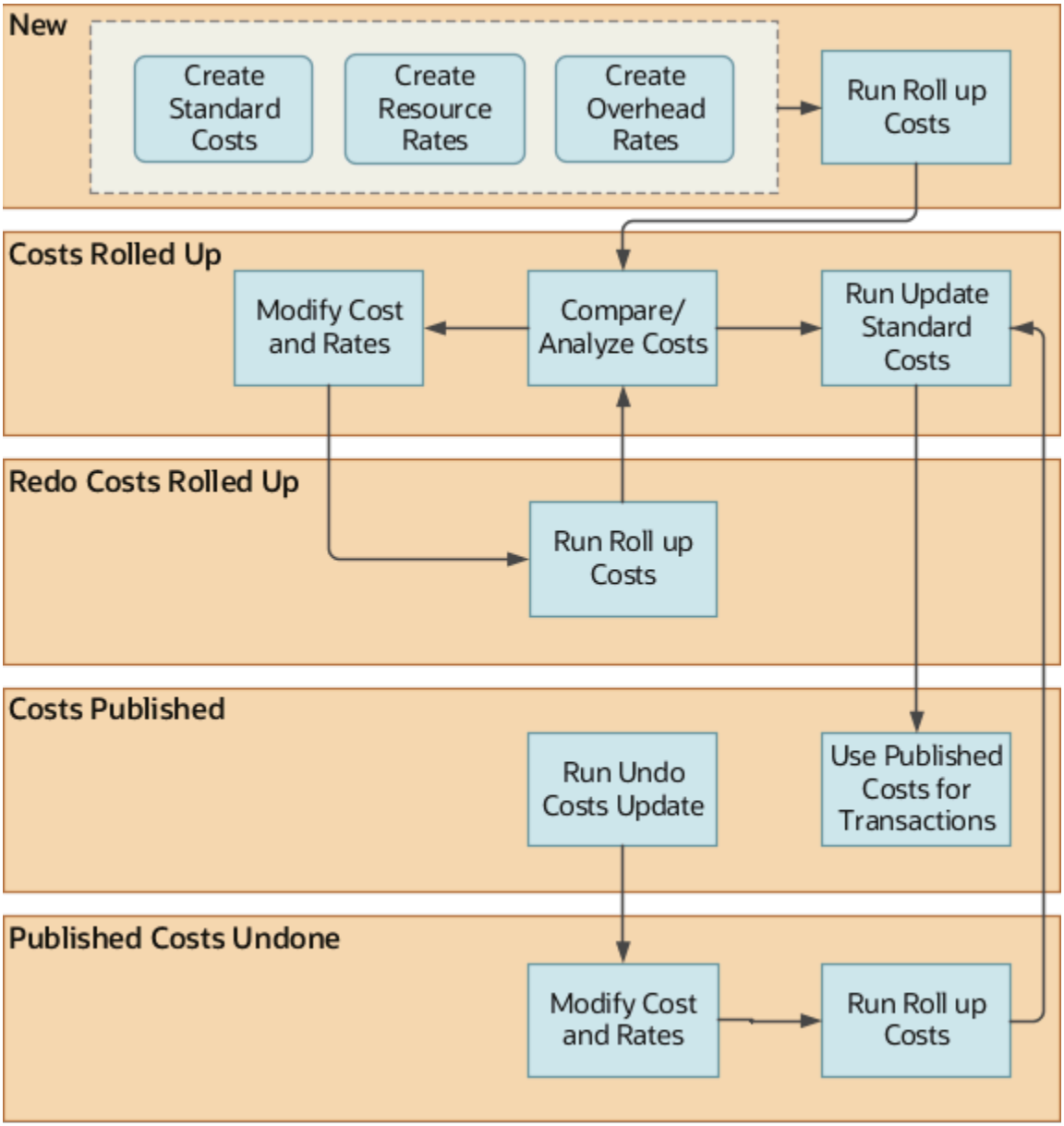
Related Topics

- Supply Chain Cost Rollup
- Manage Cost Rollup Groups
- Manage Transfer Charge Rules and Rule Sets

State and Status of Cost Scenario

After a cost scenario is created, the state of the cost scenario determines the actions that you can perform on the costs scenario.

The image here illustrates the various states that a cost scenario goes through and the tasks that you can perform on the cost scenario in each state. However, for cost scenarios created using periodic average cost enabled cost books, not all the states are applicable and what tasks you can perform in each state differs. These differences are mentioned in the text following the image



The cost scenario can be in one of these states:

- New - When a cost scenario is created it's in the New state. You can define standard costs, resource rates, and overhead rates when the cost scenario is in this state. In the case of cost scenarios created using periodic average cost enabled cost books, you can define standard costs and resource rates. You then run Update Standard Costs to publish the scenario. For such cost scenarios, creating overhead rates and running Roll up Costs aren't applicable.
- Costs Rolled Up - After you run the Roll up Costs process for a cost scenario, the state changes to Costs Rolled Up. In this state, you can analyze and compare the costs. If you're satisfied with the costs generated by the Roll up Costs process, you can run the Update Standard Costs process for a cost scenario that's in this state. This state isn't applicable for cost scenarios created using periodic average cost enabled cost books.
- Redo Costs Rolled Up - If you update the standard costs for a cost scenario that's in the Costs Rolled Up state, the state is updated to Redo Costs Rolled Up. You must run the Roll up Costs process for such a cost scenario

to change the state back to Costs Rolled Up. This state isn't applicable for cost scenarios created using periodic average cost enabled cost books.

- Costs Published - When you run the Update Standard Costs process, the cost scenario state is changed to Costs Published. The published standard costs are now available to cost the transactions in Cost Accounting based on the effective date of the cost scenario.
- Published Costs Undone - If some unintended costs are published for a cost scenario, you can run the Undo Costs Update process. After you run the process, the cost scenario is in the Published Costs Undone state. You can now update the costs and run the Roll up Costs process again. This state isn't applicable for cost scenarios created using periodic average cost enabled cost books.
- Redo Update Costs Required - This is applicable only for cost scenarios created using periodic average cost enabled cost books. For an already published cost scenario, if you add any new standard costs and resource rates, you must run Update Standard Costs to republish the cost scenario. You don't need to republish a cost scenario after updating existing standard costs and resource rates. Updated standard costs and resource rates for a published cost scenario are automatically processed by the cost processor as long as the period is in the open or pending close status.

The status of the cost scenario indicates whether you have ran any processes on the cost scenario and if they completed successfully or not. Status can take one of these values:

- New - When the cost scenario is in the New state, the status is also New.
- Completed Successfully - After you run the Roll up Costs process or the Update Standard Costs process for a cost scenario, the status is changed to Completed Successfully if the process completes without any exceptions.
- Completed with Warnings - If you run a process and it encounters exceptions, then the status for the cost scenario is changed to Completed with Warnings. You can review the messages in View Scenario Exceptions page and take corrective actions before running the process again.
- In Error - If the process encounters an error, the status is updated to In Error. You must review the exceptions logged by the process and take necessary actions.

Cost Scenario for Periodic Average Cost Enabled Cost Book

You can define cost scenarios using periodic average cost enabled cost books. However, you can create only one cost scenario for such a cost book, cost organization, and period combination.

The period must be in the open, pending close, or never opened status. You can't create cost scenarios for closed or permanently closed periods.

You can define standard costs and resource rates for the cost scenario. Overheard rates aren't applicable for such a cost scenario.

For cost scenarios using periodic average cost enabled cost books, you can't set the work definition related parameters, and, therefore, roll up costs isn't applicable for such cost scenarios. After you have defined the standard costs and resource rates you can publish the cost scenario by running the Update Standard Costs process. You can only publish a cost scenario if the corresponding period is in the open or pending close status.

A published cost scenario can't be unpublished. But you can update and delete existing standard costs and resource rates for a published cost scenario. You can also add new standard costs and resource rates for a published cost scenario. You need to run the Update Standard Costs process to republish cost scenarios for the new standard costs and resource rates to be considered by the cost processor.

If you want to update the standard costs and resource rates for a cost organization and cost book combination but for a different period, you must first create a new cost scenario for the cost organization, cost book, and new period

combination. You can then define the new standard costs and resource rates and publish the cost scenario. This will end date the existing standard costs and resource rates based on the effective start date of the new cost scenario.

The table here lists the actions that you can perform for an unpublished cost scenario based on the period status.

Action	Never Opened	Open	Pending Close	Closed	Permanently Closed
Create cost scenario	Yes	Yes	Yes	No	No
Update unpublished cost scenario	Yes	Yes	Yes	No	No
Create, edit, and delete standard costs	Yes	Yes	Yes	No	No
Create, edit, and delete resource rates	Yes	Yes	Yes	No	No
Run Update Standard Costs process (publish cost scenario)	No	Yes	Yes	No	No

The table here lists the actions that you can perform for a published cost scenario based on the period status. You can't publish a cost scenario if the corresponding period is in the never opened status. Therefore, the never opened period status is not applicable for this table.

Action	**Open**	**Pending Close**	**Closed**	**Permanently Closed**
Unpublish cost scenario	No	No	No	No
Update cost scenario	No	No	No	No
Edit and delete published standard costs	Yes	Yes	No	No
Create standard costs	Yes	Yes	No	No
Edit and delete published resource rates	Yes	Yes	No	No
Create resource rates	Yes	Yes	No	No
Run Update Standard Costs process (republish cost scenario)	Yes	Yes	No	No

Standard Costs

Estimating Standard Costs

You can use the Manage Standard Costs task in the Cost Accounting work area to create estimated standard costs for all purchased items. The standard costs are created for a scenario that's already mapped to a cost organization and cost book.

The cost estimation process includes these functionality:

- Cost estimates for purchased items can be shared across all of the inventory organizations mapped to the cost organization and pointing to the same valuation unit.
- Estimated costs for purchased items can be entered directly in the UI or imported using a spreadsheet.
- You can enter estimates that include one or more cost elements.
- If you enter a cost estimate for an overhead cost element, you must specify an expense pool.
- If you want to absorb costs against multiple expense pools, you can enter multiple rows for overhead costs.
- Standard cost material overheads can be defined for CTO model work definitions. The CTO model overhead is applied to configured items created from the model's work definition.
- The logical receipt for a drop shipped standard costed item is costed at its effective standard cost. The valuation of logical receipts is aligned with the valuation of physical purchase order receipts.
- Estimated costs for purchased items can have effective dates that are in the past, current, or future.
- Cost estimates for purchased items can be revised using the mass edit functionality and can be increased or decreased by a percentage or a specific value.
- You can calculate standard costs for configurations on purchase order approval and use these costs to calculate variances at purchase receipt.
- You can initiate and run multiple simultaneous standard cost roll ups. You can submit a request and run a cost roll up for a cost organization even if a prior cost roll up for that organization hasn't yet completed.
- In the case of supply chain cost rollup, you can define the actual buy costs for procured items if the buy sourcing rules exist for the item.

Estimating Standard Costs for Assemblies

The cost scenario is used to estimate the rolled-up cost of the manufactured items based on the selected work definitions. You can perform incremental cost rollups to estimate manufactured item costs, and incorporate mid-period corrections and rolling forecasts into estimates. You can use the Roll up Costs task on the Manage Cost Scenario page to calculate the total product costs.

> **Note:** If Cost Allocation is set to Fixed for an output item in the manufacturing work definition operation, you must define a standard cost for this item. The standard cost method is used to cost all work order operation outputs that have Cost Allocation set to Fixed, irrespective of the cost method set on the item cost profile. If a standard cost isn't defined for such an item, when processing the transactions, the cost processor will give an error stating the standard cost is missing. Also, the Cost Allocation attribute is used only for process manufacturing.

Standard Cost for Procured Items

In the case of supply chain cost rollup, you can define the actual buy costs for procured items when defining the standard costs using the Buy Cost attribute in the Create Standard Costs page and the Import Standard Costs FBDI or desktop spreadsheet. The buy cost will be used by the Roll up Costs process only if the cost scenario is enabled for supply chain cost rollup and a buy sourcing rule exists for the item in the sourcing assignment. The process calculates the standard cost of the item based on the sourcing rule and its allocation percentage.

If an item is sourced using 100% Buy From sourcing rule, its standard cost is equal to the buy cost. The standard cost is used in cost accounting to process transactions. When you enter a buy cost, the status of the record is **In process within cost scenario** and is available within that cost scenario to calculate the standard cost of the item and roll up the costs of higher assemblies. When a buy cost is published using the Update Standard Costs process, it is used to roll up the item cost in the subsequent cost scenarios. An item with the Buy From sourcing rule should have the buy cost defined in the system, else the system would report an error.

Create Standard Costs

You can define standard costs for items and also define the associated valuation unit, cost element, and expense pool. You must associate the standard cost with a cost scenario.

1. In the Cost Accounting work area, click the **Manage Standard Costs** task.
2. Click the Add icon.
3. On the Create Standard Cost page, select the cost scenario that you want to associate this standard cost with.
4. If your cost scenario has a cost rollup group, you need to select the cost organization and cost book combination in the cost rollup group for which you want to enter the cost.

   > **Note:** If you use any of the bulk interfaces like FBDI or the desktop spreadsheet interface to enter these standard costs, the cost organization and cost book must be specified for the incoming cost records.

5. Select the item and valuation unit for which you're defining the standard cost.

   The item must be defined in the inventory organization before you can enter a cost for that item and valuation unit.
6. Select **Buy Cost** if you're defining the cost for procured materials.

   The buy cost will be used by the Roll up Costs process to calculate the standard cost of the item only if the cost scenario is enabled for supply chain cost rollup and a buy sourcing rule exists for the item in the sourcing assignment.

   The buy cost is never used to cost inventory transactions in cost accounting.
7. In the Standard Cost Details region, click the Add Row icon.
8. Enter the values for Cost Element, Cost Element Type, Unit Cost, and Expense Pool (if applicable).
9. Click **Save and Close**.

Note:

- When you publish a cost scenario, the buy cost gets published. However, this published buy cost isn't used to cost transactions. Instead, it's used by the Roll up Costs process in the subsequent scenarios. Only the published standard cost is used to value the inventory and cost transactions.
- For a periodic average cost enabled cost book, you can update or delete existing standard costs only if the corresponding period for the cost scenario is in the Open, Pending Close, or Never Opened status and the cost scenario is unpublished. After you publish a cost scenario, you can update the existing standard costs but can't delete them.

Related Topics

- Estimating Standard Costs

Manage Standard Costs in a Spreadsheet

If you need to work offline, then manage your standard costs using a Microsoft Excel spreadsheet. You can mass create and update the material standard costs by using the Oracle Application Development Framework Desktop Integration (ADFdi).

Here's how the ADFdi feature benefits you:

- After you download the standard costs to a spreadsheet, you can modify it even when you're disconnected from the application.
- You can perform bulk entry and update of data with ease through a spreadsheet.
- You can upload the data and review the errors when you're online and connected to the costing application.

To manage standard costs in spreadsheet, you must first download and run the ADFdi Installer:

1. Click **Navigator** > **Tools** > **Download Desktop Integration Installer**.
2. Click **Save File** to download the desktop integration installer.
3. Double-click the executable file to install the ADF Desktop Integration Installer.
4. Click **Install** to proceed with the installation process.
5. Click **Close** to complete the installation process.

Then, download the standard costs data:

1. In the Cost Accounting work area, click the **Manage Cost Scenarios** task.
2. Search for and open the required cost scenario.
3. Select **Manage Standard Costs** from the Actions menu.
4. Click **Manage in Spreadsheet** to download the standard cost definitions spreadsheet.
5. Select the Open with option to open the standard cost definitions Excel file.

   The file contains two worksheets, Create Standard Costs and Import Standard Costs.
6. Click **Yes** to connect to the application.
7. Login with your credentials and start working.

To upload a small batch of standard costs, up to 20 records, use the Create Standard Costs worksheet and to upload higher volumes of standard costs, use the Import Standard Costs worksheet. Here's how you manage the standard costs in a spreadsheet:

- To modify existing data, update the appropriate cells in each row that you want to update.

- To add new standard costs, add rows in the worksheet and enter the values in the respective cells. Or, you can copy and paste existing populated rows into the worksheet and then modify the necessary cells.

Note: You can only modify the values in the Item, Valuation Unit, Cost Element, Expense Pool, and Unit Cost columns. All editable columns are mandatory, except Expense Pool.

When you update the information in a row, the Changed column of that row is automatically updated with a change indicator icon. The inactive cells are read only fields and aren't included in the upload process.

After you have updated the worksheet, click Upload to synchronize the data in Cost Accounting. When you click **Upload**, the **Interface Standard Cost** process in submitted. You can check the status of the process on the Scheduled Processes page.

The **Row Status** column in the worksheet is updated with a success or error message for each changed row. In case of errors, you can either rectify the rows that have errors and again upload the data, or delete the erroneous information from the application by running the **Delete Standard Costs from Interface** process.

Related Topics

- Create a Cost Scenario for Regular Items
- Cost Planning Process

Import Standard Costs Using File-Based Data Import

You can use the Standard Costs Import Open Interface to import standard costs from external sources into Cost Management. Once loaded, view the data in the Cost Accounting work area, on the Manage Standard Cost Import Exceptions page.

Click Import Standard Costs to validate the data using the Interface Standard Costs process. You can view any errors resulting from the validation process on the Manage Standard Cost Import Exceptions page. If there are any errors, take the necessary corrective actions and rerun the Interface Standard Costs process.

After validation is complete, the data is loaded to the Standard Costs Interface table, and to the Manage Standard Costs page in Cost Accounting.

For more information on file-based data import, see the chapter on Standard Costs Import in the File Based Data Import guide for Oracle Supply Chain Management Cloud.

Complete these tasks before importing data using file-based data import:

- Set up the Default Cost Profile for Cost Accounting in the Setup and Maintenance work area, and set the New Item Profile Creation option to Automatic.
- Set up a valuation unit using the Manage Valuation Units task in the Setup and Maintenance work area. Make a note of the Valuation Unit Code, which is required for the CSV file.
- Set up overhead cost elements for Cost Accounting in the Setup and Maintenance work area using the Manage Cost Elements task.

To Import Standard Costs Using File-Based Data Import

To import standard costs using File-Based Data Import, complete these steps.

1. In the Cost Accounting work area, click the **Manage Cost Scenarios** task.

2. Click the Add icon and create a cost scenario.
   Make a note of the scenario number, which is required for the CSV file.
3. Open the Standard Costs Import file-based data import template.
4. Complete the Standard Cost Headers and Standard Cost Details tabs using the instructions in the spreadsheet.
5. On the CSV Generation tab, click Generate CSV File.
6. From the Scheduled Processes work area, run the Interface Standard Costs process.
   The process validates the data, creates the required cost profiles, and imports the costs into the Manage Standard Costs page.
7. Review the imported data in the Cost Accounting work area, on the Manage Standard Cost Import Exceptions page.
   Correct any costs that have the status as Error, and then click **Import Standard Costs**.
8. Publish the cost scenarios to make the costs available for costing transactions.

Related Topics

- Standard Cost Method

Resource Rates

Managing Resource Rates

You can enter resource rates when a resource is created in Manufacturing or enter them on the Manage Resource Rates page in Cost Accounting.

Resources are set up in Manufacturing. To estimate resource rates in Cost Accounting, the costing enabled option in the resource definition must be selected in Manufacturing.

Any pool of expenses can be absorbed by resource rates. You can define hourly rates for labor and for equipment. A resource can have one or many rates, each absorbing a share of a pool of expenses. You can enter multiple rows of resource rates to absorb multiple pools of expenses.

> **Note:** If you've set the profile option Redwood Page for Resource Rates Enabled (ORA_CST_RESOURCE_RATES_REDWOOD_ENABLED) to **Yes** at the Site level, you can manage the resource rates by clicking the **Resource Rates** task in the Cost Accounting work area.

Create Resource Rates

When creating resource rates, you can define the associated plant, resource, cost element, expense pool, and rate. You must associate the resource rate with a cost scenario.

1. In the Cost Accounting work area, click the **Manage Resource Rates** task.
2. Click the Add icon.
3. On the Create Resource Rate page, select the cost scenario that you want to associate this resource rate with.
4. Select the corresponding inventory organization and the resource for which you want to define the rate.
5. In the Details region, click the Add Row icon.

6. Enter the values for Cost Element, Cost Element Type, Rate, and Expense Pool.
7. Click **Save and Close**.

Note: For a periodic average cost enabled cost book, you can update or delete existing resource rates only if the corresponding period for the cost scenario is in the open, pending close, or never opened status and the cost scenario is unpublished. After you publish a cost scenario, you can update the existing resource rates but can't delete them.

Manage Resource Rates in a Spreadsheet

If you need to work offline, then manage your resource rates using a Microsoft Excel spreadsheet. You can mass create and update the resource rates by using the Oracle Application Development Framework Desktop Integration (ADFdi).

Before you start managing resource rates in a spreadsheet, you must download and install ADFdi.

To download the resource rates data:

1. In the Cost Accounting work area, click the **Manage Cost Scenarios** task.
2. Search for and open the required cost scenario.
3. Select **Manage Resource Rates** from the Actions menu.
4. Click **Manage in Spreadsheet** to download the resource rates spreadsheet.
5. Select the Open with option to open the resource rates Excel file.
6. Click **Yes** to connect to the application.
7. Login with your credentials and start working.

Here's how you manage the resource rates in a spreadsheet:

- To modify existing data, update the appropriate cells in each row that you want to update. You can search for existing resource rates by using different parameters in the search panel of the spreadsheet.
- To add new resource rates, add rows in the worksheet and enter the values in the respective cells. Or, you can copy and paste existing populated rows into the worksheet and then modify the necessary cells.

When you update the information in a row, the Changed column of that row is automatically updated with a change indicator icon. The inactive cells are read only fields and aren't included in the upload process.

After you have updated the worksheet, click Upload to synchronize the data in Cost Accounting.

Overhead Rates

Managing Overhead Rates

You can define plant overheads and work center overheads. When defining work center overheads, you can specify the resource type as equipment or labor.

Plant overheads, such as lighting and cooling, can be absorbed on the basis of the material cost. They can be of a fixed or percentage value, with different absorption types available. Work center overheads, such as security, are absorbed by the finished goods on the basis of a fixed rate or a percentage of resource cost incurred in the work center.

You can use any combination of resource rates and overhead rates to absorb factory costs into the work in process and finished goods inventory value. When you use overhead rates to absorb factory expenses, you can define rates as a percentage of material or hourly work center rates.

Overhead absorption rates are date-effective, enabling you to set different absorption rates for each quarter. You can have one or many rates at different levels, such as at inventory organization, item category, or item level. Each level absorbs a share of the pool of expenses. These rates are used in cost roll up of an item and are published with the rolled-up item cost. All the indirect costs modeled as overhead are absorbed by work in process product completion when Cost Accounting uses the standard costs to process work execution transactions.

Note: Overhead rates will be applied only if the finished product is rolled up.

Note: If you've set the profile option Enable Standard Overhead Rate Redwood Page (ORA_CST_STD_OVERHEAD_RATE_REDWOOD_ENABLED) to **Yes** at the Site level, you can manage the overhead rates by clicking the **Overhead Rates** task in the Cost Accounting work area.

Overhead Absorption Type

When defining the overheads, you must mention the absorption type for the overheads. Depending on the overhead type, plant overhead or work center overhead, the available absorption types are listed in this table.

Absorption Type	Plant Overhead	Work Center Overhead
Fixed	A fixed overhead value is applied to the unit cost.	A fixed overhead value is applied to the unit cost.
Percentage	Overhead is calculated using the specified percentage of the material costs of the buy items at this level.	The overhead is calculated using the specified percentage of the resource costs.
Percentage of material cost at all levels	Overhead is calculated using the specified percentage of the material costs of buy items and sub-assemblies.	Not applicable.
Percentage of total cost excluding overhead at this level	Overhead is calculated using the specified percentage of the total cost minus the overheads at this level.	Not applicable.
Percentage of total cost including overhead at all levels	Overhead is calculated using the specified percentage of the total cost including the overheads at all levels.	Not applicable.

Create Overhead Rates

When you create an overhead rate, you can specify the corresponding overhead rate type and absorption type. You must associate the overhead rate with a cost scenario.

Overhead rates aren't applicable for cost scenarios created using periodic average cost enabled cost books.

1. In the Cost Accounting work area, click the **Manage Overhead Rates** task.
2. Click the Add icon.
3. On the Create Overhead Rate page, select the cost scenario that you want to associate this overhead rate with.
4. Select the corresponding inventory organization and specify whether you're defining a plant overheard or work center overhead.
5. For a plant overhead, select the required Item Category and Item.

   If you're defining a work center overhead, then select the required Work Center and Resource Type.
6. In the Details region, click the Add Row icon.
7. Select the appropriate Cost Element, Expense Pool, and Absorption Type.
8. Depending on the selected Absorption Type, enter the Rate for percentage values or the Value for a fixed overhead absorption.
9. Click **Save and Close**.

Manage Overhead Rates in a Spreadsheet

You can manage the overhead rates using a Microsoft Excel spreadsheet. You can mass create and update the overhead rates by using the Oracle Application Development Framework Desktop Integration (ADFdi).

Before you start managing overhead rates in a spreadsheet, you must download and install ADFdi.

To download the overhead rates data:

1. In the Cost Accounting work area, click the **Manage Cost Scenarios** task.
2. Search for and open the required cost scenario.
3. Select **Manage Overhead Rates** from the Actions menu.
4. Click **Manage in Spreadsheet** to download the overhead rates spreadsheet.
5. Select the Open with option to open the overhead rates Excel file.
6. Click **Yes** to connect to the application.
7. Login with your credentials and start working.

Here's how you manage the overhead rates in a spreadsheet:

- To modify existing data, update the appropriate cells in each row that you want to update. You can search for existing overhead rates by using different parameters in the search panel of the spreadsheet.
- To add new overhead rates, add rows in the worksheet and enter the values in the respective cells. Or, you can copy and paste existing populated rows into the worksheet and then modify the necessary cells.

When you update the information in a row, the Changed column of that row is automatically updated with a change indicator icon. The inactive cells are read only fields and aren't included in the upload process.

After you have updated the worksheet, click Upload to synchronize the data in Cost Accounting.

Cost Rollup

Roll Up Costs

After you're ready with your cost estimates for materials, direct labor, and indirect labor, you can run the Roll up Costs process to calculate the standard costs of your make items.

The process uses your cost estimates and manufacturing work definitions, calculates overheads incurred as part of the manufacturing processes, and generates the unit cost of the make items. The Roll up Costs process first calculates the total cost as the fixed cost operations plus the variable costs (the unit resource cost multiplied by the quantity consumed). Next, it calculates the per-unit cost as the total cost divided by the scaled quantity.

The cost roll-up experience is designed to facilitate an interactive cost estimation process. You can review errors reported, review the work definitions being used for cost roll-up, change your work definition selection criteria, and modify component purchase prices and the resource rate as many times as required.

When calculating the cost of make items, the process doesn't include the costs consumed in optional operations for manufacturing work definitions. This is true for operations that are executed conditionally, for example, a rework step based on inspection results in the previous operation. Similarly, output items yielded from optional operations in process manufacturing are also not included in the cost rollup.

After you run the process, you can review the costs on the View Rolled-up Costs page. The page lists the calculated unit cost of the make items, along with the costs of the individual components, resource rates, and overhead rates. You can also review additional details like the work definition name, process name, operations, and other output items yielded, in the case of process manufacturing.

> **Note:** If you have set the profile value to **No** for the profile option code `ORA_CST_REBUILD_ROLLEDUP_COSTS`, then you must run the Restore Rolled-up Costs process for a cost scenario after running the Roll up Costs process to view the costs in the View Rolled-up Costs page.

The cost of a make item is rolled up only if the respective costs and rates are set in the cost scenario. You can review all the exceptions encountered by the process on the View Scenario Exceptions page. In case of exceptions, to generate the costs of make items, take the necessary corrective actions to resolve the errors and re-run the Roll up Costs process.

> **Note:** The Roll up Costs process isn't applicable for cost scenarios created using periodic average cost enabled cost books. After you define standard costs and resource rates for such a cost scenario, you run the Update Standard Costs process to publish the cost scenario.

You can also define a schedule to run this process on a periodic basis.

Supply Chain Cost Rollup

After you run the Roll up Costs process, you can validate the product costs using the View Rolled-up Costs page. On this page, you can also verify the sourcing rules that were used to calculate the costs. Each sourcing rule node would have the cost breakdown to validate the rolled-up costs.

When multiple sourcing rules (rank = 1) are defined:

Standard cost of product = (User entered buy cost * Buy sourcing rule allocation) + (Rolled-up cost from work definition * Make sourcing rule allocation) + (Transfer cost * Transfer sourcing rule allocation)

You can analyze these costs using the Costing - Supply Chain Cost Rollup Real Time subject area in OTBI. You can create personalized analysis reports to verify the rolled-up costs of manufactured items. You can also design the report layout and include information relevant to your business. Additionally, you can also use the Supply Chain Rollup Costed BOM Report to analyze the rolled-up costs for your manufactured items. You can save this report locally and make necessary changes to include information as per your business needs.

Related Topics

- Supply Chain Cost Rollup
- Why is the Roll up Costs process not including the resource cost while rolling up the cost of the item
- Reports and Analytics for Cost Accounting

Cost Rollup for Process Manufacturing

Standard cost rollup supports process manufacturing work definitions with multiple outputs, where the production method requires ways to manage variability that's inherent in materials and processes. This is useful if you require a hybrid of discrete and process manufacturing capabilities.

You can specify the costing batch size to determine the standard cost of production batches and allocate costs based on a fixed cost or a percentage of the total cost, for the primary product, co-products, and by-products.

The Roll up Costs process calculates the costs of output items with active work definitions, based on the cost allocation defined on the work definition operations. When output items are setup with fixed cost allocation, you must enter the costs of these items manually using the Standard Costs page or bulk interfaces. The entered costs are used to process product completion transactions.

The Roll up Costs process also supports formula-based work definitions when using the standard cost method. Formula-based work definitions enable you to manage and track product effectivity and, therefore, the rollup logic only calculates the costs of products that are effective as of the scenario date.

You can estimate and plan for operation yield in a process manufacturing plant to calculate the costs of your products when using standard cost method to value your inventory. You must define operation yield in the process manufacturing work definition and the cumulative yield is calculated based on that. The cumulative yield is used by the Roll up Costs process to calculate the quantity of ingredients and resources needed, which is then used to calculate the costs of products. This attribute is also used to calculate the quantity of products yielded.

```
Planned quantity for ingredients = {Quantity entered in work definition x Scaling factor/Component yield} x
Cumulative yield of prior operation

Planned quantity for resources = {Quantity entered in work definition x Scaling factor} x Cumulative yield of
prior operation

Planned quantity of product = {Quantity entered in work definition x Scaling factor} x Cumulative yield of
current operation
```

For process manufacturing calculations, scaling factor = costing batch output size/batch quantity (both attributes are defined in the work definition)

Costing Priority

You could change the sourcing decisions for materials based on different considerations including cost, quality, and other competitive advantage. You might choose to procure an item that you previously manufactured in-house. In this case, you don't need to deactivate or delete the manufacturing work definition for the item. Instead, you just specify the costing priority, which is an optional attribute, in the work definition. This attribute can be changed based on your requirements.

You can also set the costing priority if you've standard costs shared across multiple inventory organizations and you want to select the manufacturing organization that must be used to calculate the standard cost of the product.

You can set the costing priority in the work definition to 0 when you don't want the Roll up Costs process to calculate the cost of that item. Also, you can set the costing priority of multiple work definitions of an item to 0 in a manufacturing plant. The Roll up Costs process excludes work definitions with costing priority set to 0 from being rolled up. When you enter a standard cost estimate for such an item and that cost will be used to roll up the cost of products using the item.

> **Note:** If the standard cost of an item is shared across organizations, the Create Cost Accounting Distributions process will report job close variances if there are discrepancies between the planned production (work definition) used in cost planning and the execution in cost accounting.

Phantom Items in Work Orders

If a subassembly in a work order has the supply type as Phantom, then you must ensure that it has an active item structure as of the scenario effective date. For subassemblies with the supply type as Phantom in the work definition of a higher assembly, the Roll up Costs process will follow this in the order listed:

- Check whether a work definition exists for the phantom item and use that to roll up the cost.
- If a work definition doesn’t exist for the phantom item, then the process would use the item structure of the phantom item to roll up the cost.
- If neither a work definition exists nor an item structure for the phantom item, then the process will log an error.

For a subassembly with the supply type as Phantom in the work definition of a higher assembly:

- Single-level cost rollup uses the published cost of phantom subassembly including the overhead when calculating the final product cost.
- Full cost rollup excludes the overhead on phantom subassembly because the Roll up Costs process breaks the phantom subassembly all the way through to its components and, therefore, the overhead isn't applied on the phantom itself.

If want granular control and auditability over the components consumed as part of the phantom subassembly in production process, you can cost the materials and resources consumed in the phantom subassembly with the correct operation.

- The cost of phantom components and resources will be included in the operation of the parent assembly based on the operation sequence in the phantom work definition.
- If an operation sequence specified in the phantom work definition doesn't exist in the parent assembly work definition, assign phantom components and resources to the work order operation where the phantom is assigned to in the work definition.

On the Rolled-up Costs page, the phantom components and resources are assigned to the operation as explained. The Roll up Costs scheduled process will also calculate the costs of your products in the same sequence of operations. When you publish this cost, the product completion transactions will use this cost.

Note:

- To see this behavior, you must maintain work definitions for phantom subassemblies and set the **Phantom Operation Inheritance** plant parameter to either of these values:
  - Materials and Operations
  - Materials, Resources and Operations
- If you use phantom subassemblies in multiple levels of the finished product's item structure, the Roll up Costs scheduled process will consistently assign the materials and resources to the operation honoring the plant parameter, till the lowest level of phantom.

Product Cost Calculation for the Same Co-Products and By-Products Completed on Multiple Operations

You can add co-products and by-products to different operations in a work definition or work order. When co-products or by-products are specified at the operation level, the application automatically apportions costs depending on the cost allocation basis defined in the work definition. The cost allocation factor basis needs to be same for the same item across different operations.

The standard cost calculation uses the multiple instances of co-products and by-products in a work definition and their cost allocation percentages to calculate a blended standard cost. Here's an example of a work definition where a by-product, Whey, is yielded in different operations.

Operation	Item Type	Item	Quantity	UOM	Standard Cost	Cost Allocation Factor
10	Ingredient	Milk	1000	Gal	3	
10	Co-product	Cream	100	Gal		30%
20	Ingredient	Starter Culture	10	Gal	10	
20	By-product	Whey	100	Gal		15%
30	Ingredient	Rennet	10	LBS	5	
30	By-product	Whey	200	Gal		25%
40	Ingredient	Salt	10	LBS	1	
40	Product	Cheddar Cheese	100	LBS		100%

This table shows how the standard cost rollup calculations are done for this scenario:

Operation	Item Type	Item	Quantity	UOM	Standard Cost	Cumulative Cost	Carried Forward Cost	Cost Allocation Factor	Output Cost
10	Ingredient	Milk	1000	Gal	3	3000	3000		
10	Co-product	Cream	100	Gal			2100	30%	900
20	Ingredient	Starter Culture	10	Gal	10	100	2200		
20	By-product	Whey	100	Gal			1870	15%	330
30	Ingredient	Rennet	10	LBS	5	50	1920		
30	By-product	Whey	200	Gal			1440	25%	480
40	Ingredient	Salt	10	LBS	1	10	1450		
40	Product	Cheddar Cheese	100	LBS				100%	1450

Standard cost = Output cost / Quantity

Standard cost of Cream = 900/100 = $9

Standard cost of Whey = (330+480)/(100+200) = $2.7

Standard cost of Cheddar Cheese = 1450/100 = $14.5

Both the product completions for Whey will be costed using the calculated standard cost $2.7.

Account Work Orders with Calculated Batch Quantities

If you've enabled the **Track intermediate batch quantities for process work orders** plant parameter, any work definition created won't have a batch quantity nor a costing batch output size on the work definition header. The batch quantity is automatically calculated based on the items that you issue to a work order. This helps you to manage intermediate quantities from one operation to the next, so that you can define and track batch quantities at a granular level.

The Roll up Costs process uses the ingredient and resource quantities from the work definition to calculate the standard cost. The quantities required for a work order are scaled up based on the primary product quantity for work definitions that have the Process Batch Quantity Type option set as Calculated. Work orders that use work definitions with Process Batch Quantity Type set as User Defined will continue to be scaled using the batch quantity recorded on the work definition header.

The Work Order Costs page shows the completion quantity for each operation:

- First operation: Sum of all ingredients - Sum of all products reported in the operation
- Subsequent operations: Carry forward from prior operation + Sum of ingredients - Sum of products reported in the operation

For calculating the cost of scrap and provisional completions using the accumulated work in process balances, the cost processor uses the physical quantities processed in each operation.

For calculating the required quantities of ingredients and resources to identify variances, the cost processor uses the planned primary product quantities to calculate the ingredient and resource requirements.

Cost Rollup for Configured Items

For configured items, you can run the Roll up Costs process as and when the business needs, that's to say you can run the process on-demand, enabling you to calculate and publish the latest costs for manufactured and procured items.

You can also calculate the costs of manufactured configured items before the transactions occur to plan for the costs. That's to say, you can plan the costs for manufactured configured items without a work order. You can define a schedule to run the Roll up Costs process for configured items on a periodic basis.

When you set the rollup scope to **Unprocessed Purchase Orders and Work Orders**, after a purchase order for a procured configured item is approved or a work order for a manufactured configured item is issued, the Roll up Costs process rolls up the costs of that item for the new purchase order or work order, using the effective component costs, resource rates, and overhead rates.

When you set the rollup scope to **Where Used**, the Roll up Costs process uses the latest snapshot of the configured items with published costs and identifies the impacted elements, such as manufactured items with open work orders, procured items with open purchase orders, or if there aren't any open work orders and purchase orders, then items with positive on-hand quantity. The process uses the standard costs and resource rates that you've defined along with the latest snapshot of the configured items to recalculate the cost of the configured items.

When you set the rollup scope to **Selected Items**, you must select the items for which the costs must be rolled up. If you select an assemble to order model, then the cost of all associated configured items will be rolled up. For manufactured items, the process snapshots the work definition of the configured items. For procured items, the process identifies the most recent purchase order. The Roll up Costs process calculates the costs using the effective component costs, resource rates, and overhead rates.

When you set the rollup scope to **Selected Item Categories**, you must select the item categories for which the costs must be rolled up. The process identifies all the items for a selected item category and calculates the costs similar to when the rollup scope is set to **Selected Items**.

Also, you can roll up and publish the costs of all your configured items, even if those items don't have a new work order or purchase order.

When you create a cost scenario of configured items with the rollup scope set to **All Items**, the Roll up Costs scheduled process will roll up the costs of all configured items in the application that've:

- Positive on-hand quantity at the time of roll up, or
- Existing work order that isn't closed or cancelled (for make configured items), or
- Existing purchase order that isn't closed or canceled (for buy configured items)

> **Note:** When the rollup scope is set to **All Items**, the costs of all configured items are rolled up, therefore, it's highly recommend that you use this rollup scope judiciously to avoid long running processes.

After the Roll up Costs process is complete, you can validate the costs of the configured items on the Rolled-up Costs page or the Cost Rollup Report or the predefined OTBI reports.

Co-Products and By-Products in Discrete Manufacturing

You can plan and account the costs of co-products and by-products in a discrete manufacturing work definition and work order.

With the capability to yield multiple outputs from discrete work definitions, you can calculate the cost of your products to closely reflect your actual production process. This eliminates the need for any alternate configurations in the application, saving time and effort and increasing productivity. If you use the standard cost method to value your inventory, you can analyze manufacturing variances in Cost Accounting to identify scope of improvement in your production processes and make better decisions.

You can set the cost allocation factor for the additional products as either a fixed cost or apply a percentage of the total accumulated costs at that operation. If you've multiple work definitions for the product in the manufacturing plant, set the costing priority for your primary product and additional products to choose the appropriate work definition when rolling up the costs of your products.

> **Note:** In discrete manufacturing work definitions with multiple outputs, the assumption is that the primary product is yielded after the completion of last operation.

When you run the Roll up Costs process, the standard costs of the primary product, co-products, and by-products are calculated based on the planned cost. If you specify the costing batch output size in your work definition, the Roll up Costs process will scale up (or down) the quantities of inputs (materials and resources) that are planned to be consumed on a variable basis.

The View Rolled-up Costs page provides the breakdown of the rolled-up costs.

To calculate the cost of products, the Roll up Costs process increments the cumulative cost as inputs are consumed and decrements the cumulative cost as outputs are yielded.

```
Cumulative Cost = Cumulative Extended Material Costs + Cumulative Extended Resource Costs + Cumulative Overhead Costs - Output Costs

Output Cost of Additional Product (with cost allocation percentage) = Cost Allocation Percentage * Cumulative Cost

Output Cost of Additional Product (with fixed cost) = Entered Unit Cost * Quantity Planned to be Yielded (scaled quantity)

Output Cost of Primary Product = Cumulative Cost at the End of Last Operation

Unit Cost of Product = (Output Cost + Overhead Cost) / Quantity to be Yielded (scaled quantity)
```

The unit cost of product, with the cost element, expense pool, and level information is available on the Standard Costs page. After you publish this standard cost, this cost is used to process product completion transactions in Cost Accounting.

> **Note:** If you use an item multiple times in a discrete work order operation or in a flow schedule, you can calculate your product costs and cost the transactions, increasing the accuracy of products costs by including the costs of repeating items in an operation. Also, you can track variances by the item and basis type. To use an item multiple times in a discrete manufacturing work definition or in flow schedule in Oracle Manufacturing, you must enable the plant parameter **Allow repeated consumption of materials in discrete work orders and flow schedules**.

Related Topics

- Cost Accounting for Manufacturing Work Orders
- Review Work Order Costs

Operation Yield for Estimating Losses during Work Order Execution

You can include the impact of operation yield when calculating the standard cost of items using the Roll up Costs process and when accounting discrete work orders.

Operation yield indicates the yield expected out of an operation. A value of 1 indicates that there isn't any loss. However, any value less than 1 indicates a planned loss in that operation.

Let's consider an example of a work definition with four operations and the operation yields defined. The cumulative yield and reverse cumulative yield are calculated as listed in the table.

Operation	Operation Yield	Cumulative Yield	Reverse Cumulative Yield
10	0.9	0.9	0.648
20	0.8	0.72	0.72
30	1.0	0.72	0.9
40	0.9	0.648	0.9

For standard costed items, the Roll up Costs process includes the operation yield defined at each operation to scale up the quantities of components and resources required. The View Rolled-up Costs page shows the Operation Yield defined in the work definition and also the Reverse Cumulative Yield for each operation.

The rolled up cost shows the extra items and resources used to factor in the operation yield as Estimated Scrap Loss. The Reverse Cumulative Yield is used to calculate the extra quantities that need to be considered based on the operation yield defined in the work definitions.

The formula used is:

```
Estimated Scrap Loss (for an input) = [(1-Reverse Cumulative Yield) / Reverse Cumulative Yield] * Scaled Quantity
```

In the View Rolled-up Costs page, the Estimated Scrap Loss node shows the quantities of input lost due to operation yield. Every input (material and resource) with variable basis type has estimated scrap loss due to the operation yield.

The standard costs that are published show the Estimated Scrap Loss as a separate cost level.

Related Topics

- Cost Accounting for Manufacturing Work Orders
- Review Work Order Costs

Rollup Costs for Parallel Work Order Operations Using Precedence Constraints

Work orders aren't limited to a strictly linear execution model, and quantities can split, merge, and flow across multiple operational paths. You can plan for your product costs even when your work definitions have parallel operations enabled. This allows for accurate calculation of your product costs when using the standard cost method. You can cost work orders with parallel operations across both process manufacturing and discrete manufacturing.

Process Manufacturing

In process manufacturing work definitions, when you roll up the costs of your products, the transfer percentage indicates the percentage of batch quantity that moves to the next operation. The impact of transfer percentage continues until the parallel operations merge, and this is calculated as the cumulative transfer percentage. If you also use operation yield with parallel operation, the cumulative yield needs to account for the transfer percentage.

When an operation has multiple predecessors, cumulative values are calculated by summing the contributions from each incoming path:

- Cumulative yield for operation with multiple previous operations = Sum (Cumulative yield of previous operation * Operation yield of current operation * Transfer percentage from previous operation)
- Cumulative transfer percentage for operation with multiple previous operations = Sum (Cumulative transfer percentage of previous operation * Transfer percentage from previous operation)

Let's consider this example where the process manufacturing work definition has the operations dependency setup as described in the table.

From Operation	To Operation	Transfer Percentage
Null	10	100%
10	20	50%
10	30	50%
20	40	100%
30	40	100%
40	Null	Null

With operation yield defined for operations, the cumulative yield and cumulative transfer percentage are calculated as described in this table:

Operation	Operation Yield	Cumulative Yield	Cumulative Transfer Percentage
10	0.5	0.5	100%
20	0.6	0.15	50%
30	0.25	0.0625	50%

Operation	Operation Yield	Cumulative Yield	Cumulative Transfer Percentage
40	0.85	0.180625	100%

For calculating the costs, the ingredients and resources planned to be consumed on a variable basis are scaled as follows:

- Ingredient scaling factor = Cumulative yield of the operation where ingredient or resource is consumed / (Operation yield of operation * Cumulative transfer percentage of operation)
- Product scaling factor = Cumulative yield of the operation where product is yielded / Cumulative transfer percentage of operation

When an operation has multiple previous operations, the cumulative costs at the start of the operation will be sum of the carried over costs from all immediate previous operations.

On the Rolled-up Costs page, you can review the operations and percentage details across these columns: Previous Operation Sequence, Transfer Percentage, and Cumulative Transfer Percentage. However, reverse cumulative yield values aren't displayed on this page for process manufacturing work definitions.

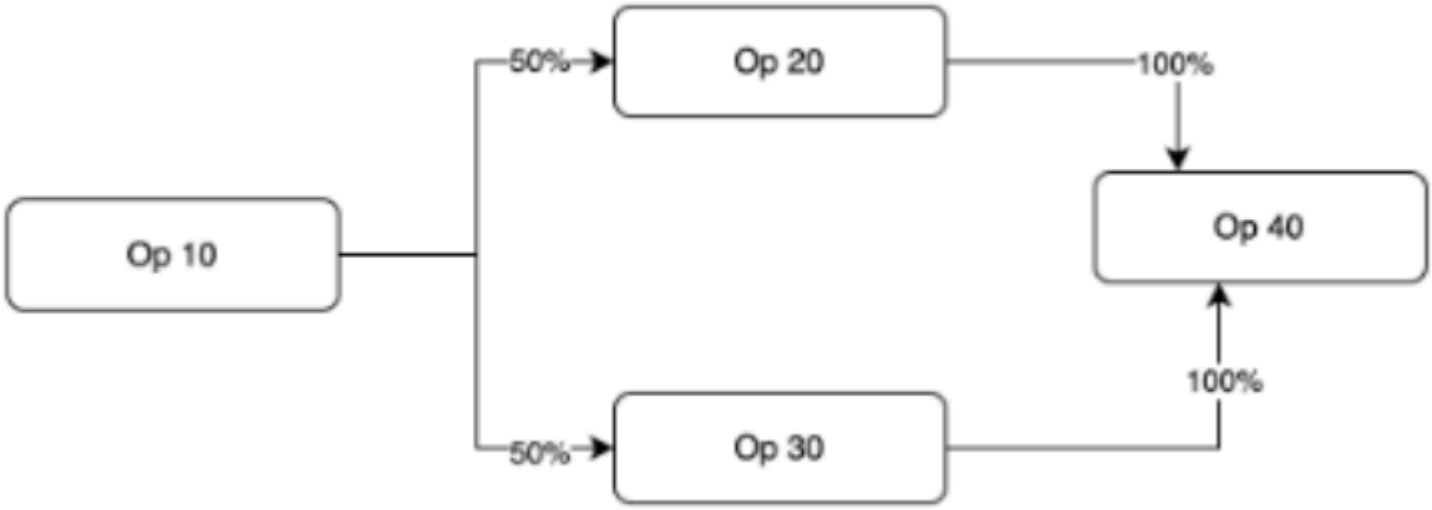
Discrete Manufacturing

In discrete manufacturing work definitions with parallel operations, to calculate the costs of outputs it's assumed that the cost is split evenly across parallel operations. When an operation has multiple previous operations, the cumulative costs at the start of the operation will be sum of the carried over costs from all immediate previous operations.

Let’s look at this example of a discrete manufacturing work definition with operation dependencies as described in the table.

From Operation	To Operation
Null	10
10	20
10	30
20	40
30	40
40	Null

As the cost is split evenly between parallel operations, the carried over cost from Operation 10 is split evenly between Operation 20 and Operation 30, thereby making the transfer percentage as 50. In all other cases, the transfer percentage will be assumed to be 100%.



With multiple previous operations, at the start of Operation 40, the cumulative cost will be the sum of carried over costs from Operation 20 and Operation 30, which are its immediate previous operations.

There's no difference in calculating the estimated scrap loss for these work definitions. The cumulative yield attribute isn't shown for these work definitions.

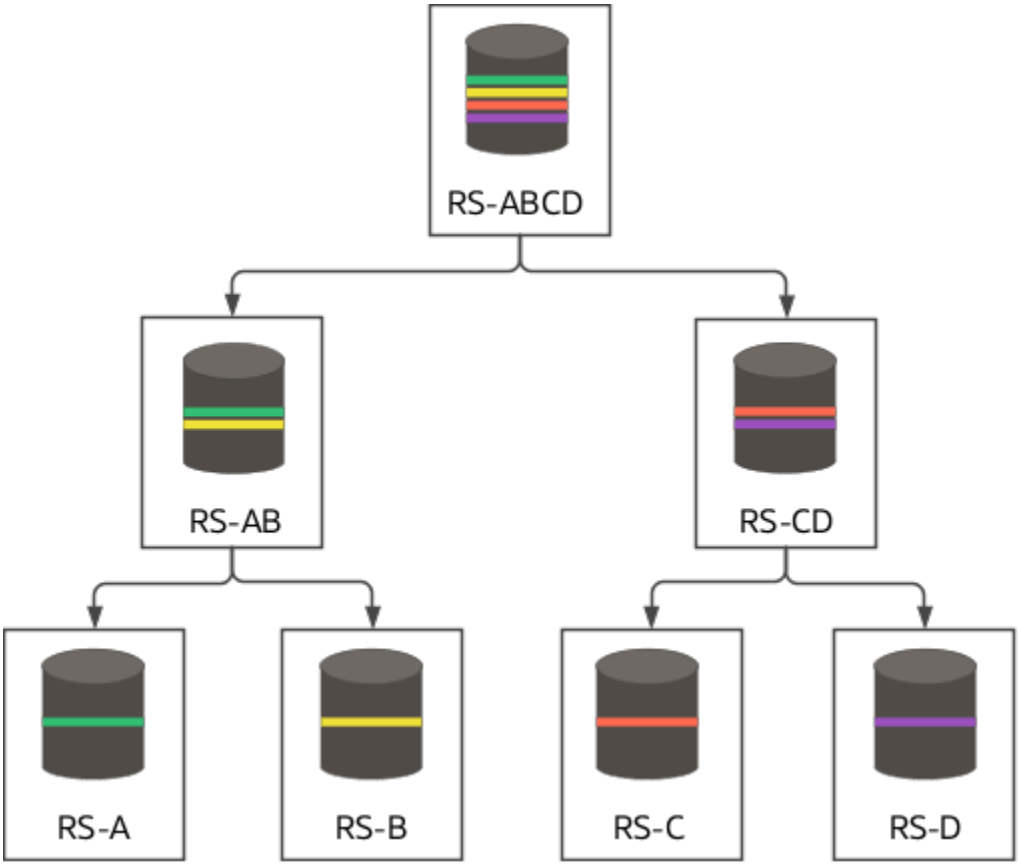
Related Topics

- Cost Accounting of Parallel Work Order Operations Using Precedence Constraints

Cost Rollup Examples

Example of Cost Rollup

This example illustrates how the unit cost of a make item is calculated by the Roll up Costs process after the standard costs, resource rates, and overhead rates are defined in the cost scenario.



Scenario

Your organization is manufacturing an item RS-ABCD that has a structure as shown in the image here. To make this item, you first need to make RS-AB and RS-CD. RS-AB is made using the materials RS-A and RS-B. RS-CD is made using the materials RS-C and RS-D. Apart from these materials, you also require various other resources to manufacture this item.

For this item, you create these work definitions.

Item	Work Definition Name	Version	Start Date
RS-AB	Main	1	9/1/2025
RS-CD	Main	1	9/1/2025
RS-ABCD	Main	1	9/1/2025

Let's assume that the batch size of the work definition output is 1 each (primary UOM of these items).

Standard Costs, Resource Rates, and Overhead Rates

Now, to calculate the unit cost of RS-ABCD, you start by creating a cost scenario. You must make sure that the effective start date of the cost scenario is same as or later than the work definition start date. So, set the effective start date as 9/1/2025.

Next, you must define the standard costs for the materials used, the rates for the various resources used when manufacturing the item, and the overheads incurred. Define the standard costs, resource rates, and overhead rates for this cost scenario as listed in these tables.

Standard Costs

Item	Cost Element	Cost Element Type	Expense Pool	Unit Cost
RS-A				
	CML Material	Material		1.00
	CML Overhead	Overhead	CML Exp Pool	0.50
				1.50
RS-B	OSPMatElement	Material		**2.00**
RS-C	0554-MatElement	Material		**3.00**
RS-D	P2P-Material-CE	Material		**4.00**

Resource Rates

Resource	Cost Element	Cost Element Type	Expense Pool	Unit Cost
Machine Operator	Direct Labor	Resource	MFG_Resources_EP	**1.00**
Fabrication Engineer				
	0554-ResElement	Resource	P2P_Res_Pool	1.50
	ZCST-Electrical	Overhead	P2P_Exp_Pool	0.50
				2.00
Electrician	Direct Labor	Resource		**3.00**
Inspector	RS-Resource	Resource		**4.00**

Resource	Cost Element	Cost Element Type	Expense Pool	Unit Cost
Welding Torch	Direct Equipment	Resource		**5.00**

Overhead Rates

Overhead Rate Type	Item Category	Item	Cost Element	Expense Pool	Absorption Type	Rate
Plant Overhead		RS-ABCD	Manufacturing Overheads	MFG_Resources_EP	Percentage of Material Cost	1%

Note: The overhead rate defined is only for the assembly of the item RS-ABCD.

Analysis

After you define the cost scenario and the corresponding standard costs, resource rates, overhead rates, run the Roll up Costs process for the cost scenario.

Rolled Up Costs

Let's start with identifying the costs for the items RS-AB and RS-CD.

To fabricate RS-AB, you need couple of machine operators and fabrication engineers. The item cost calculation for RS-AB is as shown here.

Number	Operation Sequence	Item	Item Description	Unit Cost	Quantity	Extended Cost
Main (#V1)		RS-AB	RS-AB	9.50	1	9.50
	10	Fabrication				9.50
		RS-A	RS-A	1.50	1	1.50
		RS-B	RS-B	2.00	1	2.00
		Machine Operator		1.00	2	2.00
		Fabrication Engineer		2.00	2	4.00

To make RS-CD, you need an electrician and the work must be inspected by an inspector. This is the item cost calculation for RS-CD.

Number	Operation Sequence	Item	Item Description	Unit Cost	Quantity	Extended Cost
Main (#V1)		RS-CD	RS-CD	14.00	1	14.00
	10	Electrical				10.00
		RS-C	RS-C	3.00	1	3.00
		RS-D	RS-D	4.00	1	4.00
		Electrician		3.00	1	3.00
	20	Inspection				4.00
		Inspector		4.00	1	4.00

RS-ABCD is made by using RS-AB and RS-CD. You need welding torches and the work must be inspected by an inspector. This is the item cost calculation for RS-ABCD.

Number	Operation Sequence	Item	Item Description	Unit Cost	Quantity	Extended Cost
Main (#V1)		RS-ABCD	RS-ABCD	37.60	1	37.60
	10	Frame Assembly				33.50
		RS-AB	RS-AB	9.50	1	9.50
		RS-CD	RS-CD	14.00	1	14.00
		Electrician		5.00	2	10.00
	20	Inspection				4.00

Number	Operation Sequence	Item	Item Description	Unit Cost	Quantity	Extended Cost
		Inspector		4.00	1	4.00
		Plant Overhead				0.10

Note: The plant overhead is defined as 1% of the total material costs, which is the sum of the material costs for RS-A, RS-B, RS-C, and RS-D. The overhead for RS-A defined in the standard cost is excluded.

Cost details of the materials, resources, and overheads for the item RS-ABCD are summarized here.

Cost Element	Cost Element Type	Expense Pool	Cost Level	Unit Cost
ZCST-Electrical	Overhead		Lower Level	1.00
ZCST-Electrical	Overhead		This Level	0.00
CML Material	Material		Lower Level	1.00
CML Overhead	Overhead		Lower Level	0.50
CML Overhead	Overhead		This Level	0.00
OSPMatElement	Material		Lower Level	2.00
OSPMatElement	Material		This Level	0.00
RS-Resource	Resource		Lower Level	4.00
RS-Resource	Resource		This Level	4.00
P2P-Material-CE	Material		Lower Level	4.00
P2P-Material-CE	Material		This Level	0.00
0554-MatElement	Material		Lower Level	3.00
0554-MatElement	Material		This Level	0.00
0554-ResElement	Resource		Lower Level	3.00

Cost Element	Cost Element Type	Expense Pool	Cost Level	Unit Cost
0554-ResElement	Resource		This Level	0.00
Direct Labor	Resource		Lower Level	5.00
Direct Labor	Resource		This Level	0.00
Direct Equipment	Resource		This Level	10.00
Manufacturing Overheads	Overhead	MFG_Resources_EP	This Level	0.10
				37.60

Note: The expense pool for overheads incurred while manufacturing the assembly at this level is retained.

Example of Cost Rollup with Different Overhead Absorption Types

This example extends the previous example and illustrates how the unit cost of a make item is calculated by the Roll up Costs process when overhead rates with different absorption types are defined in the cost scenario.

Scenario

You're defining a new plant overhead at the plant level that's absorbed by all the assemblies manufactured. Work definitions, standard costs, and resource rates are same as defined earlier.

Revised Overhead Rates

These are the overhead rates defined in the cost scenario.

Overhead Rate Type	Item Category	Item	Cost Element	Expense Pool	Absorption Type	Rate
Plant Overhead		RS-ABCD	Manufacturing Overheads	MFG_Resources_EP	Percentage of Material Cost	1%
Plant Overhead			P2P-Overhead-CE	P2P_Exp_Pool	Percentage of Total Cost	2%

Note: The first overhead rate defined is only for the assembly of the item RS-ABCD. The second one is defined at the plant level and will apply to all assemblies.

Analysis

After you define the cost scenario and the corresponding standard costs, resource rates, overhead rates, run the Roll up Costs process for the cost scenario.

Rolled Up Costs

Let's start with identifying the revised costs for the items RS-AB and RS-CD after including the new plant overhead, which is defined as 2% of the total cost.

To fabricate RS-AB, you need couple of machine operators and fabrication engineers. This is the item cost calculation for RS-AB.

Number	Operation Sequence	Item	Item Description	Unit Cost	Quantity	Extended Cost
Main (#V1)		RS-AB	RS-AB	9.66	1	9.66
	10	Fabrication				9.50
		RS-A	RS-A	1.50	1	1.50
		RS-B	RS-B	2.00	1	2.00
		Machine Operator		1.00	2	2.00
		Fabrication Engineer		2.00	2	4.00
		Plant Overhead				0.16

The plant overhead is 2% of the total cost, excluding the overheads for material RS-A and the fabrication engineer. Therefore, the plant overhead is calculated as shown here:

0.02 x [Total material cost of (RS-A + RS-B) + Total resource rate of (Machine Operator + Fabrication Engineer)]

0.02 x [(1.00 + 2.00) + 2 x (1.00 + 1.50)] = 0.16

> **Note:** The resource rate is multiplied by 2 because two machine operators and two fabrication engineers are required to fabricate RS-AB.

To make RS-CD, you need an electrician and the work must be inspected by an inspector. This is the item cost calculation for RS-CD.

Number	Operation Sequence	Item	Item Description	Unit Cost	Quantity	Extended Cost
Main (#V1)		RS-CD	RS-CD	14.28	1	14.28

Number	Operation Sequence	Item	Item Description	Unit Cost	Quantity	Extended Cost
	10	Electrical				10.00
		RS-C	RS-C	3.00	1	3.00
		RS-D	RS-D	4.00	1	4.00
		Electrician		3.00	1	3.00
	20	Inspection				4.00
		Inspector		4.00	1	4.00
		Plant Overhead				0.28

RS-ABCD is made by using RS-AB and RS-CD. You need welding torches and the work must be inspected by an inspector. This is the item cost calculation for RS-ABCD.

Number	Operation Sequence	Item	Item Description	Unit Cost	Quantity	Extended Cost
Main (#V1)		RS-ABCD	RS-ABCD	38.80	1	38.80
	10	Frame Assembly				33.94
		RS-AB	RS-AB	9.66	1	9.66
		RS-CD	RS-CD	14.28	1	14.28
		Electrician		5.00	2	10.00
	20	Inspection				4.00
		Inspector		4.00	1	4.00

Number	Operation Sequence	Item	Item Description	Unit Cost	Quantity	Extended Cost
		Plant Overhead				0.10
		Plant Overhead				0.76

The first plant overhead is defined as 1% of the total material costs, which is the sum of the material costs for RS-A, RS-B, RS-C, and RS-D. The overhead for RS-A defined in the standard cost is excluded.

The second plant overhead is defined as 2% of the total cost. When calculating this overhead, the overhead for material RS-A, the overhead for fabrication engineer, and the plant overhead calculated for RS-AB and RS-CD are considered.

Cost details of the materials, resources, and overheads for the item RS-ABCD are summarized here.

Cost Element	Cost Element Type	Expense Pool	Cost Level	Unit Cost
ZCST-Electrical	Overhead		Lower Level	1.00
CML Material	Material		Lower Level	1.00
CML Overhead	Overhead		Lower Level	0.50
OSPMatElement	Material		Lower Level	2.00
RS-Resource	Resource		Lower Level	4.00
RS-Resource	Resource		This Level	4.00
P2P-Overhead-CE	Overhead	P2P_Exp_Pool	This Level	0.76
P2P-Overhead-CE	Overhead		Lower Level	0.44
P2P-Material-CE	Material		Lower Level	4.00
0554-MatElement	Material		Lower Level	3.00
0554-ResElement	Resource		Lower Level	3.00
Direct Labor	Resource		Lower Level	5.00
Direct Equipment	Resource		This Level	10.00
Manufacturing Overheads	Overhead	MFG_Resources_EP	This Level	0.10

Cost Element	Cost Element Type	Expense Pool	Cost Level	Unit Cost
				38.80

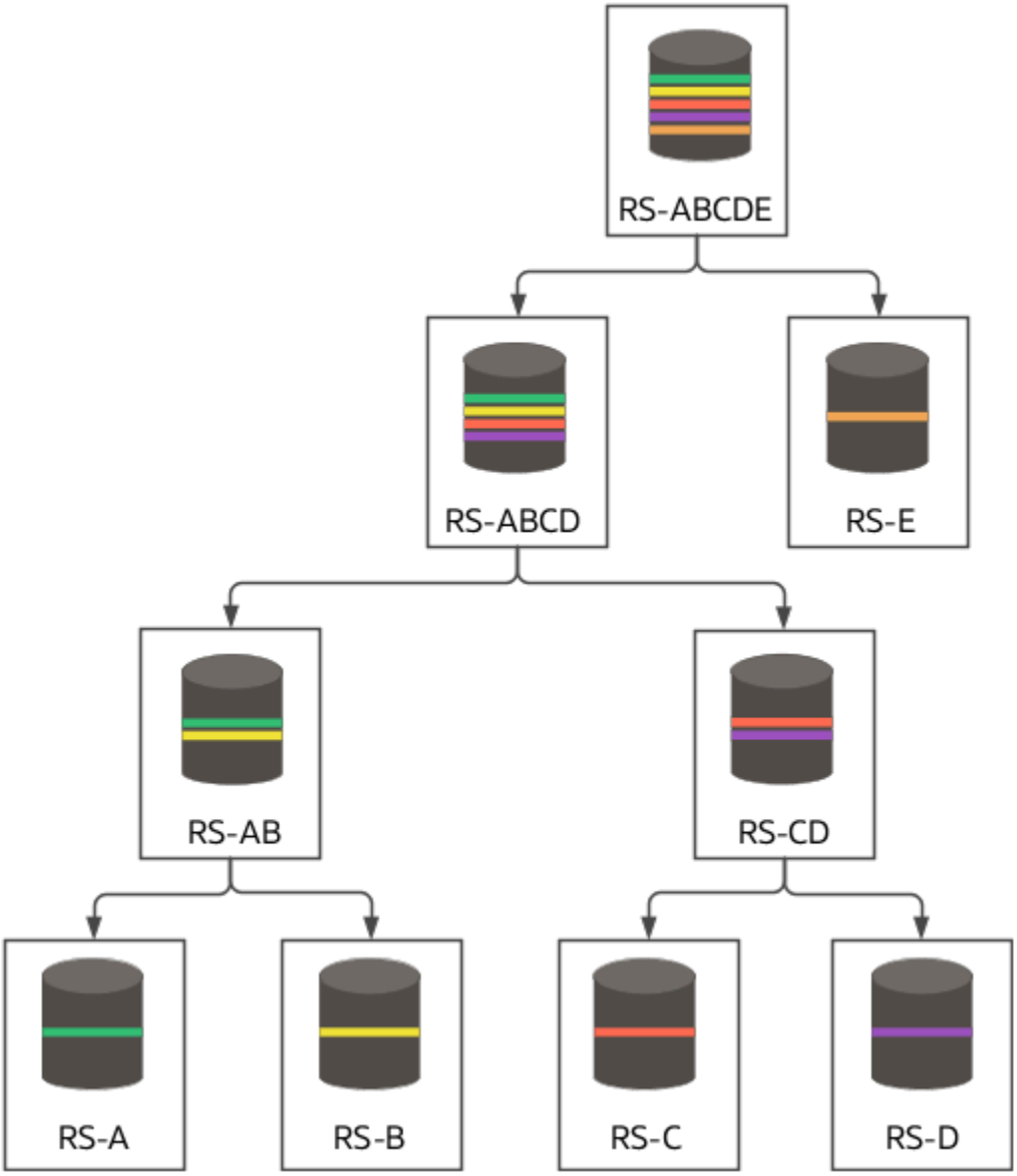
Note: The expense pool for overheads incurred while manufacturing the assembly at this level is retained.

Example of Single Level Cost Rollup

This example extends the previous example and illustrates how the unit cost of a make item is calculated by the Roll up Costs process when single level cost rollup is selected in the cost scenario.

Scenario

Your organization is now manufacturing an item RS-ABCDE that has a structure as shown in the image here. To make this item, you need the item RS-ABCD and the material RS-E. You've published the cost for RS-ABCD (as calculated in the earlier example) and it's available for cost planning.



The start date of work definition is same as defined earlier.

Cost Scenario

Create a cost scenario with the rollup scope as Selected Items and also select the Single-level Cost Rollup option. You want to use the already published costs for RS-ABCD and, therefore, you must select the Single-level Cost Rollup option. If you don't select this option, the Roll up Costs process will recalculate the costs for RS-AB, RS-CD, and RS-ABCD.

Define the standard costs, resource rates, and overhead rates as mentioned in the previous examples. Additionally, define this standard cost for the new material RS-E.

Item	Cost Element	Cost Element Type	Expense Pool	Unit Cost
RS-E	CML-Material	Material		**1.00**

Analysis

After you define the cost scenario and the corresponding standard costs, resource rates, overhead rates, run the Roll up Costs process for the cost scenario.

Rolled Up Costs

RS-ABCDE is made by using the item RS-ABCD and the material RS-E. You need welding torches and the work must be inspected by an inspector. The item cost calculation for RS-ABCDE is shown in this table.

Number	Operation Sequence	Item	Item Description	Unit Cost	Quantity	Extended Cost
Main (#V1)		RS-ABCDE	RS-ABCDE	54.876	1	54.876
	10	Frame Assembly				49.80
		RS-ABCD	RS-ABCD	38.80	1	38.80
		RS-E	RS-E	1.00	1	1.00
		Welding Torch		5.00	2	10.00
	20	Inspection				4.00
		Inspector		4.00	1	4.00
		Plant Overhead				1.076

Example of Supply Chain Cost Rollup for Discrete Manufacturing

This example illustrates how the unit cost of an item in discrete manufacturing is calculated by the Roll up Costs process when using supply chain cost rollup.

Scenario

Organization ZQD is manufacturing the item SC_FP01. To manufacture this item, you need various other items. The items, their sourcing rules, and quantities are listed in this table:

Item	Organization	Sourcing Rule	Source Organization	Allocation	Quantity
SC_FP01	ZQD	Make	N/A	100%	1
SC_F1	ZQD	Buy	N/A	100%	10
SC_SubPhantom1	ZQD	Make	N/A	100%	5
SC_Ph1	ZQD	Buy	N/A	100%	25
SC_Ph2	ZQD	Buy	N/A	100%	25
SC_SubAsmb1	ZQD	Transfer	M1	100%	1

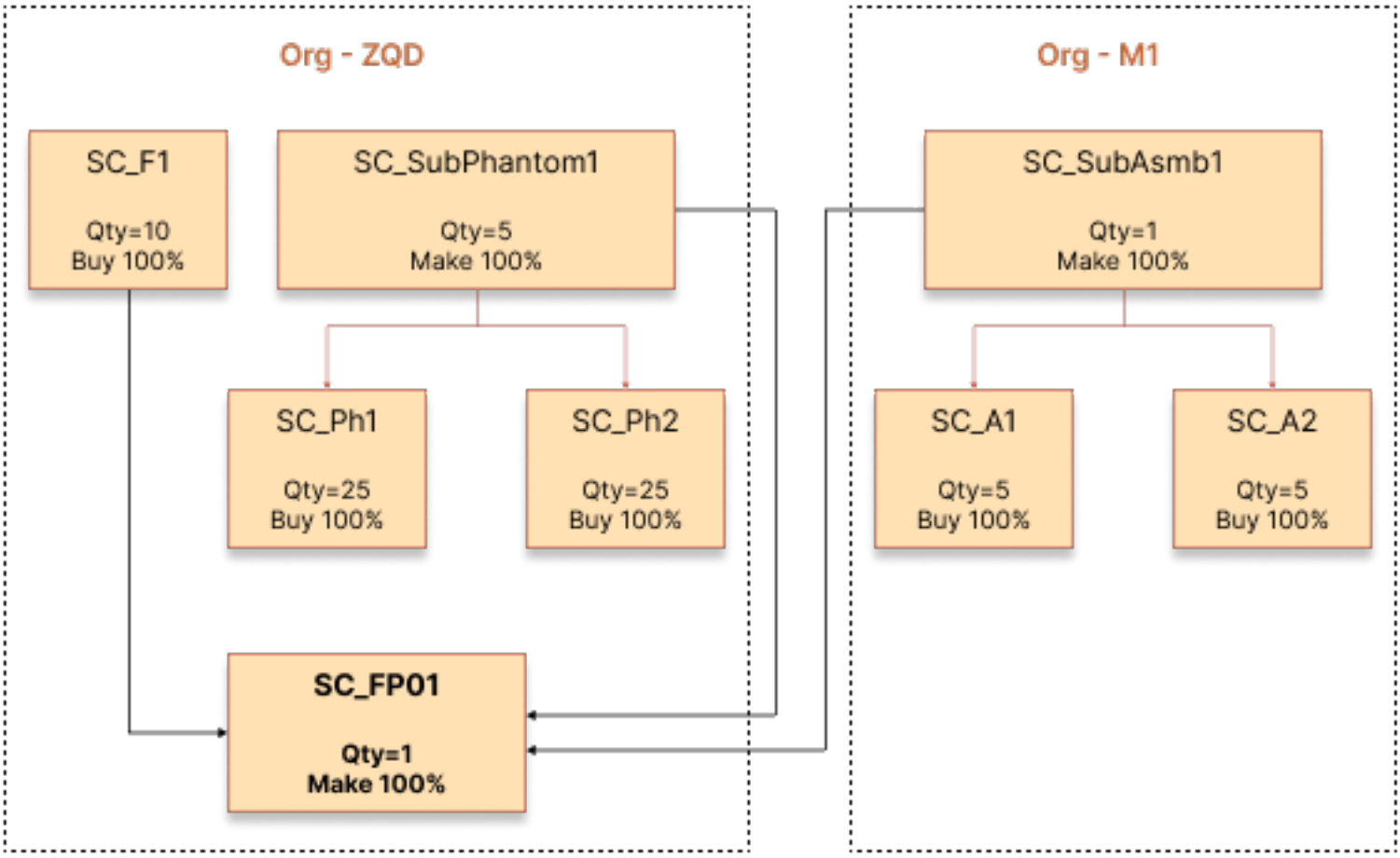
The item SC_SubAsmb1 in the above table is made in the organization M1. The corresponding sourcing rules are listed in this table:

Item	Organization	Sourcing Rule	Source Organization	Allocation	Quantity
SC_SubAsmb1	M1	Make	N/A	100%	1
SC_A1	M1	Buy	N/A	100%	5
SC_A2	M1	Buy	N/A	100%	5

As you can gather from the tables, the organization ZQD requires the items listed here to manufacture the finished item SC_FP01:

- SC_F1 – ZQD buys this item and a standard or buy cost must be defined for this item.
- SC_SubPhantom1 – ZQD makes this item and needs these items:
  - SC_Ph1 – ZQD buys this item and a standard or buy cost must be defined for this item.
  - SC_Ph2 – ZQD buys this item and a standard or buy cost must be defined for this item.
- SC_SubAsmb1 – ZQD sources this from M1, which manufactures it with these items:
  - SC_A1 – M1 buys this item and a standard or buy cost must be defined for this item.
  - SC_A2 – M1 buys this item and a standard or buy cost must be defined for this item.

Apart from these materials, you also require various other resources to manufacture this item. Here's an image illustrating the overall manufacturing flow for the finished item SC_FP01.



For this item, you create the work definitions.

Item	Work Definition Name	Version	Date
SC_FP01	ZQD_Final	1	11/1/2025
SC_SubAsmb1	Main	1	11/1/2025

Let's assume that the batch size of the work definition output is 1 each (primary UOM of these items).

Note: We haven't defined a work definition for the phantom subassembly SC_SubPhantom1. Only for phantom subassemblies, the logic will roll up the cost without a work definition, using the item structure of the phantom. However, if you create a work definition for the phantom, it takes precedence for cost rollup.

Cost Scenario, Standard Costs, Resource Rates, and Overhead Rates

Now, to calculate the unit cost of SC_FP01, you start by creating a cost scenario. You must make sure that the effective start date of the cost scenario is same as or later than the work definition start date. Also, ensure that the settings listed here are made in the cost scenario:

- Enable Supply Chain Cost Rollup – Select this option.

- Organization Context – Group
- Cost Rollup Group – Select a cost rollup group that you've created with the cost organization and cost book combinations for the ZQD and M1 organizations respectively.
- Effective Date – 11/1/2025
- Assignment Set Name – Select the assignment set in which you have set the sourcing type for all the items. Also, ensure that you've defined the various sourcing rules. The sourcing rules must be planning enabled and linked to the assignment set. Also, check whether active supply sourcing rules with total allocation of 100% exist as of the scenario effective date.

  > **Note:** You must run the Extract Supply Sources process for the assignment set before running the Roll up Costs process.

- Transfer Charge Rule Set – Select the rule set with the transfer charge rule for transfer from M1 to ZQD. Let's assume you've defined a 2% transfer charge rule.
- Rollup Scope – Select Items. Add the items listed here:
  - SC_SubAsmb1
  - SC_SubPhantom1
  - SC_FP01
- Use Latest Work Definitions – Select this option to use the latest version of active work definition in the manufacturing organization.

Next, you must define the standard costs for the materials used, the rates for the various resources used when manufacturing the item, and the overheads incurred.

Standard Costs

Item	Valuation Unit	Buy Cost	Cost Element	Cost Element Type	Expense Pool	Unit Cost ($)
SC_F1	ZQD-Org1	Yes				
			P2P-Material	Material		9.80
			P2P-OH	Overhead	P2P_Exp_Pool	1.43
						11.23
SC_Ph1	ZQD-Org1	No				
			P2P-Material	Material		10.00
			P2P-OH	Overhead	P2P_Exp_Pool	2.15
						12.15
SC_Ph2	ZQD-Org1	Yes				
			P2P-Material	Material		5.35
			P2P-OH	Overhead	P2P_Exp_Pool	1.45
						6.80

Item	Valuation Unit	Buy Cost	Cost Element	Cost Element Type	Expense Pool	Unit Cost ($)
SC_A1	M1-Org1	Yes				
			P2P-Material	Material		2.65
			P2P-OH	Overhead	P2P_Exp_Pool	0.75
						3.40
SC_A2	M1-Org1	Yes				
			P2P-Material	Material		20.00
			P2P-OH	Overhead	P2P_Exp_Pool	2.00
						22.00

Note:

- For SC_Ph1, Buy Cost isn't selected. You are defining a standard cost for this item that can be used to cost inventory transactions in Cost Accounting. When you select Buy Cost, the buy cost will be used by the Roll up Costs process to calculate the standard cost of the item only if the cost scenario is enabled for supply chain cost rollup and a buy sourcing rule exists for the item in the sourcing assignment. The buy cost is never used to cost inventory transactions in Cost Accounting.
- Ensure that you select the appropriate cost organization and cost book combination for the items made or used by the ZQD and M1 organizations respectively.

Resource Rates

Resource	Plant	Cost Element	Cost Element Type	Expense Pool	Unit Cost ($)
SC_ZQD_Res1	ZQD-Mfg				
		P2P-Resource	Resource	P2P_Res_Pool	7.00
		Res-OH-2	Overhead	RS_OH_Exp	2.99
					9.99
SC_M1_Res1	M1-Mfg				
		P2P-Resource	Resource	P2P_Res_Pool	5.00
		Res-OH-2	Overhead	RS_OH_Exp	0.35
					5.35

Overhead Rates

Plant	Overhead Rate Type	Item	Cost Element	Expense Pool	Absorption Type	Rate
M1-Mfg	Work center overhead	SC_SubAsmb1	Res-overhead	WC-OH	Percentage	10%
ZQD-Mfg	Plant overhead	N/A	Plant_OH	P1-OH	Fixed	$50.00
ZQD-Mfg	Plant overhead	N/A	Plant_OH	P1-OH	Percentage	20%

Analysis

After you define the cost scenario and the corresponding standard costs, resource rates, overhead rates, run the Roll up Costs process for the cost scenario.

Rolled Up Costs

Let's start with identifying the costs for the items SC_SubAsmb1, SC_SubPhantom1, and SC_FP01.

The item cost calculation for SC_SubAsmb1 is as shown here.

Operation Sequence	Component/ Resource	Cost Element Type	Unit Cost	Quantity	Amount
	SC_SubAsmb1		138.70	1	138.70
10	SC_A1	Material	2.65	5	13.25
		Overhead	0.75	5	3.75
10	SC_A2	Material	20.00	5	100.00
		Overhead	2.00	5	10.00
10	SC_M1_Res1	Resource	5.00	2	10.00
		Overhead	0.35	2	0.70
10	Work center overhead	Overhead	1.00	1	1.00

The item cost calculation for SC_SubPhantom1 is as shown here.

Operation Sequence	Component/ Resource	Cost Element Type	Unit Cost	Quantity	Amount
	SC_SubPhantom1		160.10	1	160.10
10	SC_Ph1	Material	10.00	5	50.00
		Overhead	2.15	5	10.75
10	SC_Ph2	Material	5.35	5	26.75
		Overhead	1.45	5	7.25

Operation Sequence	Component/ Resource	Cost Element Type	Unit Cost	Quantity	Amount
10	Plant overhead	Overhead (Fixed)	50.00	1	50.00
10	Plant overhead	Overhead (Percentage)	15.35	1	15.35

The percentage plant overhead in the table is defined at 20%. That's 20% of the material cost. The material cost equates to sum of the material cost multiplied by the quantity.

Overhead = 0.2 * [5 * (10.00 + 5.35)]

Overhead = 0.2 * [76.75] = 15.35

The item cost calculation for the final product SC_FP01 is as shown here.

Operation Sequence	Component/ Resource	Cost Element Type	Unit Cost	Quantity	Amount
	SC_FP01		817.10	1	817.10
10	SC_F1	Material	9.80	10	98.00
		Overhead	1.43	10	14.30
10	SC_Ph1	Total cost from phantom	60.75	5	303.75
10	SC_Ph2	Total cost from phantom	34.00	5	170.00
10	SC_SubAsmb1	Total cost from subassembly + transfer charge rule	141.47	1	141.47
10	SC_ZQD_Res1	Resource	7.00	2	14.00
		Overhead	2.99	2	5.98
10	Plant overhead	Overhead (Fixed)	50.00	1	50.00
10	Plant overhead	Overhead (Percentage)	19.65	1	19.60

The percentage plant overhead in the table is defined at 20%. That's 20% of the material cost. The material cost equates to sum of the material cost multiplied by the quantity.

Overhead = 0.2 * [10 * (9.8)]

Overhead = 0.2 * [98] = 19.60

Also, the cost for the item SC_SubAsmb1 must include the 2% transfer charge. So the item cost is,

1.02 * 138.70 = 141.47

When you view the rolled up cost for the product, you'll notice that the phantom subassembly isn't shown directly, instead the phantom is expanded to show its components as if they're going into the higher-level assembly.

Example of Supply Chain Cost Rollup for Process Manufacturing

This example illustrates how the unit cost of an item in process manufacturing is calculated by the Roll up Costs process when using supply chain cost rollup.

Scenario

Organization ZQD is manufacturing the item SC_ABCDEF. Here's the overall output of the process manufacturing.

Item	Sourcing Rule	Output	Source Allocation Percentage	Quantity	Cost Allocation in Work Definition
SC_ABCDEF	Make	Primary product	70%	10	60%
SC_ABCDEF	Buy	Primary product	30%	10	N/A
SC_CoProd	Make	Co-product	100%	10	30%
SC_ByProd	Make	By-product	100%	10	10%

To manufacture the item SC_ABCDEF, you need various other items. The items, their sourcing rules, and quantities are listed in this table:

Item	Organization	Sourcing Rule	Source Organization	Source Allocation Percentage	Quantity
SC_ABCDEF	ZQD	Make	N/A	70%	10
SC_ABCDEF	ZQD	Buy	N/A	30%	10
SC_Y	ZQD	Transfer	M1	100%	1
SC_X	ZQD	Transfer	M1	100%	1
SC_F	ZQD	Buy	N/A	100%	1
SC_PH3	ZQD	N/A	N/A	100%	2
SC_E	ZQD	Buy	N/A	100%	2
SC_Ph2	ZQD	N/A	N/A	100%	4
SC_CD	ZQD	Buy	N/A	40%	4
SC_CD	ZQD	Transfer	M1	60%	4
SC_Ph1	ZQD	N/A	N/A	100%	8
SC_A	ZQD	Buy	N/A	100%	16
SC_B	ZQD	Buy	N/A	100%	8

In the above table, you will note that no sourcing rules are mentioned for the phantom items SC_Ph1, SC_Ph2, and SC_PH3. The Roll up Costs process assumes that the phantom items will be 100% make items.

Apart from these materials, you also require the resource Labor-3 for 10 hours to manufacture the item SC_ABCDEF.

The subassembly SC_CD in the above table is made in the organization M1. The corresponding sourcing rules are listed in this table:

Item	Organization	Sourcing Rule	Source Organization	Allocation	Quantity
SC_CD	M1	Make	N/A	20%	4
SC_CD	M1	Buy	N/A	80%	4
SC_C	M1	Buy	N/A	100%	8
SC_D	M1	Buy	N/A	100%	4

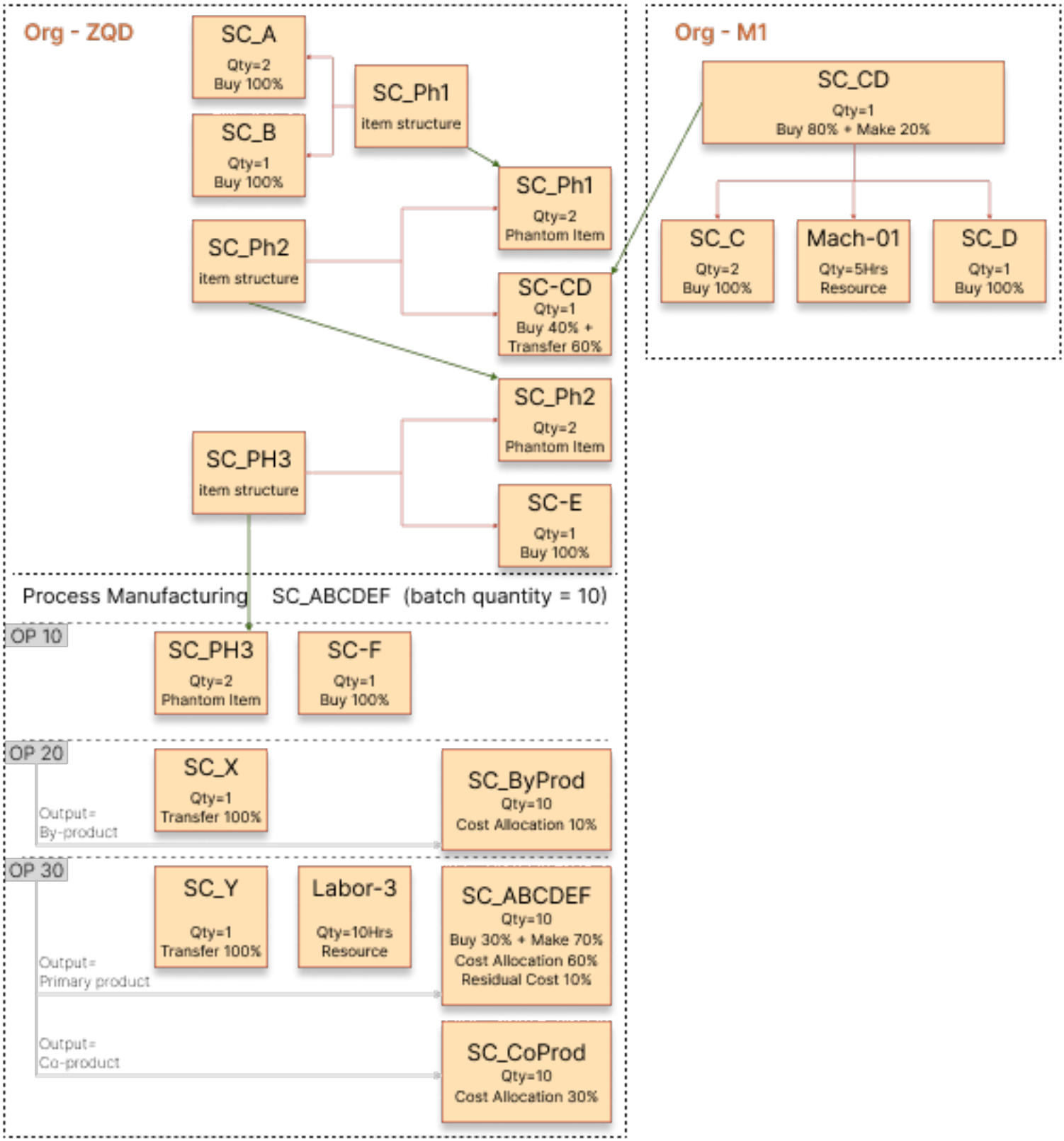
Apart from these materials, you also require the resource Mach-01 for 5 hours to manufacture the subassembly SC_CD.

As you can gather from the tables, the organization ZQD requires the items listed here to manufacture the finished item SC_ABCDEF:

- SC_Ph1 – ZQD makes this item and needs these items:
  - SC_A – ZQD buys this item and a standard or buy cost must be defined for this item.
  - SC_B – ZQD buys this item and a standard or buy cost must be defined for this item.
- SC_Ph2 – ZQD makes this item and needs these items:
  - SC_Ph1 – ZQD makes this item and the cost is rolled up based on the item structure defined.
  - SC_CD – ZQD buys 40% of this item and a standard or buy cost must be defined for this item. The remaining 60% is transferred from M1 with a 10% markup.
- SC_CD – M1 makes this item and needs these items and resources:
  - SC_C – M1 buys this item and a standard or buy cost must be defined for this item.
  - SC_D – M1 buys this item and a standard or buy cost must be defined for this item.
  - Mach-01 – M1 uses this resource for 5 hours to make one SC_CD.
- SC_PH3 – ZQD makes this item and needs these items:
  - SC_Ph2 – ZQD makes this item and the cost is rolled up based on the item structure defined.
  - SC_E – ZQD buys this item and a standard or buy cost must be defined for this item.
- SC_ABCDEF – ZQD makes this item and needs these items and resources:
  - SC_PH3 – ZQD makes this item and the cost is rolled up based on the item structure defined.
  - SC_F – ZQD buys this item and a standard or buy cost must be defined for this item.
  - SC_X – ZQD sources this item from M1.
  - SC_Y – ZQD sources this item from M1.
  - Labor-3 – ZQD uses this resource for 10 hours to make one SC_ABCDEF.

Note: If you've defined a buy sourcing rule for an item, system expects you to enter the buy cost and use that to calculate the the standard cost. Alternately, you can enter a standard cost of the item to override the buy sourcing rule.

Here's an image illustrating the overall manufacturing flow for the finished item SC_FP01.


Org - ZQD
SC_A
Qty=2
Buy 100%
SC_B
Qty=1
Buy 100%
SC_Ph1
item structure
SC_Ph1
Qty=2
Phantom Item
SC_Ph2
item structure
SC-CD
Qty=1
Buy 40% +
Transfer 60%
SC_Ph2
Qty=2
Phantom Item
SC_PH3
item structure
SC-E
Qty=1
Buy 100%
Org - M1
SC_CD
Qty=1
Buy 80% + Make 20%
SC_C
Qty=2
Buy 100%
Mach-01
Qty=5Hrs
Resource
SC_D
Qty=1
Buy 100%
Process Manufacturing
SC_ABCDEF (batch quantity = 10)
OP 10
SC_PH3
Qty=2
Phantom Item
SC-F
Qty=1
Buy 100%
OP 20
SC_X
Qty=1
Transfer 100%
SC_ByProd
Qty=10
Cost Allocation 10%
Output=
By-product
OP 30
SC_Y
Qty=1
Transfer 100%
Labor-3
Qty=10Hrs
Resource
SC_ABCDEF
Qty=10
Buy 30% + Make 70%
Cost Allocation 60%
Residual Cost 10%
Output=
Primary product
Output=
Co-product
SC_CoProd
Qty=10
Cost Allocation 30%

For this item, you create the work definitions.

Item	Work Definition Name	Version	Date
SC_ABCDEF	ZQD_Final	1	11/1/2025
SC_CD	M1_Sub	1	11/1/2025

Note: We haven't defined a work definition for the phantom subassemblies. Only for phantom subassemblies, the logic will roll up the cost without a work definition, using the item structure of the phantom. However, if you create a work definition for the phantom, it takes precedence for cost rollup.

Cost Scenario, Standard Costs, Resource Rates, and Overhead Rates

Now, to calculate the unit cost of SC_ABCDEF, you start by creating a cost scenario. You must make sure that the effective start date of the cost scenario is same as or later than the work definition start date. Also, ensure that the settings listed here are made in the cost scenario:

- Enable Supply Chain Cost Rollup – Select this option.
- Organization Context – Group
- Cost Rollup Group – Select a cost rollup group that you've created with the cost organization and cost book combinations for the ZQD and M1 organizations respectively.
- Effective Date – 11/1/2025
- Assignment Set Name – Select the assignment set in which you have set the sourcing type for all the items. Also, ensure that you've defined the various sourcing rules. The sourcing rules must be planning enabled and linked to the assignment set. Also, check whether active supply sourcing rules with total allocation of 100% exist as of the scenario effective date.

  Note: You must run the Extract Supply Sources process for the assignment set before running the Roll up Costs process.

- Transfer Charge Rule Set – Select the rule set with the transfer charge rule for transfer from M1 to ZQD. Define a 10% transfer charge rule.
- Rollup Scope – Select Items. Add the items listed here:
  - SC_Ph1
  - SC_Ph21
  - SC_PH3
  - SC_CD
  - SC_ABCDEF
- Use Latest Work Definitions – Select this option to use the latest version of active work definition in the manufacturing organization.

Next, you must define the standard costs for the materials used, the rates for the various resources used when manufacturing the item, and the overheads incurred.

Standard Costs

Item	Valuation Unit	Buy Cost	Cost Element	Cost Element Type	Expense Pool	Unit Cost ($)
SC_A	ZQD-Org1	No				
			P2P-Material	Material		135.00
			P2P-OH	Overhead	P2P_Exp_Pool	15.00
						150.00
SC_B	ZQD-Org1	No				
			P2P-Material	Material		180.00
			P2P-OH	Overhead	P2P_Exp_Pool	20.00
						200.00
SC_C	M1-Org1	No				
			P2P-Material	Material		720.00
			P2P-OH	Overhead	P2P_Exp_Pool	80.00
						800.00
SC_D	M1-Org1	No				
			P2P-Material	Material		810.00
			P2P-OH	Overhead	P2P_Exp_Pool	90.00
						900.00
SC_E	ZQD-Org1	No				
			P2P-Material	Material		1890.00
			P2P-OH	Overhead	P2P_Exp_Pool	210.00
						2100.00
SC_F	ZQD-Org1	No				
			P2P-Material	Material		4590.00
			P2P-OH	Overhead	P2P_Exp_Pool	510.00
						5100.00
SC_X	M1-Org1	Yes				
			P2P-Material	Material		1000.00
			P2P-OH	Overhead	P2P_Exp_Pool	100.00
						1100.00
SC_Y	M1-Org1	No				
			P2P-Material	Material		1300.00

Item	Valuation Unit	Buy Cost	Cost Element	Cost Element Type	Expense Pool	Unit Cost ($)
			P2P-OH	Overhead	P2P_Exp_Pool	200.00
						1500.00
SC_CD	M1-Org1	Yes				
			P2P-Material	Material		3500.00
						3500.00
SC_CD	ZQD-Org1	Yes				
			P2P-Material	Material		3500.00
						3500.00
SC_ABCDEF	ZQD-Org1	Yes				
			P2P-Material	Material		3100.00
						3100.00

Note:

- There are buy items for which Buy Cost hasn't been selected. You are defining a standard cost for these items that can be used to cost inventory transactions in Cost Accounting. When you select Buy Cost, the buy cost will be used by the Roll up Costs process to calculate the standard cost of the item only if the cost scenario is enabled for supply chain cost rollup and a buy sourcing rule exists for the item in the sourcing assignment. The buy cost is never used to cost inventory transactions in Cost Accounting.
- Ensure that you select the appropriate cost organization and cost book combination for the items made or used by the ZQD and M1 organizations respectively.

Resource Rates

Resource	Plant	Cost Element	Cost Element Type	Expense Pool	Unit Cost ($)
Mach-01	M1-Mfg				
		P2P-Resource	Resource	P2P_Res_Pool	60.00
					60.00
Labor-3	ZQD-Mfg				
		P2P-Resource	Resource	P2P_Res_Pool	50.00
					50.00

Overhead Rates

Plant	Overhead Rate Type	Cost Element	Expense Pool	Absorption Type	Rate
M1-Mfg	Plant overhead	Plant_OH	M1P-OH	Percentage	20%
M1-Mfg	Plant overhead	Plant_OH	M1P-OH	Fixed	50.00
ZQD-Mfg	Plant overhead	Plant_OH	ZQDP-OH	Fixed	$1.00
ZQD-Mfg	Plant overhead	Plant_OH	ZQDP-OH	Percentage	20%
ZQD-Mfg	Plant overhead	Plant_OH	ZQDP-OH	Percentage of material cost at all levels	4%
ZQD-Mfg	Plant overhead	Plant_OH	ZQDP-OH	Percentage of total cost including overhead at all levels	3%

Analysis

After you define the cost scenario and the corresponding standard costs, resource rates, overhead rates, run the Roll up Costs process for the cost scenario.

Rolled Up Costs

Let's start identifying the costs for the items SC_CD, SC_Ph1, SC_Ph2, SC_PH3, and SC_ABCDEF.

The item cost calculation for SC_CD in the M1 organization is as shown here.

Operation Sequence	Component/ Resource	Cost Element Type	Unit Cost	Quantity	Amount
	SC_CD		3300.00	1	3300.00
10	SC_C	Material	720.00	2	1440.00
		Overhead	80.00	2	160.00
10	SC_D	Material	810.00	1	810.00
		Overhead	90.00	1	90.00
10	Mach-01	Resource	60.00	5	300.00
10	Plant overhead	Overhead	20%		450.00
	Plant overhead	Overhead	50.00		50.00

The sourcing rules for SC_CD in the M1 organization are 20% make and 80% buy. So, the cost of SC_CD in the M1 organization is:

```
Unit Cost of SC_CD = [0.20 * (Make cost of SC_CD) + 0.80 * (Buy cost of SC_CD)]
```

We haven't defined a buy cost but a standard cost for SC_CD in M1, which we will use in this case. Therefore,

```
Unit Cost of SC_CD = [0.20 * (3300.00) + 0.80 * (3500.00)]

Unit Cost of SC_CD = [660.00 + 2800.00]
```

```
Unit Cost of SC_CD = 3460.00
```

The item cost calculation for SC_Ph1 in the ZQD organization is as shown here.

Operation Sequence	Component/ Resource	Cost Element Type	Unit Cost	Quantity	Amount
	SC_Ph1		622.50	1	622.50
10	SC_A	Material	135.00	2	270.00
		Overhead	15.00	2	30.00
10	SC_B	Material	180.00	1	180.00
		Overhead	20.00	1	20.00
10	Plant overhead	Overhead	20%		90.00
	Plant overhead	Overhead	4%		18.00
	Plant overhead	Overhead	3%		13.50
	Plant overhead	Overhead	1.00		1.00

The item cost calculation for SC_Ph2 in the ZQD organization is as shown here.

Operation Sequence	Component/ Resource	Cost Element Type	Unit Cost	Quantity	Amount
	SC_Ph2		4995.11	1	4995.11
10	SC_Ph1	Material	450.00	2	900.00
		Overhead	50.00	2	100.00
10	SC_CD		3683.60	1	3683.60
10	Plant overhead	Overhead	4%		170.00
	Plant overhead	Overhead	3%		140.51
	Plant overhead	Overhead	1.00		1.00

ZQD buys 40% of SC_CD and 60% is transferred from M1 with a 10% markup. So, in the above table the cost of SC_CD is calculated as shown here:

```
Buy cost of SC_CD = 0.40 * 3500.00 = 1400.00

Transfer cost of SC_CD = 0.60 * [1.10 * (Cost of SC_CD in M1)]

Transfer cost of SC_CD = 0.60 * [1.10 * (3460)]

Transfer cost of SC_CD = 0.60 * [3806.00]

Transfer cost of SC_CD = 2283.60
```

```
Unit Cost of SC_CD = Buy Cost + Transfer Cost = 1400.00 + 2283.60 = 3683.60
```

Also, the plant overhead of 170.00 is calculated by considering only the total material cost of SC_CD and SC_Ph1. The plant overhead of 140.51 is calculated considering the total cost, that's material of SC_CD and material, resource, and overhead of SC_Ph1.

The item cost calculation for SC_PH3 in the ZQD organization is as shown here.

Operation Sequence	Component/ Resource	Cost Element Type	Unit Cost	Quantity	Amount
	SC_PH3		12599.52	1	12599.52
10	SC_Ph2		4683.60	2	9367.20
10	SC_E	Material	1890.00	1	1890.00
		Overhead	210.00	1	210.00
10	Plant overhead	Overhead	20%		378.00
	Plant overhead	Overhead	4%		415.60
	Plant overhead	Overhead	3%		337.72
	Plant overhead	Overhead	1.00		1.00

The cost of SC_Ph2 is taken as 4683.60 per unit. This is without the plant overhead that was applied when calculating the make cost for it in the earlier table. Which is:

```
(Standard Cost of SC_Ph2) - (Sum of the plant overheads in manufacturing SC_Ph2)

(4995.11) - (170.00 + 140.51 + 1.00)

(4995.11) - (311.51) = 4683.60
```

The plant overhead of 378.00 is calculated using only the material cost at this level, which is the material cost of SC_E. Also, the plant overhead of 415.60 is calculated by considering only the total material cost of SC_E and SC_Ph2 from the lower level. The plant overhead of 337.72 is calculated considering the total cost, that's material of SC_E and material, resource, and overhead of SC_Ph2.

Now, let's identify the costs involved in manufacturing the final product SC_ABCDEF in the ZQD organization.

Operation Sequence	Component/ Resource	Cost Element Type	Unit Cost	Quantity	Amount
10	SC_PH3		11467.20	2	22934.40
10	SC_F	Material	4590.00	1	4590.00
		Overhead	510.00	1	510.00
20	SC_X	Material	1000.00	1	1000.00
		Overhead	100.00	1	100.00
		Overhead	10%	1	110.00

Operation Sequence	Component/ Resource	Cost Element Type	Unit Cost	Quantity	Amount
30	SC_Y	Material	1300.00	1	1300.00
		Overhead	200.00	1	200.00
		Overhead	10%	1	150.00
	Labor-3	Resource	50.00	10	500.00
	Plant overhead	Overhead	20%		918.00
	Plant overhead	Overhead	4%		1054.80
	Plant overhead	Overhead	3%		926.53
	Plant overhead	Overhead	1.00	10	10.00

In the above table the overhead of 10% for SC_X and SC_Y is the transfer markup for these items from M1.

The output of operation 20 is SC_ByProd. Let's first calculate the cost of SC_ByProd.

Operation Sequence	Component/ Resource	Cost Element Type	Unit Cost	Quantity	Amount
10	SC_PH3		11467.20	2	22934.40
10	SC_F	Material	4590.00	1	4590.00
		Overhead	510.00	1	510.00
20	SC_X	Material	1000.00	1	1000.00
		Overhead	100.00	1	100.00
		Overhead	10%	1	110.00
	Plant overhead	Overhead	20%		918.00
	Plant overhead	Overhead	4%		1054.80
	Plant overhead	Overhead	3%		862.03
	Plant overhead	Overhead	1.00	10	10.00

In the above table the plant overheads are calculated as shown here:

- `0.20 * (material cost of SC_F) = 0.20 * 4590.00 = 918.00`
- `0.04 * (total material cost of SC_PH3, SC_F, and SC_X)`

  `0.04 * (20780.00 + 4590.00 + 1000.00)`

  `0.04 * (26370.00) = 1054.80`

- 0.03 * (material cost of SC_F + total cost of SC_PH3 + total cost of SC_X)

  0.03 * (4590.00 + 22934.40 + 1210.00)

  0.03 * (28734.4) = 862.03

The output SC_ByProd has a cost allocation of 10% in the work definition and the batch size is 10. So the unit cost calculation for SC_ByProd is as shown here:

{{[(Total cost of material and corresponding overheads) + (Total cost of plant overheads)] * 0.10} + Fixed plant overhead for SC_ByProd} / 10

{{[(22934.40 + 4590.00 + 510.00 + 1000.00 + 100.00 + 110.00) + (918.00 + 1054.80 + 862.03)] * 0.10} + 10.00} / 10

{{[(29244.40) + (2834.83)] * 0.10} + 10.00} / 10

{{[32079.23 * 0.10]} + 10.00} / 10

{{3207.92 + 10.00} / 10

{3217.92 / 10} = 321.79

One of the outputs of operation 30 is SC_CoProd. Let's calculate the cost of SC_CoProd.

The output SC_CoProd has a cost allocation of 30% in the work definition and the batch size is 10.

To calculate the cost of SC_CoProd, you start by calculating 90% of the material and corresponding overhead cost of items in operations 10 and 20. The reason is that 10% of the cost is allocated for SC_ByProd, the output after operation 20.

0.90 * (item costs in operations 10 and 20) = 0.90 * (29244.40) = 26319. 96

To this we next add the item costs and resource costs for operation 30.

26319.96 + 1300.00 + 200.00 + 150.00 + 500.00 = 28469.96

Now, let's add the variable plant overheads to this cost. Again, we will be considering only 90% of the material costs of items consumed in operations 10 and 20 when calculating the plant overheads.

28469.96 + [(0.20 * 4131.00) + (0.04 * 25033.00) + (0.03 * 28010.96)]

28469.96 + [(826.20) + (1001.32) + (840.33)]

28469.96 + 2667.85 = 31137.81

So, the unit cost of SC_CoProd is:

[(0.30 * 31137.81) + 10.00] / 10 = [9341.34 + 10.00] / 10 = 9351.34 / 10 = 935.13

Similarly, the unit cost to make SC_ABCDEF is:

{[(0.60 + 0.10) * (31137.81)] + 10.00} / 10

Here, 60% is the cost allocation in the work definition for SC_ABCDEF and 10% is the residual cost, as shown in the image earlier.

{[(0.70) * (31137.81)] + 10.00} / 10

{[21796.40] + 10.00} / 10

```
{21806.40} / 10 = 2180.64
```

As per the sourcing rules defined for SC_ABCDEF in the ZQD organization, the unit cost is:

```
[(0.70 * 2180.64) + (0.30 * 3100.00)] = [1526.45 + 930.00] = 2456.45
```

Cost Analysis

Cost simulation tools help you with detailed analysis of the rolled-up costs. You can compare costs across scenarios or compare scenario costs with the current published costs, to review the differences in cost and inventory value adjustments.

You can view the rolled-up costs for your items by using the tree view or by using the graphical hierarchical view on the View Rolled-up Costs page. Both views allow you to drill down into the details used for the item costs calculation. By creating different scenarios to represent different manufacturing and cost variables, you can compare the results. After you're satisfied with the cost calculations, you can publish the scenario so that the costs are available for cost accounting.

Some of the information available on this page include:

- The operation sequence number is prefixed to the operation name in the operation nodes.
- The materials, resources, and overheads will show the respective costs and rates in the node description.
    - For materials used in discrete work definitions, Material + Resource + Overhead = Entered Unit Cost
    - For materials used in process work definitions, Material + Resource + Overhead = Entered Unit Cost * Cost Allocation Factor of the output.
    - For products, Material + Resource + Overhead = Per Unit Cost.
- The Entered Unit Cost attribute is available and populated when user has entered the cost manually. This clearly distinguishes from the Per Unit Cost attribute which is the system calculated unit cost. Note that all item costs are reported in the context of the unit of measure specified for costing in the cost profile setup.
- For operation nodes, the material, resource, and overhead costs are sum of all material costs, sum of all resource costs, and sum of all overhead costs incurred in that operation, respectively. An exception to this would be an operation in process manufacturing work definition which doesn't yield the output. Such an operation won't display the breakdown of material, resource, and overhead costs.

In the case of supply chain cost rollup, you can validate the product costs and verify the sourcing rules that were used to calculate the costs. Each sourcing rule node has the cost breakdown to validate the rolled-up costs. The View Rolled-up Costs page shows this additional information for the sourcing rule nodes:

- Source Allocated Material - Material cost breakdown from the sourcing rule
- Source Allocated Resource - Resource cost breakdown from the sourcing rule
- Source Allocated Overhead - Overhead cost breakdown from the sourcing rule
- Source Allocated Unit Cost - Unit cost from the sourcing rule

When multiple sourcing rules (rank = 1) are defined:

Standard cost of product = (User entered buy cost * Buy sourcing rule allocation) + (Rolled-up cost from work definition * Make sourcing rule allocation) + (Transfer cost * Transfer sourcing rule allocation)

Per Unit Cost of the product = SUM (Source allocated unit cost from sourcing rule nodes)

Source Allocated Unit Cost = Unit cost calculated using the sourcing rule * Sourcing rule allocation

If you're interested in analytics for cost planning, you can use the Rolled-up Costs Real Time Subject Area in OTBI if you don't use supply chain cost rollup. You can also use these seeded reports in OTBI for your business:

- Costed BOM Report
- Costed BOM (Cost Details) Report
- Scenario Exceptions Report
- Where Used Report

Related Topics

- Create a Cost Scenario for Regular Items
- Create a Cost Scenario for Supply Chain Cost Rollup
- Supply Chain Cost Rollup
- Manage Standard Costs in a Spreadsheet

Publish Costs

After you're satisfied with the results of the cost calculations and analysis, you can publish the costs by running the Update Standard Costs task from the Manage Cost Scenarios page.

The cost update process automatically implements the new standard costs defined in the cost scenario on the date set as the effective date of the cost scenario. You can perform standard cost updates for any date, including a past or future date.

1. In the Cost Accounting work area, click the **Manage Cost Scenario** task.
2. Search for and select the cost scenario that you want to publish costs for.

   If you select a cost scenario with a periodic average cost enabled cost book, then steps 3 through 5 are not applicable. You can directly perform step 6.
3. On the View Cost Scenario page, select **Roll up Costs** from the Actions menu.
4. On the Roll up Costs dialog box, select the **Notify me when this process ends** option and click **Submit**.
5. Click **Done**.
6. After the Roll up Costs process is successfully completed, run the **Update Standard Costs** process from the Actions menu.
7. On the Update Standard Costs dialog box, select the **Notify me when this process ends** option and click **Submit**.

Additionally, you can schedule this process for configured items. This ensures that whenever there's a rolled-up cost for a configured item, the process publishes its cost to be used for processing the transactions.

Note:

- For a new item that doesn't have a prior published cost, the first published cost for the item and valuation unit combination will be effective as of 01-Jan-1900. This is to ensure that all transactions for the item prior to the cost scenario effective date are costed.
- You can use the Undo Cost Update task to reverse the effects of any unintended cost updates. This isn't applicable for cost scenarios created using periodic average cost enabled cost books.
- You can't unpublish the cost scenario or delete the standard costs after they have been used in any transactions. If you want to change the standard cost for an item, you must create and publish a new costs scenario with the appropriate dates.
- You can't unpublish cost scenarios created using periodic average cost enabled cost books.
- You can't delete published standard costs and resource rates for periodic average cost enabled cost books.
- If you add any new standard costs and resource rates to a published cost scenario created using a periodic average cost enabled cost book, the scenario state changes to Redo Update Costs Required. You must run Update Standard Costs to republish the cost scenario. You don't need to republish a cost scenario after updating existing standard costs and resource rates. Updated standard costs and resource rates for a published cost scenario are automatically processed by the cost processor as long as the period is in the open or pending close status.
- In the case of a supply chain cost rollup enabled cost scenario, when a buy cost is published using the Update Standard Costs process, it will be used to roll up the item cost in the subsequent cost scenarios.
- In the case of a supply chain cost rollup enabled cost scenario, the Update Standard Costs process will publish the costs and rates to multiple cost organization and cost books, if the cost scenario references a cost rollup group.

FAQs for Cost Planning

Does a standard cost include overhead costs?

Yes. When you define standard costs you can include overhead cost components. The overhead cost components are processed as part of the total standard cost, at the time of transaction costing.

Why is the valuation unit not listed on the Create Standard Cost page?

The Create Standard Cost page will list the valuation unit only if the conditions listed here are satisfied:

- The item is assigned to the cost organization related to the inventory organization.
- On the Manage Item Cost Profile page, either the item cost profile is created or the default cost profile is enabled.

Why are the costs for my make items not getting rolled up?

Check the effective dates in Oracle Manufacturing and Oracle Cost Accounting. For the work definition costs to be processed, the start date of a work definition must be the same as or prior to the effective date of the cost scenario.

Why are standard costs not being created for my make items, after the costs are rolled up?

You have set the rollup scope as All Items in the cost scenario and the costs for your existing make items are rolled up.

However, some of these items don't get a standard cost because the cost planning process is optimized to prevent generating standard cost records when the rolled-up cost is the same as the last published cost of the item. This optimization reduces cluttering of the application with redundant standard costs and also prevents unnecessary standard cost adjustments.

Can I roll up costs for a make item with work definition of type Rework?

No. The standard cost rollup process includes only work definitions of type Standard. Work definitions of types Rework and Transform are considered to be one-time activities and, therefore, are outside the scope of standard cost planning.

How do I set up a standard cost that's effective from a past date?

You can create a cost scenario with an effective date in the past and create standard costs for this scenario.

You can then roll up the costs and publish them, as long as the newly published costs don't conflict with any already published costs for the corresponding items.

Note: When you publish the cost of an item for the first time in costing, the effective start date is 01-01-1900, irrespective of the effective date of cost scenario. This ensures that you don't have to manually backdate the cost to process any transactions.

What does the status of a standard cost signify?

The status of a standard cost signifies the scope for which the standard cost is available. Status can take one of these values:

- In Process - The cost isn't yet published and can be used within the cost scenario for planning.
- Published - The cost is published with an effective start date and will be used to process costing transactions based on this date.
- Excluded from Publish - The cost can't be published because it conflicts with an already published cost for the item.
- Rejected - The published cost was rejected during processing in Cost Accounting. You can rectify this error by either defining the cost or rolling up the cost for this item in a different cost scenario with appropriate effective date.

Why am I getting standard cost exists error although the FBDI upload is successful?

You would be getting this error if records exist for the import combination of cost organization, cost book, item, valuation unit, and effective start date in the Manage Standard Costs page.

On the Manage Standard Cost Import Exceptions page, look for the impacted data to fetch the record. Click the Error link to view the exceptions for the import process. Delete the existing values from the Manage Standard Costs Import Exceptions page and then reload the item costs.

Why is the valuation unit invalid message shown when uploading standard costs?

While uploading standard costs, you must confirm that the correct valuation unit is associated with the item and the valuation unit belongs to the cost organization for which you are defining the standard costs.

Else, on the Manage Standard Cost Import Exceptions page you will see the message "The valuation unit is invalid."

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

You can review the cost adjustments for a standard cost update on the Review Cost Accounting Distributions page.

Can I update, deactivate, or delete a standard cost?

Yes. You can update, deactivate, or delete a standard cost created in a cost scenario as long as it hasn't yet been used to cost transactions.

Can I delete a cost scenario?

You can delete a cost scenario if the scenario was created for simulation purposes and you don't intend to publish the underlying costs.

Why are the rolled up costs for some of the older cost scenarios not getting displayed in the View Rolled-up Costs page?

The View Rolled-up Costs page might not list the rolled up costs for some of the older cost scenarios, even though you have successfully rolled up the costs and published them.

In this case, you must run the Restore Rolled-up Costs process for such cost scenarios. This one-time task ensures that you can view the rolled-up costs for these cost scenarios on the View Rolled-up Costs page.

Why is the Roll up Costs process not including the resource cost while rolling up the cost of the item

If the cost of the resource isn't considered by the Roll up Costs process, check whether costing is enabled for the resource.

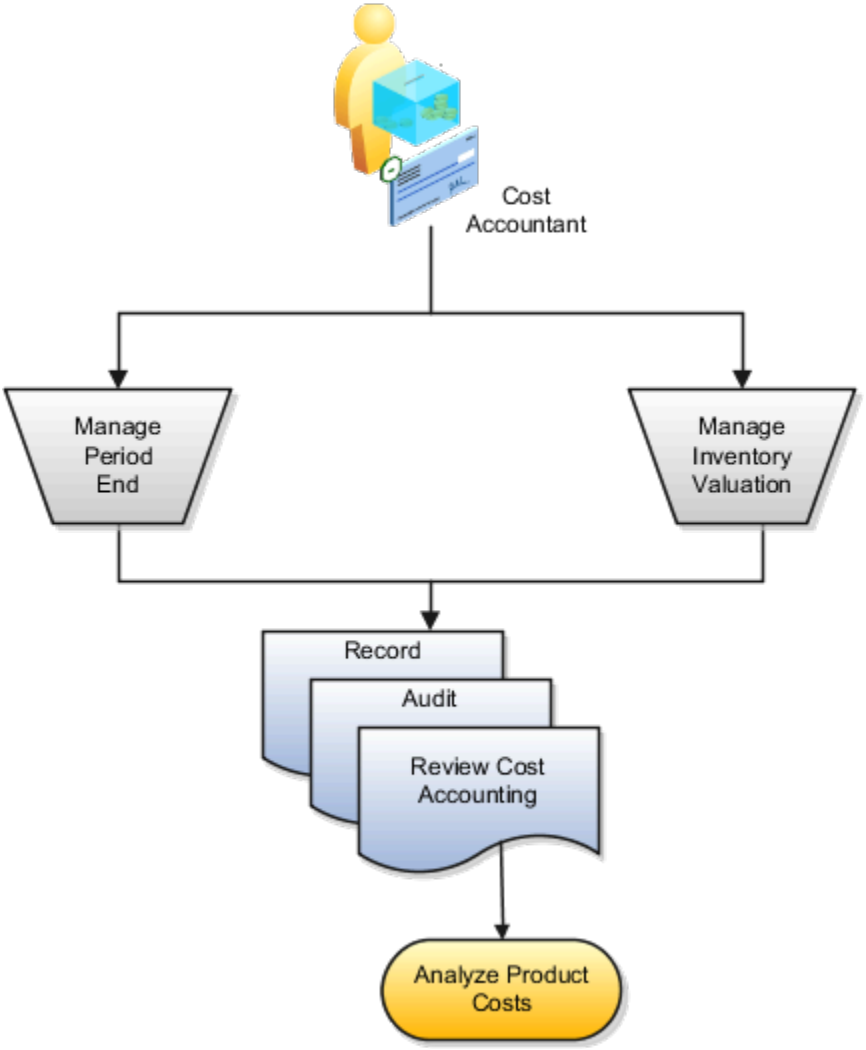
Also, check whether the product is a phantom item. For phantom items, set the Phantom Operation Inheritance parameter to Materials and Resources in the Manage Plant Parameters task from the Setup and Maintenance work area.

4 Cost Accounting

Overview of Cost Accounting

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 image lists the Cost Accounting tasks.



- 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's 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.

Default Cost Organization Context

When you open the Cost Accounting landing page, the default cost organization is automatically derived based on the value set for the ORA_CST_DEFAULT_COST_ORG profile option. If you prefer to work on a different cost organization, you can select another value on the landing page before navigating to other pages.

If you've enabled the Redwood user experience, the cost organization selected on the Cost Accounting landing page is carried forward to the Cost Accounting and Cost Planning pages opened through quick actions. Where applicable, the application also derives related values such as business unit, ledger, primary cost book, and period from the selected cost organization. This table lists the supported Cost Accounting and Cost Planning pages and the default behavior.

Area	Supported Pages	Default Behavior
Cost Accounting	Cost Accounting Periods Inventory Valuation Cost Adjustments Work Order Costs Batch Costs Maintenance Work Order Costs Gross Margin Analysis Standard Purchase Cost Variance Summary Review and Approve Item Cost Profiles Cost Processing Run Control Accounting Overhead Rules Cost Accounting Transactions and Distributions Item Costs	The cost organization selected on the Cost Accounting landing page is used as the default working context. Where applicable, the application also derives related values such as business unit, ledger, primary cost book, and period.
Cost Accounting	Periodic Average Cost Adjustments	If the selected cost organization is enabled for Periodic Average Cost, it's applied as the default cost organization. Otherwise, the first available cost organization in alphabetical order is set as the default cost organization.
Cost Planning	Cost Scenarios Resource Rates Overhead Rates Rolled Up Costs Scenario Exceptions	The cost organization selected on the Cost Accounting landing page is applied as the default filter context.

Area	Supported Pages	Default Behavior
	Compare Standard Costs Standard Cost Import Exceptions	

Note:

- The default cost organization context only applies when navigation begins on the Cost Accounting landing page.
- If you change filters within a page, your selections are respected for that page. When you navigate to another supported page, the landing page cost organization is applied again as the default working context.

Related Topics

- Set Default Cost Organization Context

Cost Accounting Infolets

The Overview page of the Cost Accounting work area displays some infolets. These infolets are visible by default. You can configure which infolets should be displayed on the page from My Infolets.

You can set the View By option on the page to view the information for a specific cost organization or for all the cost organizations that you have access to. Only the data corresponding to the primary cost book is used to populate the infolets.

The table lists the infolets available in the Cost Accounting work area.

Note: The Asset Inventory Valuation and Consigned Inventory Valuation infolets are available only if you opt-in for the Use Enhanced Period Inventory Valuation and Gross Margin Reporting feature. These infolets replace the Inventory Valuation infolet.

Infolet	Description
Asset Inventory Valuation	The list of asset inventory valuation for the current period for each cost organization and primary cost book that you have access to. When viewing the information for a specific cost organization, the infolet shows the trend for last three months, if data is available.
Consigned Inventory Valuation	The list of consigned inventory valuation for the current period for each cost organization and primary cost book that you have access to. When viewing the information for a specific cost organization, the infolet shows the trend for last three months, if data is available.
Gross Margin	The details of the recognized revenue, cost of goods sold, and gross margin for the selected cost organization over the last seven days.

Infolet	Description
Inventory Valuation	The total inventory valuation and a break up by valuation structure type. If you have access to more than one cost organization, you can flip the infolet to view the list of inventory value by valuation structure type for all the cost organizations that you have access to.
Last Cost Rollup	The results of the last Roll up Costs process for the selected cost organization. It includes the count of rolled up and not rolled up items and is restricted to sub-assemblies and finished products.
Purchase Price Variance	The details of the purchase price variances logged for the selected cost organization over the last seven days.
Recent Exceptions	The errors reported by the last run of the Create Cost Accounting Distributions process.
Recent Processes	The information about the recent cost accounting process that were run for the selected cost organizations. This includes the process ID and the corresponding status such as success, warning, error, and so on.
Transaction Status	The details of transactions that have errors or need your attention for the selected cost organizations.
Work in Process Balances	The total Work in Process balances for all plants and the Work in Process balances based on the work order statuses Completed, Released, and On Hold. If you have access to more than one cost organization, you can flip the infolet to view the details for all the cost organizations that you have access to.
Work Order Costs	Summarized view of the metrics for work order costs, such as scrap and variances, over the last seven days for all the plants that are mapped to the selected cost organizations.

You can choose to not list and display one or more of the infolets on the Overview page by setting the profile option code `ORA_CST_HIDE_INFOLETS` on the Manage Cost Accounting Profile Options page in the Setup and Maintenance work area.

Related Topics

- Manage Cost Accounting Profile Options
- Hide Cost Accounting Infolets

Scheduled Processes for Cost Accounting

You can use the Scheduled Processes Overview page in the Tools work area to run the scheduled processes that you have access to. You can schedule these processes to run automatically at predefined frequencies, or to run on request.

This table describes the scheduled processes for Oracle Cost Accounting.

Task	Description
Transfer Transactions from Inventory to Costing	Transfers transaction data from Inventory to Cost Accounting. You must transfer the transaction from Inventory so that they're costed and accounted as a prerequisite for the Create Cost Accounting Distributions scheduled process. You must have data access to the appropriate cost organization and the inventory organization must be assigned to the cost organization to successfully run this scheduled process. If you don't have access to the selected cost organization for the process, the process ends with a Warning status. If you've scheduled the process without selecting a cost organization, the process transfers data for only those cost organizations to which you have data access. It logs error messages for cost organizations that you don't have access to.
Transfer Transactions from Production to Costing	Transfers work order transactions and events such as resource usage, scrap, work order completion, and close transactions to costing as a prerequisite for the Create Cost Accounting Distributions scheduled process
Transfer Costs to Cost Management	Transfers Accounts Payable invoice information to Cost Management as a prerequisite for the Create Cost Accounting Distributions scheduled process. Accounts Payable invoice information is input into Receipt Accounting for reconciling receipt accrual amounts, determining uninvoiced receipt quantity, reconcile estimated landed cost amounts with actual amounts, and to adjust the cost of receipts. Accounts Payable invoice information is also input into Cost Accounting for inventory value adjustments.
Transfer Transactions from Receiving to Costing	Transfers purchase order and transfer order receipt information to Cost Management as a prerequisite for the Create Cost Accounting Distributions scheduled process. Receipt information is input into Receipt Accounting for reconciling receipt accrual amounts, determining uninvoiced receipt quantity or amount (service purchases) and receipt accrual accounting.
Create and Update Cost Accounting Events	Use the process only for your periodic average cost books when the draft periodic average cost accounting distributions are ready to be finalized for the period and posted through subledger accounting into general ledger. The periodic average costs can only be finalized at the end of a period. However, the solution is designed to let you create, view, and report on draft periodic cost accounting distributions during a period.
Create Cost Accounting Distributions	Costs and creates distributions for the transactions interfaced from other applications. The process to create pairs of debit and credit accounting entries for inventory and manufacturing transactions.
Delete Standard Costs from Interface	Use the process to periodically delete temporary interface data that has been uploaded via the ADFdi spreadsheet but set aside with error.
Export Standard Costs	Exports standard costs for a cost scenario in the XML format to the Cost Management directory on the Oracle WebCenter Content server. The Cost Management WebCenter Content output directory is **scm/standardCost/export**.
Import Revenue Lines	Transfers the final accounted revenue lines from Receivables to Cost Accounting. This synchronizes posting of cost of goods sold with revenue posting to the General Ledger. You must specify the business unit for which you want to import the information and select the number of workers, the import as of date, and the start date. Revenue lines with accounting date between the start date and the import as of date, including both dates, are transferred.

Task	Description
	If you don't set the import as of date, it defaults to the system date. If you don't set the start date, then the revenue lines with accounting date between the start of the previous or current open period and the import as of date are transferred.
Purge Prior Cost Accounting Process Errors	When you run the Create Cost Accounting Distributions process or the Validate and Update Cost Accounting Periods process, the Purge Prior Cost Accounting Process Errors process runs automatically after the respective process ends to clear cost processing errors and validation errors from prior runs.
Roll up Costs	Calculates the costs of output items with active work definitions, based on the cost allocation defined on the work definition operations.
Undo Cost Update	Use the process to revert the published standard costs that haven't been used to process any transactions. When you publish standard costs to Cost Accounting, these new costs will automatically be updated on the effective date of the cost scenario. Until this effective date, you can use this process to undo the cost update. Also, you can undo the standard cost update only if it hasn't been used to process any transactions.
Update Standard Costs	Use the process to update item and resource costs for cost accounting.
Validate and Update Cost Accounting Periods	Use the process to perform period end validations and close periods for multiple cost organization and cost book combinations simultaneously by using run controls.

For detailed information about each of these scheduled processes, see the Scheduled Processes for SCM guide.

Related Topics

- Submit Scheduled Processes and Process Sets
- View Status and Other Details for Scheduled Processes

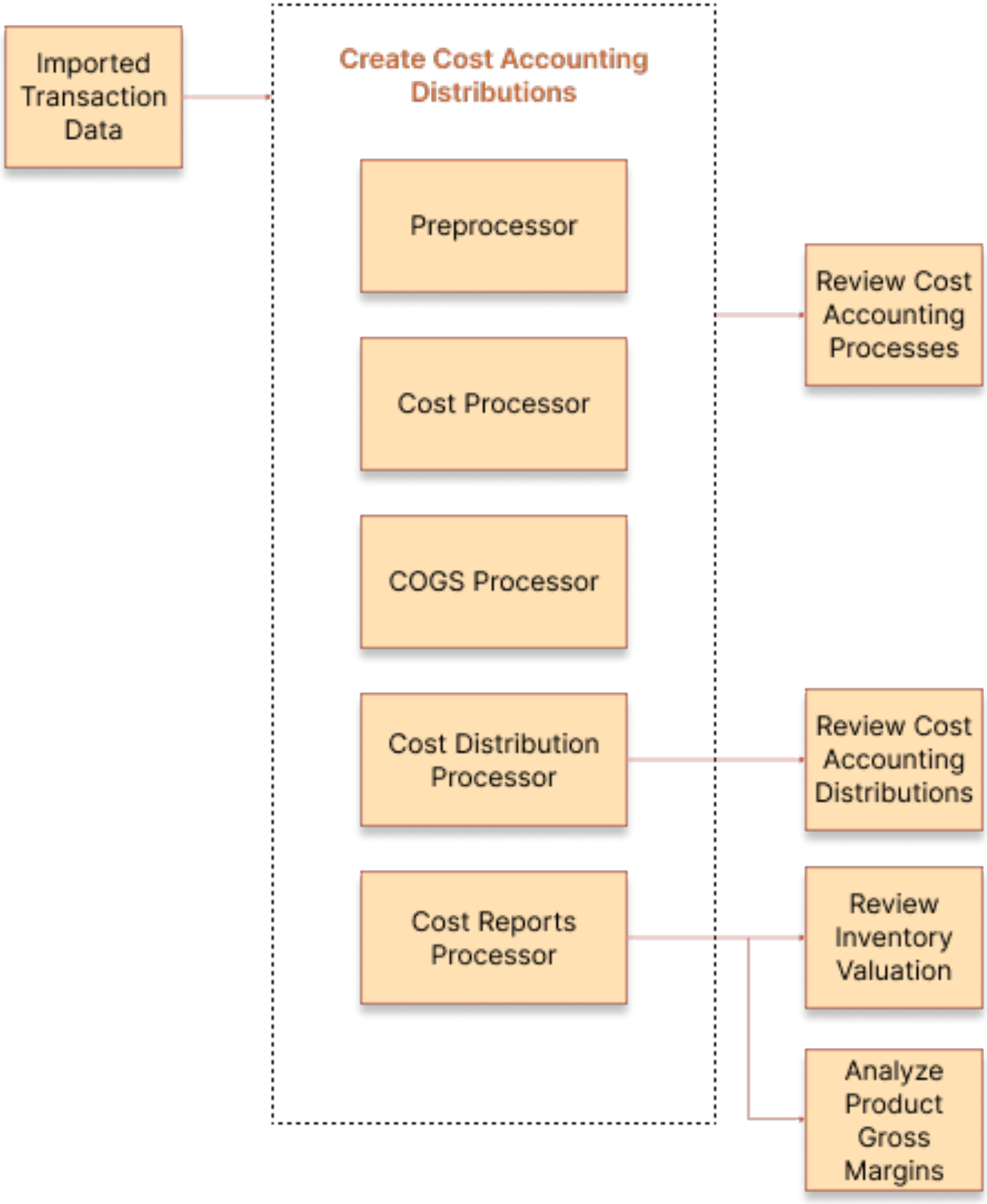
Cost Accounting Process

Cost Accounting Process Flow

Oracle Cost Accounting creates distributions for transactions related to the physical movement of goods or services through the supply chain and tracks the corresponding financial changes in ownership.

The transaction data for physical shipments is interfaced to Cost Accounting from Oracle Inventory Management, and the trade events are interfaced from Oracle Supply Chain Financial Orchestration.

This figure illustrates the flow of transaction data through the cost processors.


Imported Transaction Data
Create Cost Accounting Distributions
Preprocessor
Cost Processor
COGS Processor
Cost Distribution Processor
Cost Reports Processor
Review Cost Accounting Processes
Review Cost Accounting Distributions
Review Inventory Valuation
Analyze Product Gross Margins

Create Cost Accounting Distributions

In the Cost Accounting work area, access the Create Cost Accounting Distributions page to process imported transaction data. On this page, define the run controls by specifying the cost organization books and cost processors that you want to execute.

The processors that you can include in the run control are listed here:

- Preprocessor prepares all interfaced data for cost processing:
    - Checks for invalid or missing data.
    - Propagates 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.
    - Maps incoming cost components to cost elements, based on user-defined mappings.
- Cost Processor processes:
    - Physical inventory transactions
        - Calculates costs for pre-processed 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.
        - Calls the Acquisition Cost processor to calculate inventory valuation including the tax component where applicable.
    - Trade transactions
        - Uses the Trade Accounting processor to process all in-transit transactions.
- COGS Recognition processor calculates the cost of goods sold and maintains consistency with the revenue recognized in accounts receivable.
- Cost Distribution uses the Trade Accounting processor, Cost Processor, and COGS Recognition processor results to create distributions for transaction costs. You can enable parallel processing in the Create Cost Accounting Distributions process so that the eligible transactions are spread across multiple subprocesses to achieve a much higher throughput during the distribution processing stage.

- Cost Reports Processor: Generates inventory valuation, item cost, and gross margin data and is the source of truth for reports generated by Oracle Fusion Transactional Business Intelligence and Oracle Analytics Publisher. This process builds the data required to report inventory valuation at various levels:
    - Valuation unit level
    - Inventory control attribute levels (inventory organization, subinventory, locator, project, task, and country of origin)
    - Receipt layer level

    The enhanced cost reports processor performs an incremental data update instead of a full data refresh. This ensures that you can view prior period data even when the current period data if being processed.

    You must run the cost reports processor regularly to ensure that the latest cost accounting information is reflecting in UI and the reports. You can create a separate run control for the cost reports processor and schedule it to run on a periodic basis. If the runtime for the cost reports processor isn't too long you can also include it with the Create Cost Accounting Distributions process to reflect real-time data in the reports.

After the Create Cost Accounting Distribution process is run, the cost processor clears the cost processing errors from prior runs. Only the errors for the most recent run of the Create Cost Accounting Distributions process are retained.

Run Control

To run the Create Cost Accounting Distributions process, you must create a run control. A run control is a container to perform centralized cost processing across multiple cost organizations and cost book. When you define a run control, you specify the processors that run as part of the run control, the commit limit, the cost organization and cost book combinations that must be processed, and the cutoff dates.

When defining a run control, you can also define the Maximum Number of Workers, which is greater than 1, indicating the maximum number of subprocesses that you would like to be used by the process for parallel processing. The parallel processing allows for dividing the load irrespective of the cost organization structure or variations in data volume in the cost organization or set of cost organizations during the distribution processing stage of the process.

Depending on the number and complexity of the transactions to be processed and the commit limit defined in the run control, the Cost Processor will process the transactions in batches. When the commit limit is reached, the records processed in the batch are committed to the database and the processor will start another iteration of transaction processing. The Cost Processor will perform multiple iterations to process all the transactions. Each such iteration is known as the commit limit loop.

Within a commit limit loop, the Cost Processor performs various steps. The processor might have to perform multiple iteration of these steps for a commit limit loop. This iteration of steps is known as the inner loop.

To create a run control, perform these steps:

1. In the Cost Accounting work area, select **Create Cost Accounting Distributions** from the Tasks menu.
2. Click **Add Row**.
3. Enter a name for the run control and select the processors that must run as part of the run control.

    Enter a number greater than 1 in for **Maximum Number of Workers** to indicate you want to use parallel processing. The number indicates the maximum number of subprocess that would be used by the Create Cost Accounting Distributions process during the distribution processing stage.

    You can optionally set the **Commit Limit** and **Collect Statistics** parameters.
4. In the Details sections, click **Add Row**.

5. Select the cost organization and cost book for which the process must run.

   You can also set the cutoff date.

   For a periodic average cost enabled cost book, you must select the **Period** for which you want to run the process. The cutoff date is automatically set. You can also specify whether to update the period on the run control automatically. If you enable this, when the current period is closed, the period for this run control is automatically updated to the next open period.

   You can add multiple rows to include different cost organization and cost book combinations, including periodic average cost enabled cost books, as part of the run control.
6. Click **Save**.

Note: You can create cost accounting distributions only if the Cost Accounting period is in the Open status and the corresponding period in the General Ledger is in the Open or Future Enterable status. However, here are a few recommended best practices:

- Keep only one Cost Accounting period open at a time. Don't have multiple costing periods open at the same time.
- Close the Cost Accounting period before closing the corresponding General Ledger period.
- Run the Create Accounting process for the Cost Accounting subledger only after the corresponding General Ledger period is set to the Open status.

You can run the process for this run control by clicking **Schedule Process**. You can run the process on demand or you can schedule it to run periodically. You can also run and schedule the process for this run control from the Scheduled Processes work area.

When the process is running, you can view the status of the process on the Scheduled Processes page. When you select the process, the details section provides a completion text that lets you know which processor is running, the commit limit loop count, inner loop count (applicable only for the Cost Processor), the step and the corresponding start time.

On the Create Cost Accounting Distributions page, select the run control and click **View Status** to track the progress of the process and obtain detailed timing information.

Parallel Processing

Parallel processing in the Create Cost Accounting Distributions process ensures that eligible transactions are spread across multiple subprocesses to achieve a higher throughput during the cost preprocessing, quantity preprocessing, distribution processing, and Cost of Goods Sold (COGS) processing stages. You can also enable parallel processing separately for the Reports Processor stage so that the eligible transactions are spread across multiple subprocesses to achieve a much higher throughput. If your organization has a high to very-high volume of cost processing, then the throughput improvements will be significant in such scenarios. For low to medium volume cost processing, there will be improvements in throughput, but it might not be noticeably higher as the current processing times will usually be optimal to begin with.

The parallel processing allows for dividing the load irrespective of the cost organization structure or variations in data volume in the cost organization or set of cost organizations. The parallel processing also makes better use of the available hardware. The reduced processing time helps speed up period close processing.

When enabled, during the quantity preprocessing, distribution processing, and COGS processing stages of the process, multiple subprocesses are automatically spawned to process the transactions in parallel. The main process groups the cost layers such that each of the subprocess can independently process those layers to generate distributions without any contention with the other subprocesses that may be running in parallel.

When defining a run control for Create Cost Accounting Distributions process, you can define the Maximum Number of Workers, which is greater than 1, indicating the maximum number of subprocesses that you would like to be used by the process for parallel processing.

To ensure that the Create Cost Accounting Distributions process doesn't consume a lot of resources that will otherwise be required for other processing elsewhere in the system, some restrictions are placed on the number of workers that will be launched. Regardless of the value for maximum workers set in the run control, during runtime, the system dynamically reduces the number of concurrent workers that are run based on the data volume being processed to ensure that the processing times are optimized. Currently, the threshold is set to 100,000 distribution lines and a maximum of 20 workers.

The table shows how the system decides on the number of workers dynamically during processing.

Cost Layers	Maximum Number of Workers	Actual Number of Subprocesses Launched (including the parent process)
1000	10	1
100,000	10	1
400,000	10	4*
1,000,000	10	10*
2,000,000	10	10*

In the above table, rows marked with * indicate that the actual subprocesses may vary slightly from the number mentioned based on the actual volume and mix of transactions processed.

Related Topics

- Cost Cutoff Dates
- Cost Adjustments and Cost Distributions
- Receipt Accounting Tasks and Accounting Events
- Create Cost Accounting Distributions
- Manage Cost Accounting Profile Options

Track Processing Progress and Review Results

After you run the Create Cost Accounting Distributions process, you can view the status of the process. On the Create Costs Accounting Distributions page, search for the run control and click View Status.

The status for a run control provides the overall status of the Create Cost Accounting Distributions process, the process start time, the process end time if the process has completed, and the process duration.

The status page includes this information for each of the processors:

- The current status of the processor. The applicable values are Not started, Processing, Completed, and Not scheduled. If a processor isn't selected for the run control, then the corresponding status will be Not scheduled.
- The commit limit loop count. This is applicable only for the Cost Processor, COGS Recognition, and Cost Distribution processors.

- If the processor is running, the start date and time in your preferred time zone.
- If the processor has completed, the end date and time in your preferred time zone.
- The duration for which the processor ran.
- The inner loop count. This is applicable only for the Cost Processor.
- The current step, total steps, and the duration for which the current step has been running.

When the process is running, the status page also displays a ticker that lets you know when the last SQL commit was completed and for how long the current SQL has been running.

The amount of time the process takes to complete depends on the number and complexity of transactions to be processed. If you run the process infrequently and have a large number of transactions, the process would require more time to complete than if you run the process often or have less transactions to process.

Also, the commit limit and the number of transactions to be processed by the run control determine the number of commit limit loops required to complete the process. If you're processing a large number of transactions, multiple commit limit loops may be required. In the case of processing transactions that include transfer orders or work orders, the Cost Processor may have multiple inner loops within a commit loop before moving to the next processor. Also, the processors that run as part of the Create Cost Accounting Distributions process contain multiple steps.

By frequently reviewing the detailed status of each process run, you can get a better understanding of the number of commit limit loops required to complete the process and the overall time required to complete the process.

View Detailed Timings

When the processor runs for multiple commit limit loops, the View Status shows the information for the current commit limit loop. You can download the data for the prior commit limit loops in a spreadsheet format by clicking View Detailed Timings. The spreadsheet provides detailed step timings.

The spreadsheet contains the date and time when the report was generated, the run control name, process ID, commit limit, number of commit limit loops, process start and end time, process status, and process duration.

It also includes this summarized information for each processor:

- Commit limit loop count, except for Preprocessor
- Current step / Total steps
- Start Time of the processor
- End time of the processor
- Duration
- Inner loop count for Cost Processor

The Details part of the timing spreadsheet, provides this information:

- The start time, end time, and duration of each step in the processor, for all the processors selected as part of the run control.
- For the Cost Processor, COGS Recognition, and Cost Distribution processors, this detailed step-level timing information is provided for each commit loop.
- For the Cost Processor this detailed step-level timing information is also provided for each inner loop within a commit loop.

You can also view the status and get the detailed timings spreadsheet for completed run controls.

Review Process Results

After running the cost processors, check processing results in the Cost Accounting work area:

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

Purge Prior Cost Accounting Process Errors

If a run control not in use for 60 or more days, the Purge Prior Cost Accounting Process Errors automatically deletes the corresponding cost processing error summary and details, resulting in improved page and process performance.

Review Cost Accounting Distributions

A single inventory transaction can generate multiple cost transactions, for which Cost Accounting creates accounting data.

In the Cost Accounting work area use the Review Cost Accounting Distributions page to see cost information and distributions related to each transaction, as well as receipt layers for receipt transactions, and depletion layers for issue transactions.

On the Review Cost Accounting Distributions page, you can search for transactions by entering your search criteria. The search parameters available differ based on the **Search By** option. The search by options available to define your search criteria are listed here:

- Classic Search: This is the default search by option and allows you to search for all transactions.
- Reference Number: Search for transactions based on a reference number such as purchase order, transfer order, sales order, work order, and transaction reference.
- Item Number: Search for transactions in a period for a particular item.
- Costing Status: Search for transactions based on their status. This search by option is particularly useful to identify transactions that haven't been costed or are in the error status.
- Transaction Type: Search for transactions within a specified date range and further filter them by transaction type.

- Accounting Status: Search for transactions that aren't accounted or are in error status and resolve any reconciliation issues due to unaccounted transactions. All the accounting statuses are supported.
    - Error: Search for all transactions that are in error in a period.
    - Not Accounted: Search for all transactions that aren't accounted in a period.
    - Draft Accounted: Search for all draft accounted transactions in a period. For better performance, always restrict the transaction date range to a shorter duration.
    - Final Accounted: Search for all final accounted transactions in a period. For better performance, always restrict the transaction date range to a shorter duration.
    - Multiple: Search for transactions where distributions for all cost transaction layers are in different accounting statuses like error, final accounted, and so on.
    - Not Applicable: Search for transactions that aren't applicable for accounting. Examples include distribution amounts less than the minimum accountable unit (MAU) for the currency
    - Excluded from Accounting: Search for transactions that are excluded from accounting based on the cost profile setup. Examples include scrap transaction being included into inventory for a work order.

> **Note:** When searching for transactions based on the costing status, using the fully costed status could result in almost all transactions for the specified period and duration and unlikely to be helpful.

When you perform a classic search, all the relevant transactions are listed in a table on the page. For each transaction all the relevant transaction details and costing details are listed. For more information about a transaction, you can select the transaction and click **View Details**. On the Details pop-up window, you can see the receipt layers or the issue layers depending on the transaction type. Also, all the cost information, cost distributions, transaction errors, and journal entries are listed on the respective tabs in the window.

For all other search by options, the search results are segregated across different tabs on the page.

- Cost Transactions: View inventory and inter-company physical and logical transactions.
- Cost Adjustments: View manual or automatic cost adjustments to receipt costs and inventory value.
- COGS Transactions: View COGS recognition transactions.
- Work Order Transactions: View resource, operation scrap, and work in process job close transactions.

A color-filled circle next to the tab name is shown indicating that the tab contains search results. Similar to the classic search, for each transaction all the relevant transaction details and costing details are listed. Also, for more information about a transaction, you can select the transaction and click **View Details**.

Run Cost Distribution Details Report

From the Review Cost Accounting Distributions page, you can run the Cost Distribution Details Report. This report can be generated for all the search by options, except classic search.

For the search criteria that you enter, the report provides a list of cost distributions and accounting information such as accounting line type, account, and accounted amount along with basic transaction information in a spreadsheet-friendly format.

You can also run this report from the Scheduled Processes work area.

Cost Accounting Periods

Cost Accounting Periods

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's attached to the cost organization and cost book combination. For cost books that don't have an associated ledger, 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 these 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. 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.

Prevent General Ledger Period Close if Cost Accounting Subledger Period is Open

You can set up General Ledger to prevent closing general ledger periods if the corresponding subledger periods in Cost Management are open. A warning message is displayed when you try to open a costing period that isn't open or is closed and the corresponding general ledger period is closed. You can efficiently sequence your period end close so that the Cost Management subledger journal entries are transferred to General Ledger before the general ledger period can be closed.

Related Topics

- Cost Accounting Period Statuses and Transaction Accounting
- Cost Cutoff Dates
- Cost Accounting Period Validations
- How Cost Organizations, Inventory Organizations, and Cost Books Fit Together
- How to Prevent a General Ledger Period from Closing When Open Subledger Periods Exist

Cost Cutoff Dates

The run control parameters you define for the cost processors include the cost cutoff date and the cutoff date for the cost organization books being processed. The cost cutoff date sets the last transaction date processed for an accounting period.

This enables you to continue normal business operations with no interruptions from one period to the next, using the cost cutoff date to define accounting period boundaries for these transactions.

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

Cost Cutoff Date Option

In the Cost Accounting work area, access the Create Cost Accounting Distributions page to 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, for a transaction, if preprocess is successful after the cutoff date, then the cutoff date for that cost organization book moves forward to the date of the last transaction for which the preprocess was successful. 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 don't 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.

> **Note:** If you've opted-in for the Use Enhanced Period Inventory Valuation and Gross Margin Reporting feature, then a transaction can be backdated only to a period with open or pending close status. If the transaction is backdated to a date that falls in a period which is in closed or final close status, then the cost date of the transaction is set to the 1st day of the next open period. If no open period is available, then the transaction processing fails with an error.

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.

> **Note:** If you've opted-in for the Use Enhanced Period Inventory Valuation and Gross Margin Reporting feature, then:
>
> - Cost date for a transaction is only derived when a cost is available to successfully cost the transaction.
> - Cost date for a transaction is always derived in a period that's in the open or pending close status. If the period is closed, the cost date for the transaction is moved to the next open period.

The cost date for backdated transactions inherits the greater of the backdated transaction date and the date of the last processed transaction.

Note: The cost cutoff date affects the costed date of the transaction and the inventory value that's reported as of a given accounting date. It doesn't affect the inventory transaction date.

Related Topics

- Examples of Backdating of Transactions
- Cost Accounting Process Flow

Cost Accounting Period Validations

You can use the Manage Cost Accounting Periods task in the Cost Accounting work area to perform 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:

- Completed work orders not closed
- Pending revenue recognition events import
- Pending Interface
- Pending cost processing
- Pending preprocessing
- Pending preprocessing for manufacturing transactions
- Pending create accounting in final mode
- Pending accounting event creation
- Pending accounting overhead rates absorption
- Pending resource rates and standard costs absorption
- Pending preprocessing of trade events
- Pending processing of trade events
- Pending DCOGS transactions

Note: Not all period validations are applicable for all the period statuses.

Purge Prior Validation Errors

The Purge Prior Cost Accounting Process Errors process automatically deletes the validation errors for prior runs of the Validate and Update Cost Accounting Periods and the Create Cost Accounting Distributions processes, resulting in improved page and process performance. The exception details for period end validations are retained only for the most recent run and are subsequently deleted when you close the period. Summary counts against each validation type are available for each period.

Related Topics

- Cost Accounting Periods
- Cost Accounting Period Statuses and Transaction Accounting
- Cost Cutoff Dates

Cost Accounting Period Statuses and Transaction Accounting

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 listed here:

- **Never Opened**: Default status for new periods assigned to a cost organization and cost book. This status doesn't allow creation of distributions for transactions. You can change the status to Open, but you can't 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're contiguous. However, for a periodic average cost enabled cost book, you've only one Open period. You can't 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 isn't open, inventory transactions can't 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 can't be accounted and is held pending further user action. You can change an Open period status to Closed or Pending Close.
- **Pending Close**: The Pending Close status works similar to the Open status and doesn’t include any additional validations. However, when a period is in the Pending Close status, any new transaction that falls in or before the period won't be staged in Cost Accounting or Receipt Accounting. After the period is closed or reopened, these new transactions will be processed. You can use the Pending Close status to hold transactions from being accounted in a given period.

  Any transactions entered before the pending close date will be processed, even if they're in an error state. Transactions created after the pending close date, even if they relate to a current or prior period, won't be processed. Revenue lines, COGS recognition, and manual cost adjustments will continue to be processed even after the period is set to Pending Close.

  If you set the Transaction Date Validation Enabled (`INV_TRANSACTION_DATE`) profile option to Yes in Inventory Management, then new inventory transactions aren't created for periodic average cost enabled cost books when the period is in the Pending Close, Closed, or Permanently Closed status. Also, if this profile option is enabled, then no new transactions are created for all cost books when the period is in the Closed or Permanently Closed status.

  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. Alternately, 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.

> **Note:** As a best practice, set only one period to the Pending Close status at a point of time. If multiple periods are in Pending Close, the latest pending close date will be used. This could cause multiple periods' transactions to be held until the latest period is closed.

- **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've the option of configuring the processor to allow closing even if all validations don't pass; this enables you to decide when discrepancies aren't 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 can't 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 aren't 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 can't 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 haven't 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's 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's Open.
- If the cost date falls in a Pending Close or Closed period, you're 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's Permanently Closed and the next period isn't 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 isn't 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.

Related Topics

- Examples of Backdating of Transactions
- Cost Accounting Period Validations
- Cost Cutoff Dates
- Cost Accounting Periods

Cost Processing

Actual Cost Method

The actual cost method tracks the cost of each receipt into inventory. When depleting the 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.

Inventory controls the physical flow of inventory, and the actual cost method can be configured to conform to the level of physical tracking maintained for inventory. For example, if the inventory is tracking 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.

The following table illustrates the process of creating receipt layers for an item within a valuation unit.

Transaction Date	Transaction Type	Quantity	Unit Cost	Receipt Layer Created
01-Jan-2025	PO Receipt	100	120 USD	Receipt #1
02-Jan-2025	PO Receipt	80	100 USD	Receipt #2
03-Jan-2025	Miscellaneous Receipt	20	105 USD	Receipt #3

Inventory Depletion

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

Transaction Date	Transaction Type	Quantity	Unit Cost	Receipt Layer Created	Receipt Layer Used for Depletion
01-Jan-2025	PO Receipt	100	120 USD	Receipt #1	Not applicable
02-Jan-2025	PO Receipt	80	100 USD	Receipt #2	Not applicable
03-Jan-2025	Miscellaneous Receipt	20	105 USD	Receipt #3	Not applicable
04-Jan-2025	Miscellaneous Issue	-40	120 USD	Not applicable	Receipt #1
05-Jan-2025	Miscellaneous Issue	-60	120 USD	Not applicable	Receipt #1
06-Jan-2025	Miscellaneous Issue	-15	100 USD	Not applicable	Receipt #2

Related Topics

- Example of Using the Actual Cost Method
- Purchase Order Return and Sales Return Flows

Standard Cost Method

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

Configuring Item Attributes to Enable Costing

The following Costing prerequisite settings should be configured on the Manage Items page of the Product Information Management work area:

- Costing Enabled. Set this attribute to Yes to report, value, and account for item costs.
- Include in Rollup. Set this attribute to Yes to include an item in the cost rollup.

For more information on configuring Product Information Management settings for Cost Planning, see the guide Using Product Master Data Management.

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.

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:

Cost Adjustment = (New Standard Cost minus Current Standard Cost) multiplied by Quantity on Hand

Related Topics

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

Standard Cost Definition Process

You can create standard costs by:

- Importing them from external sources and legacy applications
- Defining them manually in the costing application

Importing Standard Costs

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

Defining Standard Costs

In the Cost Accounting work area, use the Manage Standard Cost Definitions page to view imported standard costs that have been validated, and standard costs that are published from standard cost planning, and also to create new standard costs.

Related Topics

- Cost Planning Process
- Can I update, deactivate, or delete a standard cost?

Periodic Average Cost Method

The periodic average cost method values inventory by including all the period expenses, invoices, and other adjustments that are known only at the end of the period. It helps you to value the inventory on a periodic basis.

The principal objectives of the periodic average cost method are:

- Capture actual acquisition costs based on supplier invoiced amounts plus other direct procurement charges required by national legislation or company policy.
- Capture actual transaction costs using fully absorbed resource and overhead rates.
- Average the inventory costs over a prescribed period, rather than on a transactional basis.

Some of the key benefits of using the periodic average cost method include:

- Address regulatory and organization requirements to support full absorption costing.
- Helps to smoothen the impact of significant price changes within a period, due to currency or other external factors.

Unlike the other cost methods, a cost book must be enabled for periodic average cost for the cost processor to calculate and use the periodic average cost for all the items associated with the cost book.

The periodic average cost of an item is the average cost for the item in a given period for a cost organization, cost book, and valuation unit combination. This is the formula to calculate the periodic average cost:

```
Periodic Average Cost = [(prior period average cost * prior period ending balance) + SUM (transaction cost * transaction quantity) + overheads + adjustments] / (prior period ending balance + transaction quantity for this period)
```

Note: Only the cost-owned transactions are considered for calculating the periodic average cost.

Let's take a simple example to understand this cost calculation. The inventory at the end of March for the item AS1000 is listed in this table. Here, cost is the calculated periodic average cost of AS1000 for the month of March.

Item	Quantity	Cost	Value
AS1000	50	$10.00	$500.00

For the month of April, the receipt transactions for this item are listed in this table.

Transaction	Quantity	Cost	Value
T1	50	$10.00	$500.00
T5	100	$9.95	$995.00
T9	50	$10.10	$505.00

Also, for the month of April, you had an adjustment of $25.00 and no overheads. Based on this, let's calculate the periodic average cost for the month of April.

Prior period average cost = $10.00

Prior period ending balance = 50

Adjustment = $25.00

Total receipt quantity for April = 200

```
Periodic Average Cost = {(10*50) + [(10*50) + (9.95*100) + (10.10*50)] + 25}/(50+200)

Periodic Average Cost = {(500) + [(500) + (995) + (505)] + 25}/250

Periodic Average Cost = {2525}/250 = 10.10
```

So, the periodic average cost for AS1000 for the month of April in $10.10. After this cost is calculated, the same would be used to cost all the cost-derived transactions for that period.

When using the periodic average cost method, for a cost organization and cost book combination, all receipts are processed at the actual receipt costs. However, the issues are costed with a single cost that is the periodic average cost, which is calculated as a single composite cost of all the cost owned transactions.

Here are a few terms that you must understand before you start using the periodic average cost method:

- Cost-owned transactions: Transactions where the costs are defined. The transaction cost for such transactions are included when calculating the periodic average cost. Cost-owned transactions include:
  - Purchase order receipts
  - All kinds of adjustments
  - WIP completion / returns transactions
  - Resource or overhead transactions
  - Reversal of resource charges
  - RMA referenced to original sales order
  - Return to vendor
  - Miscellaneous receipt and issue transactions with a cost
- Cost-derived transactions: Transactions that are costed using the calculated periodic average cost. Cost-derived transactions include:
  - Miscellaneous transactions without cost
  - Negative material issue
  - Component issues to WIP
  - Component returns from WIP
  - All direct transfers within the same valuation unit
  - RMA not referenced to the original sales order, or RMA within the same period
  - Internal drop ship
  - Interorganization transfers that cross valuation unit
  - In-transit transfers (within and across valuation units)

    > **Note:** The internal drop ship, interorganization transfers that cross valuation unit, and in-transit transfer transactions are processed as cost-derived in the source organization if you have opted in to the Account Interorganization Shipments as Cost-Derived Transactions and Value Them Using the Periodic Average Cost for the Current Period feature. In the destination organization, they continue to be cost-owned transactions. These transactions are valued using the periodic average cost of the current period at the source organization. The destination organization continues to be at the transfer price. Cost variance is booked for the difference between the prior period average cost or opening period average cost and the current period average cost in the source organization.
- Prior period average cost: This is the final periodic average cost calculated for the prior period, when that period was closed. The prior period average cost can also be an adjustment that you enter to override an existing cost. There are scenarios where a prior period cost might not be available:
  - The first opened period for a cost book.
  - A new item is transacted and there aren't any transactions for this item in the prior periods.

  You need to create an opening balance in these scenarios, else the prior period cost is set to 0. You can enter a prior period cost by creating an opening cost override.

- Prior period ending balance: The inventory balance at the end of the prior period, if available. This can also be considered as the opening balance at the start of a new period. If an item is being transacted for the first time, then the prior period ending balance will be 0.

To ensure that items have a cost at most times, the periodic average cost for an item is carried forward from one period to next period even if the on-hand quantity in those periods is 0.

For example, the item AS2000 was received in January and completely depleted in February. The periodic average cost for this item is carried forward to March. This ensures that the item has a cost when transacted in a future period.

Period	Period End Quantity	Periodic Average Cost
January	100	$10.00
February	0	$10.00
March	0	$10.00

Let's look at how this periodic average cost would be used in a future period.

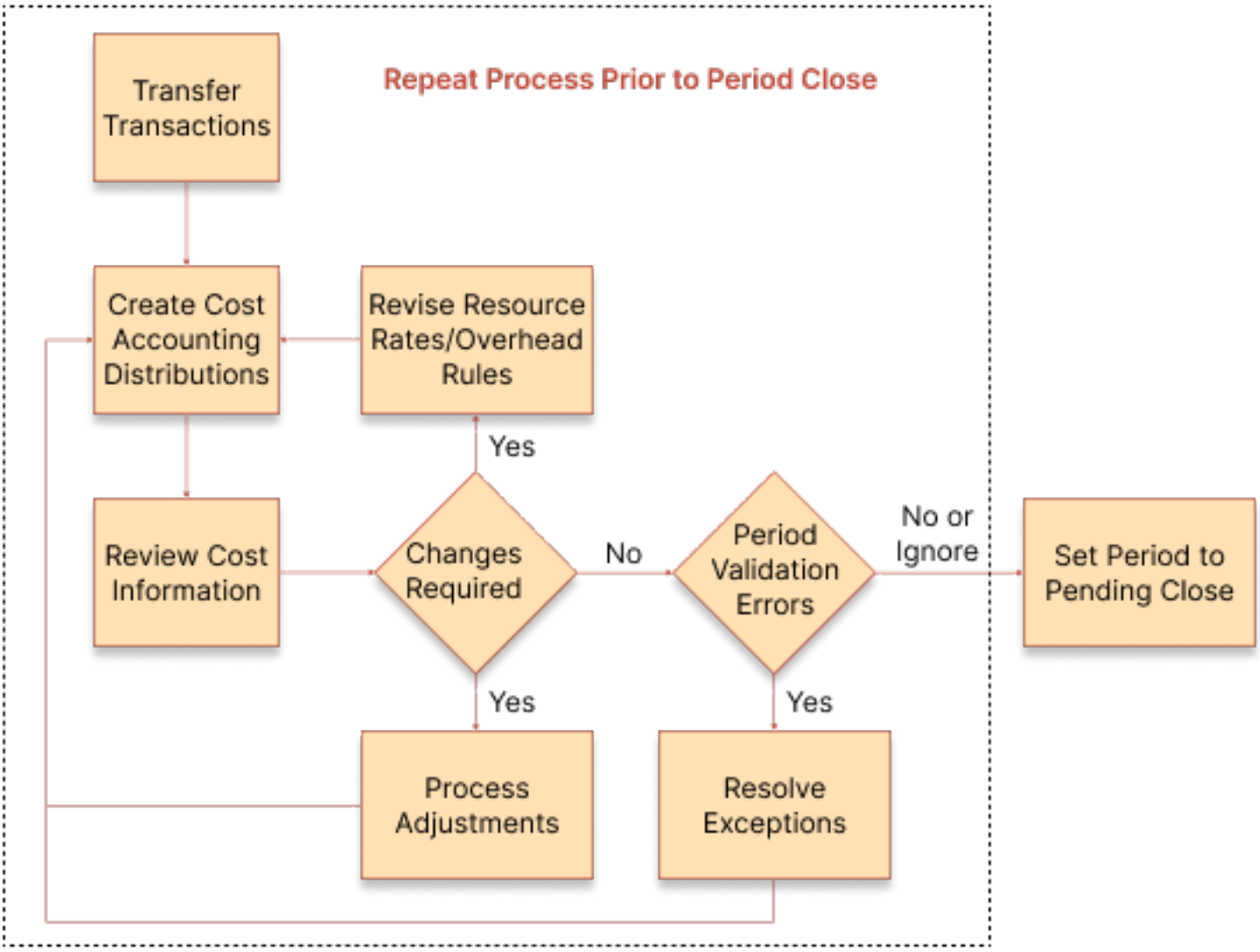
If there is only one receipt (R1) for AS2000 in April for 10 units without any cost specified and there aren't any other cost-owned transactions for this item, then the receipt will be costed at $10.

If there is another receipt which is cost owned (R2) for 10 units at $15 in April, then receipt R1 will be costed at $15.

Periodic Average Costing Process

When using a periodic average cost enabled cost book, as a cost accountant you need to know the tasks you can perform during the period and the tasks you must perform at period end, for costing and accounting the transactions.

The image here illustrates the periodic average costing process for a period. It shows the tasks and the sequence in which you can perform them during a period before you set the period status to Pending Close.

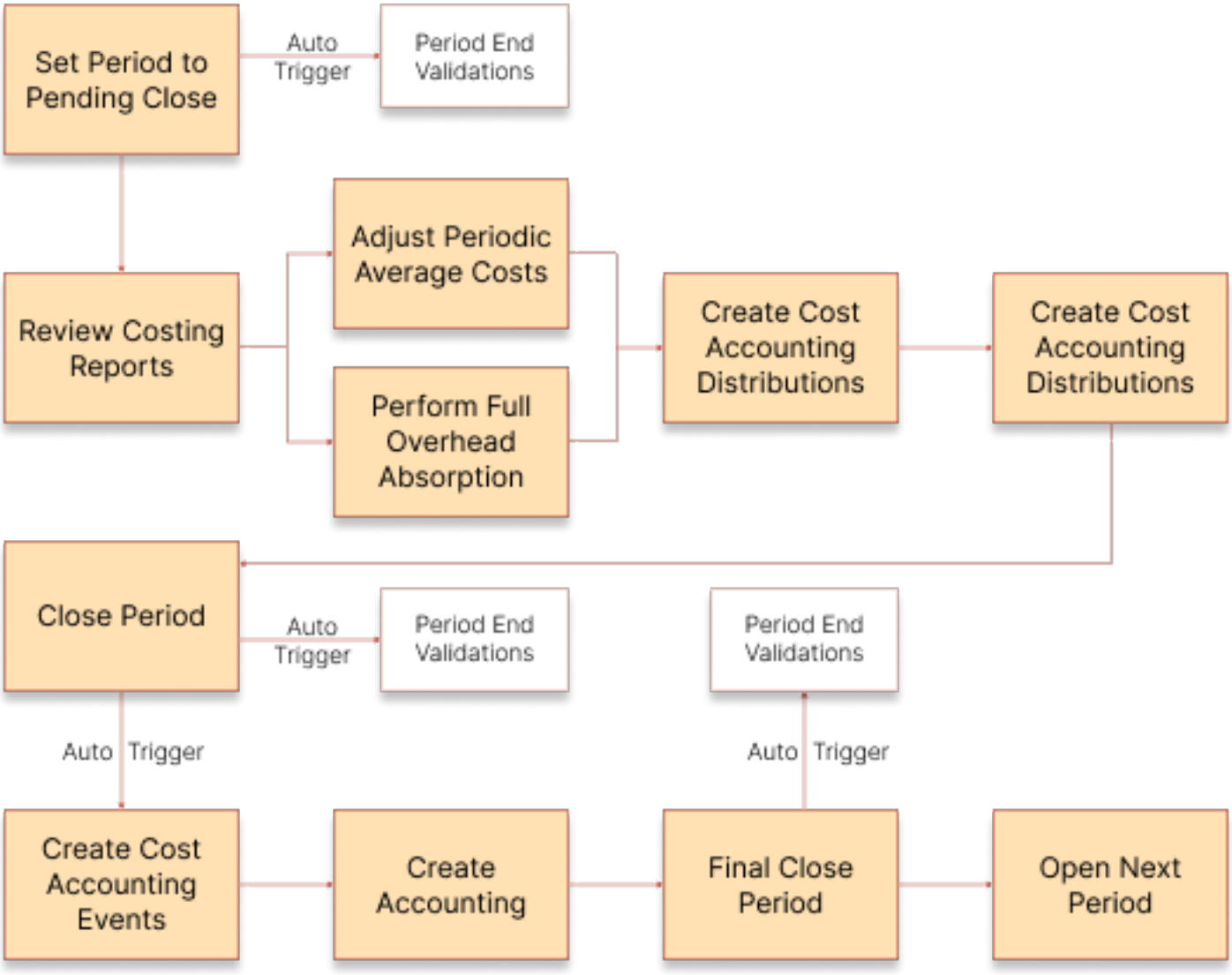


In an open period, you can run the various processes to transfer transactions from upstream application to costing. After the transactions are transferred to costing, you run the Create Cost Accounting Distribution process. Unlike other cost methods, when you run this process for a periodic average cost enabled cost book, the distributions created aren't final. You can run the create cost accounting distributions process multiple times in an open or pending close period. Only after the period is closed, the accounting distributions are frozen.

You can schedule this process to run on a periodic basis and review the distributions created on the Review Cost Accounting Distributions page. If you need to correct the distributions, you can create adjustments by using the Manage Periodic Average Cost Adjustments task in the Cost Accounting work area. You can also revise the resource rates, create and modify overhead rules, and then run the Create Cost Accounting Distribution process again.

As a best practice, you must run the period validations regularly from the Manage Cost Accounting Periods page. You need to review and check for unprocessed transactions, adjustments, under or over absorption on expense pools, processing errors, and so on. Resolving errors and issues, if any, would reduce surprises during period end and make the period end processes smoother.

The image illustrates the tasks specifically to be performed at period end to cost and account the transactions for the period.



At the end of the period, you first set the period status to Pending Close. This ensures that no new transactions are transferred in to costing and a final periodic average cost can be calculated. The period validations for the Pending Close status are automatically run. You must review the exceptions and take necessary corrective measures. You can also review the costing reports for the periodic average cost, inventory value, gross margins, overhead absorption, and resource rate absorption.

Although you can't transfer new transactions in to costing after you set the period status to Pending Close, you can adjust the costs and process the transactions that are already in costing. You can check the overhead absorption and modify the overhead accounting rules.

You then run the Create Cost Accounting Distributions process. After the distributions are created, you can review the various costing reports like Inventory Valuation and COGS & Gross Margin.

You can now close the period. When you close the period, the period end validations for the Close status are automatically run. Also, the Create Cost Accounting Events process is automatically initiated. Review the validation exceptions and take corrective measure, where necessary.

Run the Create Accounting process in the Final mode to account the transactions and publish them to General Ledger. Set the period status to Permanently Closed. This will automatically run the corresponding period validations. You need to manually open the next period.

Derive Account Combinations for Costing Distributions

In the periodic average cost method, the cost of an item can change every time you run the cost processor because the cost is calculated based on all the cost owned transactions in the period. Therefore, you can run the Create Accounting process only after the period is closed to create the accounting entries. However, to view the impact on accounting during the period and before the period is closed, you can derive the account combinations when you run the Create Cost Accounting Distributions process.

Using the Transaction Account Definition option in Cost Accounting, you can set up mapping sets to identify and stamp the account combinations on costing transactions without running the Create Accounting process for the same. You can use the Costing Transactions and Distributions page or the Cost Distribution Details Report to review the distributions with the account code combinations.

To enable this, you must perform these tasks from the Setup and Maintenance work area:

1. Set up subledger accounting options.
2. Create the CST_DERIVE_CCID_DISTRIBUTIONS_FOR_PAC profile option.
3. Enable the CST_DERIVE_CCID_DISTRIBUTIONS_FOR_PAC profile option.
4. Configure the mapping sets.

After you've enabled the profile option, the Create Cost Accounting Distributions process lists the subprocess Subledger transaction account builder process. This subprocess uses the mapping sets that are predefined in the Standard Accrual Subledger Method to identify a code combination and stamps this code combination on the distributions. These code combinations are then shown in the Source Account column of the cost distribution. You can also see the source account in the Cost Distribution Details Report.

Related Topics

- Enable Account Combination Derivation for Costing Distributions with the Periodic Average Cost Method

Review Item Costs

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

> **Note:** You can't compare costs if the profile option Read Only Mode (**FND_READ_ONLY_MODE**) is enabled for your user account.

Related Topics

- Cost Adjustments and Cost Distributions
- Manage Cost Elements and Analysis Groups
- How Cost Components, Cost Elements, and Cost Component Groups Work Together

Item Cost Service

The item cost SOAP service retrieves the calculated item costs based on the cost methods. Other applications can use this service to retrieve the cost of items from Oracle Cost Management by passing specific input parameters. For example, an application might pass the item and inventory organization ID parameters to get the item costs for making transfer requisitions, cycle count adjustments, or transfer price computation.

The valuation structure for costing an item can be at different levels. For example, it can be at the cost organization, inventory organization, or subinventory level. Based on the input parameters and the valuation structure, the service retrieves the item cost. If the valuation structure matches the input parameters, the item cost service returns the exact item cost. If the valuation structure is at a higher or lower level than the input parameters, the item cost can vary.

For the standard and periodic average cost methods, an item can have only one cost. So, irrespective of the input parameters passed, the item cost service always returns the latest standard cost or periodic average cost.

For the actual and average cost methods, an item can have multiple costs. Let's look at a few examples of how the item cost service retrieves the item cost based on the valuation structure and input parameters, for the average cost and

actual cost methods. Other than the valuation structure if more granular information is provided, the item cost service retrieves an exact match for all of these scenarios by returning the cost for the valuation unit.

Example 1: Item's valuation structure is at the cost organization level

This table lists how the item cost service retrieves the cost for the given input parameters based on the cost method, when the valuation structure is at the cost organization level.

Input Parameters	Average Cost Method	Actual Cost Method
Cost Organization Cost Organization + Inventory Organization Cost Organization + Inventory Organization + Subinventory Cost Organization + Inventory Organization + Subinventory + Lot	Returns the cost for the valuation unit	Returns the cost of the latest receipt

Example 2: Item's valuation structure is at the cost organization and inventory organization level

This table lists how the item cost service retrieves the cost for the given input parameters based on the cost method, when the valuation structure is at the cost organization and inventory organization level.

Input Parameters	Average Cost Method	Actual Cost Method
Cost Organization	Calculates the average for the cost organization	Returns the cost of the latest receipt
Cost Organization + Inventory Organization Cost Organization + Inventory Organization + Subinventory Cost Organization + Inventory Organization + Subinventory + Lot	Returns the cost for the valuation unit	Returns the cost of the latest receipt

Example 3: Item's valuation structure is at the cost organization, inventory organization, and subinventory level

This table lists how the item cost service retrieves the cost for the given input parameters based on the cost method, when the valuation structure is at the cost organization, inventory organization, and subinventory level.

Input Parameters	Average Cost Method	Actual Cost Method
Cost Organization Cost Organization + Inventory Organization	Calculates the average for the cost organization	Returns the cost of the latest receipt
Cost Organization + Inventory Organization + Subinventory Cost Organization + Inventory Organization + Subinventory + Lot	Returns the cost for the valuation unit	Returns the cost of the latest receipt

Input Parameters	Average Cost Method	Actual Cost Method
Cost Organization + Inventory Organization + Subinventory + Lot + Serial		

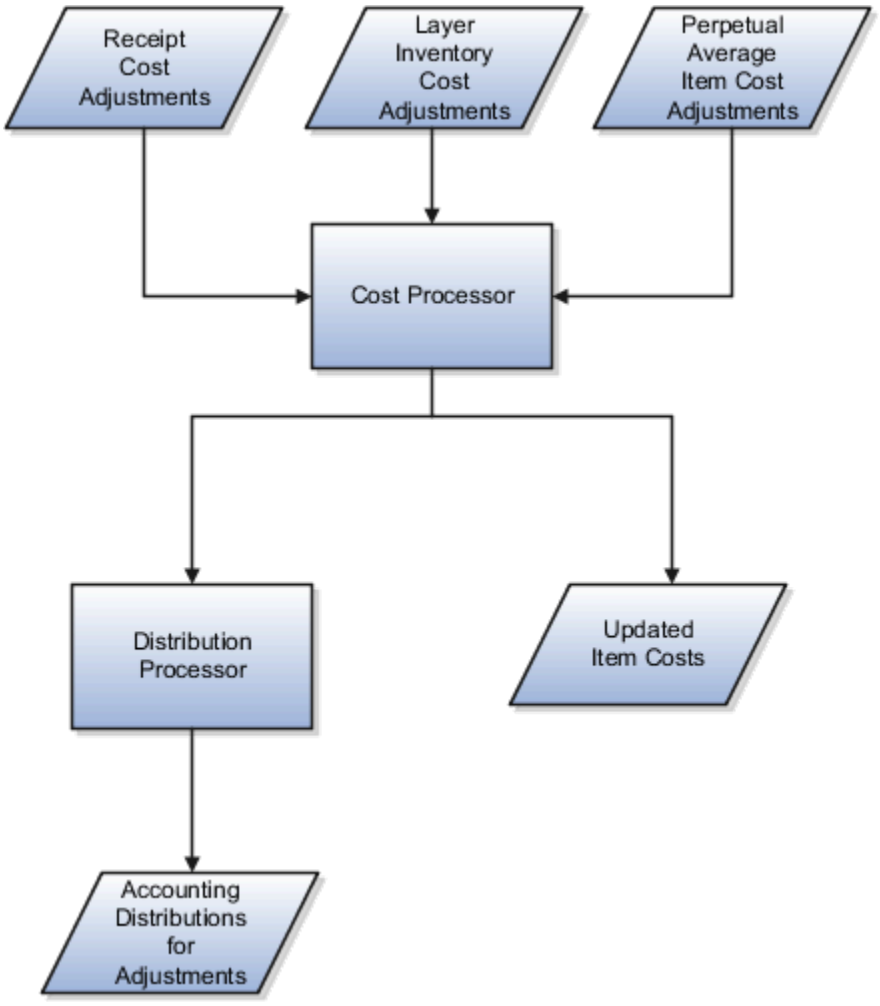
For information about the input parameters accepted by the item cost service, see the Enhanced Item Cost Input SDO topic in the SOAP Web Services for SCM guide.

Cost Adjustments and Cost Distributions

You can 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 by 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.

  If you create multiple perpetual average cost adjustments with the same cost organization, cost book, item, valuation unit, and adjustment date combination, then the cost processor will only process the adjustment with the maximum adjustment number. The cost processor will ignore the remaining adjustments and mark them as excluded.
- 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 (that is, 8/ (Division symbol) 10 * (Multiplication symbol) $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 (that is, 6 *(Multiplication symbol) $1), and creates a write off accounting distribution of $2 (that is, 2 * (Multiplication symbol) $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 (that is, 7 * (Multiplication symbol) $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.

Related Topics

- Review Item Costs
- Examples of Making Cost Adjustments
- What happens if an item in a cost organization book has both a perpetual average item cost adjustment and a receipt cost adjustment pending?
- Receipt Cost Adjustment and Propagation
- Example of Receipt Cost Adjustment

Receipt Cost Adjustment and Propagation

You might adjust cost of a processed receipt for reasons such as invoice price variances, retroactive purchase order price changes, or prior adjustments. If you're using the actual cost method, you can propagate such adjustments to downstream inventory consumption transactions.

In the case of an interorganization transfer, you can propagate the receipt cost adjustment to the destination inventory organization.

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're 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're 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.

The cost processor adjusts receipt costs for interorganization transfers by recording the propagated cost as profit in inventory in the destination organization and all organizations in between, only if propagation is enabled in all of them and the profit in inventory tracking is enabled on the transfer agreement. However, if the profit in inventory tracking is disabled on the transfer agreement or if the transfers are cost-based transfers, the difference is booked as inter organization gain or loss in the shipping node. On the other hand, propagation stops if an inventory organization is associated with a cost profile that doesn't use the actual cost method or doesn't have propagation enabled.

The processor always propagates cost adjustments through logical inventory organization nodes in the flow, regardless of propagation enablement.

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

Propagate Cost Changes for Cost-Based Transfers in Actual Cost

After you enable this feature, for cost-based inventory transfers, acquisition cost adjustments, such as manual cost adjustments or charges like freight, insurance, or customs, are propagated to the destination organization. This is applicable only if the source organization uses the actual cost method and cost propagation is enabled. Any cost adjustment made in the source organization is automatically reflected in the destination organization ensuring the item cost in the destination organization reflects the true cost of goods. The source organization no longer carries the gain or loss, and the downstream processes, such as projects, COGS, and budgetary control, are accurate.

This is applies to direct and in-transit inventory transfers within the same profit center business unit (PCBU). Also, it works for inventory as well as expense destinations. The cost adjustments are automatically propagated to projects and budgetary control for expense destinations.

Transaction	Source Organization	Destination Organization
Without Cost Propagation	Adjustment booked to interorganization gain or loss (Dr) Absorbs the cost change	No impact Ignores the cost change
With Cost Propagation	Adjustment booked to interorganization receivables (Dr) Recognizes the receivable No longer carries gain or loss	Adjustment added to inventory valuation (Dr) and interorganization payables (Cr) Inventory updated with the actual cost

Note:

- If you disable the feature, only transactions created while it was active will continue to follow the propagation logic.
- Manual cost adjustments made in the destination organization are honored locally and on returns, these adjustments are reflected as cost variances.
- Cost propagation isn't applicable for transfers across PCBU that use Oracle Supply Chain Financial Orchestration.
- Cost propagation applies for primary to primary and primary to secondary cost books, but not for secondary to primary cost books.

Related Topics

- Cost Adjustments and Cost Distributions
- Example of Receipt Cost Adjustment
- Cost Profiles, Default Cost Profiles, and Item Cost Profiles

Cost Accounting for Purchase Orders

Purchase Order Receipts

All purchase order receipt transactions are processed, costed, and accounted at their latest true acquisition costs.

When the invoice isn't available, the latest acquisition costs are the purchase order price and estimated landed cost charges. However, when invoice is available, the latest acquisition costs are the invoice price and actual landed cost charges.

The inventory is valued based on the cost method of the item:

- Actual Cost and Perpetual Average Cost: Items are costed at the latest acquisition cost for the receipt.
- Standard Cost: Any difference between the acquisition cost and the standard cost is booked as purchase price variance.
- Periodic Average Cost: Acquisition cost is considered as value adjustment and added to the inventory value for the period.

Acquisition cost adjustments are propagated to issue transactions if the cost method is actual cost and propagation is enabled on the cost profile.

Acquisition Cost for Procure to Pay Cycle Events

Cost Accounting creates a separate set of transactions and distributions for each applicable event in the procure to pay cycle.

The table here lists the source documents for various events in the procure to pay cycle and the corresponding cost components and acquisition cost logic.

Source Document	Cost Components	Acquisition Cost Logic - Match to Purchase Order/Receipt
Goods Purchase Order Receipt Line	Purchase order price, Nonrecoverable Tax	Purchase order receipt is valued at purchase order price plus nonrecoverable tax
Trade Operation (estimated landed costs)	Landed cost charges	Separate acquisition cost adjustments created for each landed cost charge
Change Order (retro price adjustment)	Purchase order price, Nonrecoverable Tax	Acquisition cost adjustment created for delta retro price adjustment
Goods Invoice from Accounts Payable	IPV, TIPV, TPV, ERV	Separate acquisition cost adjustment created for each invoice with variances
Trade Operation (actual landed costs from Accounts Payable third-party invoice)	Landed cost charges	Acquisition cost adjustment created for any delta between estimated and actual landed cost charges with cost date always in open period
Canceled Invoice, Credit or Debit Memo	Purchase order price, IPV, TIPV, TPV, ERV	Acquisition cost adjustment created for each canceled invoice, credit and debit memo, where applicable
Accrual Clearing	Accrual line	Acquisition cost adjustment created by prorating total invoice costs over delivered quantity

Acquisition Cost Adjustment

Oracle Cost Accounting provides an ability to value your inventory at the true acquisition costs. During receipt into inventory, inventory is valued at either purchase order price, including tax and any landed cost charges, or standard.

Any differences between the standard cost and the purchase order price are expensed as a purchase price variance.

Subsequently, any additional costs that are imported from Payables, such as invoice price variance, exchange rate variance and tax rate variance, are used to true up the inventory cost by applying them as acquisition cost adjustments. The true up of inventory cost is carried out based on the cost method.

- Actual cost (FIFO): acquisition cost adjustments apply to on-hand inventory as well as any consumption transactions such as sales order issues, work order issues, and transfers.
- Average cost: acquisition cost adjustments apply only to the extent of on-hand inventory and any adjustments pertaining to inventory that's consumed are expensed out into cost variance.
- Standard Cost: acquisition cost adjustments are always expensed out as a purchase price variance up to the extent of quantity delivered.

Variance Absorption

The Match Option selected on the purchase order schedule is used to calculate the variances. If the option is set to Order, the invoice is matched to the purchase order, and if set to Receipt, the invoice is matched to the receipt.

Difference between the invoice and the purchase order or receipt amounts is the invoice price variance. If the invoice is in a currency different from the ledger currency, the exchange rate fluctuations can cause a change in the Payables liability in the ledger currency. This variance is known as the exchange rate variance (ERV).

Depending on the match option, the exchange rate variance is calculated as:

- If the option is set to Order, the currency conversion rate on the purchase order is used to calculate the exchange rate differences.
- If the option is set to Receipt, the currency conversion rate on the receipt is used to calculate the exchange rate differences.

The variance is recorded in the accounted currency (ledger currency). The currency amount entered remains the same if the vendor sends the invoice for the same amount.

If the match option is set to Order, then all the invoices apply to all the receipts for a corresponding purchase order and the variances are fully absorbed. If the match option is set to Receipt, the invoice applies to specific receipt for a corresponding purchase order.

You can also exclude the ERV recorded on payables invoices in Receipt Accounting and Cost Accounting transactions. This prevents the impact of ERV on inventory valuation when receiving purchase orders with inventory, expense, and work order destinations. For all cost methods, you can exclude ERV for item costs and inventory valuation. Some of the benefits of excluding ERV are:

- Adhere to regulatory requirements for inventory valuation by classifying ERV as a period expense that's recorded in the period it's incurred.
- Ensure accurate unit item costs and inventory valuation.

You must enable the profile option Ignore Invoice Exchange Rate Variances for Inventory, Expense, and Work Order Destination Purchases (`ORA_CMR_IGNORE_AP_ERV_TERV`) to exclude ERV.

If enabled, any exchange rate variance distributions lines will be ignored from receipt and cost processing and where applicable, such lines won't be interfaced to Projects.

Note: Consigned purchase orders aren't impacted by this profile option.

If you want to ignore all invoice variances from impacting acquisition costs of an item, you can use the profile option Ignore Invoice Variances for Inventory Destination Purchase Orders (`ORA_CMR_IGNORE_AP_INV_VAR_ALL`)

Related Topics

- Manage Receipt Accounting Profile Options

Acquisition Cost with Enhanced Cost Processing

After you opt in to the Calculate Acquisition Cost for Purchase Order Transactions with Enhanced Cost Processing feature, the acquisition costs for purchase order transactions are calculated using the new processing logic.

With the new processing logic:

- Acquisition cost is computed every time a new document information is available.
- If the match option is set to Order, invoice variance amount is considered for the entire purchase order quantity and prorated to the delivered quantity.
- If the match option is set to Receipt, invoice for each receipt can be determined and the invoice variance amount is applied to the receipt quantity for receipt matched with the invoice.
- New acquisition cost is compared with the old acquisition cost to generate delta acquisition cost adjustments.

- Accrual clearing triggers an acquisition cost adjustment and the invoice amount is considered as the final amount for prorating to delivered quantity.

The benefits of using this new processing logic include:

- Reconcile the Receiving Inspection account across Cost Accounting and Receipt Accounting with the enhanced logic.
- For the purchase order related transactions, the processor uses transaction dates instead of the cost accounting process date for more accurate currency translation calculations.
- Invoice price variance adjustment events in Cost Accounting are posted to the General Ledger period that is same as the period used by Accounts Payable.
- Absorb the entire invoice amount over the net delivered quantity rather than the ordered quantity on the purchase order.
- Granular tracking, easier reconciliation and processing of each purchase order price events, and eliminate commingling of events.

Note: The Calculate Acquisition Cost for Purchase Order Transactions with Enhanced Cost Processing feature isn't applicable for global procurement purchase orders.

Let's look at an example of transactions and the corresponding accounting dates for the Jan-25 period which is in the Open status.

Transaction Date	Costed Date	Event	Quantity	Unit Price	Total Amount	Accounted Date
1/17/2025	1/17/2025	Purchase Order	2000	900	1,800,000.00	
1/18/2025	1/18/2025	Receipt	1500	900	1,350,000.00	1/18/2025
1/18/2025	1/18/2025	Deliver	1500	900	1,350,000.00	1/18/2025
1/31/2025	2/01/2025	Invoice	1500	1000	1,500,000.00	2/01/2025

The transactions and the corresponding distributions are accounted as per the accounted date in the table. The invoice is accounted on 2/01/2025 in General Ledger. This date is used as the accounted date in Receipt Accounting and Cost Accounting.

Let's say the invoice is accounted on 1/31/2025 in General Ledger but the Jan-25 period is closed in Cost Accounting, then the accounted date in Receipt Accounting will be 1/31/2025 and the costed date and accounted date in Cost Accounting will be 2/01/2025, if the Feb-25 period is open.

Example of Acquisition Cost Adjustment With Match Option Set to Order

This example illustrates the accounting entries for an acquisition cost adjustment when the match option is set to Order in the purchase order schedule.

Let's consider a purchase order with partial receipt and a corresponding invoice with price variance. The table here lists the transactions.

Transaction Date	Document	Quantity	Unit Price	Total Amount
1/17/2025	PO 01	2000	900	1,800,000.00

Transaction Date	Document	Quantity	Unit Price	Total Amount
1/18/2025	RC 01	1500	900	1,350,000.00
1/18/2025	Deliver - RC 01	1500	900	1,350,000.00
1/31/2025	INV 01	1500	1000	1,500,000.00

Also, you've opted in to the Calculate Acquisition Cost for Purchase Order Transactions with Enhanced Cost Processing feature.

After you run the cost processor, these entries are created in Receipt Accounting.

Transaction Type	Accounting Line Type	Document	Dr.	Cr.
Receipt	Receiving Inspection	RC 01	1,350,000.00	
Receipt	Accrual	RC 01		1,350,000.00
Invoice Price Adjustment	Receiving Inspection	INV 01	150,000.00	
Invoice Price Adjustment	Invoice Price Adjustment	IINV 01		150,000.00

These entries are created in Cost Accounting.

Transaction Type	Accounting Line Type	Document	Dr.	Cr.
Delivery	Inventory Valuation	RC 01	1,350,000.00	
Delivery	Receiving Inspection	RC 01		1,350,000.00
Delivery	Inventory Valuation	INV 01	150,000.00	
Delivery	Receiving Inspection	INV 01		150,000.00

As you can see, the entire invoice amount is absorbed over the net delivered quantity rather than the ordered quantity on the purchase order.

Let's consider few more transactions to fully receive the remaining purchase order quantity. This time the invoice doesn't include any price variance.

Transaction Date	Document	Quantity	Unit Price	Total Amount
2/05/2025	RC 02	500	900	450,000.00
2/05/2025	Deliver - RC 02	500	900	450,000.00
2/07/2025	INV 02	500	900	450,000.00

After you run the cost processor, these entries are created in Receipt Accounting.

Transaction Type	Accounting Line Type	Document	Dr.	Cr.
Receipt	Receiving Inspection	RC 02	450,000.00	
Receipt	Accrual	RC 02		450,000.00

These entries are created in Cost Accounting.

Transaction Type	Accounting Line Type	Document	Dr.	Cr.
Acquisition Cost Adjustment	Receiving Inspection	INV 01	37,500.00	
Acquisition Cost Adjustment	Inventory Valuation	INV 01		37,500.00
Delivery	Inventory Valuation	RC 02	450,000.00	
Delivery	Receiving Inspection	RC 02		450,000.00
Delivery	Inventory Valuation	INV 02	37,500.00	
Delivery	Receiving Inspection	INV 02		37,500.00

As you can see, the following has happened:

- The receipt quantity and invoice quantity remains same so we see no change in the acquisition cost as we have already booked inventory for both the receipts.
- The difference in invoice price variance is moved out of inventory in relation to the first receipt.
- Inventory value is updated based on the receipt quantity at purchase order price and the invoice price variance.

On the Review Transaction Costs page, you can track each purchase order price events.

Example of Acquisition Cost Adjustment With Match Option Set to Receipt

This example illustrates the accounting entries for an acquisition cost adjustment when the match option is set to Receipt in the purchase order schedule.

Let's consider a purchase order with partial receipt and a corresponding invoice. The table here lists the transactions.

Transaction Date	Document	Quantity	Unit Price	Total Amount
1/17/2025	PO 01	2000	1000	2,000,000.00
1/18/2025	RC 01	1000	1000	1,000,000.00
1/18/2025	Deliver - RC 01	1000	1000	1,000,000.00
1/31/2025	INV 01	800	1200	960,000.00

Also, you've opted in to the Calculate Acquisition Cost for Purchase Order Transactions with Enhanced Cost Processing feature.

After you run the cost processor, these entries are created in Receipt Accounting.

Transaction Type	Accounting Line Type	Document	Dr.	Cr.
Receipt	Receiving Inspection	RC 01	1,000,000.00	
Receipt	Accrual	RC 01		1,000,000.00
Invoice Price Adjustment	Receiving Inspection	INV 01	160,000.00	
Invoice Price Adjustment	Invoice Price Adjustment	INV 01		160,000.00

These entries are created in Cost Accounting.

Transaction Type	Accounting Line Type	Document	Dr.	Cr.
Delivery	Inventory Valuation	RC 01	1,000,000.00	
Delivery	Receiving Inspection	RC 01		1,000,000.00
Delivery	Inventory Valuation	INV 01	160,000.00	
Delivery	Receiving Inspection	INV 01		160,000.00

As you can see, the entire invoice amount is absorbed over the net delivered quantity rather than the ordered quantity on the purchase order.

Let's consider few more transactions to fully receive the remaining purchase order quantity.

Transaction Date	Document	Quantity	Unit Price	Total Amount
2/05/2025	RC 02	1000	1000	1,000,000.00
2/05/2025	Deliver - RC 02	1000	1000	1,000,000.00
2/07/2025	INV 02	1200	1200	1,440,000.00

After you run the cost processor, these entries are created in Receipt Accounting.

Transaction Type	Accounting Line Type	Document	Dr.	Cr.
Receipt	Receiving Inspection	RC 02	1,000,000.00	
Receipt	Accrual	RC 02		1,000,000.00
Invoice Price Adjustment	Receiving Inspection	INV 02	240,000.00	
Invoice Price Adjustment	Invoice Price Adjustment	INV 02		240,000.00

These entries are created in Cost Accounting.

Transaction Type	Accounting Line Type	Document	Dr.	Cr.
Delivery	Inventory Valuation	RC 02	1,000,000.00	

Transaction Type	Accounting Line Type	Document	Dr.	Cr.
Delivery	Receiving Inspection	RC 02		1,000,000.00
Delivery	Inventory Valuation	INV 02	240,000.00	
Delivery	Receiving Inspection	INV 02		240,000.00

On the Review Transaction Costs page, you can track each purchase order price events.

Ignore Invoice Variances for Inventory Destination Purchase Orders

You can exclude payables invoice cost variances from inventory valuation for inventory and work order destination purchase orders. Use this if you don't want to apply invoice cost variances as acquisition cost adjustments to item cost and inventory value.

Enable the exclude invoice cost variances feature by using the costing profile options. The profile option code for this feature is `ORA_CMR_IGNORE_AP_INV_VAR_ALL`. The corresponding profile name is 'Ignore Invoice Variances for Inventory Destination Purchase Orders'. This profile option must be set at the Site level.

When you set the profile value to Yes, unprocessed invoices in costing for both uninvoiced and partially invoiced PO distributions aren't used for creating additional receipt accounting distributions. The invoice variance amounts, if any, aren't considered for true up of inventory valuation or Purchase price variance. When the profile option is enabled the variances aren't accounted in Receipt Accounting and Cost Accounting.

When you change the profile value to No, unprocessed invoices in costing for both uninvoiced and partially invoiced PO distributions are used for creating additional receipt and cost accounting distributions for acquisition cost adjustment based on existing logic.

Related Topics

- Manage Receipt Accounting Profile Options

Periodic Average Cost Adjustments

Periodic Average Cost Adjustments

Value adjustment and opening cost override are the periodic average cost adjustments that you can create from the Periodic Average Cost Adjustments page.

The periodic average cost can be adjusted by user-created adjustments or automatically based on business events such as invoice price changes. You can create the periodic average cost adjustments listed here:

- Value Adjustment: You can adjust the inventory value by specifying an amount as the adjustment. This adjustment value is then used to calculate the periodic average cost. An example of value adjustment could be a rebate that you received and need to be apply on all the inventory quantities.
- Opening Cost Override: You can define a new cost for the opening balance of the period. If you don’t want to use the prior period cost, you define an opening cost override that the cost processor must use to calculate the periodic average cost for the period. This is also useful when you want to define a cost for a newly transacted item. When defining the opening cost override, you can select the cost elements that you would like to change and specify the new cost for each cost element. A use case where you would want to define an opening cost

override is that the prior period cost was defaulted to 0 due to negative inventory. You aren't comfortable using 0 as the prior period cost and want to use a new cost.

If you've defined an opening cost override and value adjustments for a cost organization, cost book, item, valuation unit, and period combination, then the formula to calculate the periodic average cost for the item will be:

```
Periodic Average Cost = [(opening cost override * prior period ending balance) + SUM (transaction cost *
transaction quantity) + overheads + value adjustments] / (prior period ending balance + transaction quantity for
this period)
```

You can create, update, and delete adjustments only if the corresponding period is in the Open or Pending close status. Also, you can't update or delete an opening cost override after it has been processed, even if the corresponding period is in the Open or Pending close status. You can use filters to easily search and review adjustments on the Periodic Average Cost Adjustments page. You can use filters such as Cost Organization, Cost Book, Adjustment Type, and Period.

After you create and process the adjustments by running the Create Cost Accounting Distributions process, you can check the processing results, including any warning or error messages, on the Review Cost Accounting Process page. You can view the corresponding accounting entries on the Review Cost Distributions page. Also, you can check the updated periodic average cost of the item on the Review Item Costs page.

Note: For a consigned PO, any retroactive pricing is considered as a value adjustment and created on Trade In-transit Receipt (TIR). This can be seen in the Review Cost Accounting Distributions page. This adjustment is then propagated to Transfer to Owned Receipt. However, such propagated adjustments can't be seen on the Review Transaction Costs page.

Variance and Automatic Adjustments

The automatic adjustments include:

- Acquisition cost adjustments due to invoice price variance, landed costs, purchase order price changes, and so on.
- Variance adjustments are created when either the inventory value is negative or the total quantity is less than or equal to 0.

The table lists the scenarios and the corresponding variance calculation to ensure that the periodic average cost isn't negative.

Total Quantity	Total Inventory Value	Variance Calculation	Periodic Average Cost
> 0	> 0	No variance	> 0
< 0	< 0	No variance	> 0
> 0	< 0	Variance gain to bring inventory value to 0	= 0
< 0	> 0	Variance loss to bring inventory value to 0	= 0
= 0	> 0	Variance loss to bring inventory value to 0	= 0
= 0	< 0	Variance gain to bring inventory value to 0	= 0

In the table, based on the period average cost calculation formula,

Total Quantity = (prior period ending balance + transaction quantity for this period)

Total Inventory Value = [(prior period average cost * prior period ending balance) + SUM (transaction cost * transaction quantity) + overheads + adjustments]

The variance is calculated afresh every time the periodic average cost is recalculated.

The periodic average cost of an item is the average cost for the item in a given period for a cost organization, cost book, and valuation unit combination. This is the formula to calculate the periodic average cost by considering the variance:

```
Periodic Average Cost = {[(prior period average cost * prior period ending balance) + SUM (transaction cost * transaction quantity) + overheads + value adjustments + periodic cost inventory value variance] / (prior period ending balance + transaction quantity for this period)} + unit cost adjustments
```

Let's go through few examples to understand how the variance is accounted in the periodic average cost.

Example: Quantity greater than 0 and on-hand value less than 0

Consider the following transactions.

Date	Transaction	Quantity	Cost	On-Hand Quantity	On-Hand Value
01-Feb	Opening balance	100	10	100	1000
05-Feb	PO Receipt	50	15	150	1750
10-Feb	Return to Supplier	-100	20	50	-250
28-Feb	Variance				250
28-Feb	Period end balance	50		50	0

Periodic Average Cost = {[(10 * 100) + SUM ((15 * 50) + (20 * (-100))) + 250] / (100 + 50 - 100)}

Periodic Average Cost = {[(1000) + SUM (750 - 2000) + 250] / (50)}

Periodic Average Cost = {[1000 - 1250 + 250] / (50)} = 0

Example: Quantity less than 0 and on-hand value greater than 0

Consider the following transactions.

Date	Transaction	Quantity	Cost	On-Hand Quantity	On-Hand Value
01-Feb	Opening balance	100	10	100	1000
05-Feb	PO Receipt	50	15	150	1750
10-Feb	Return to Supplier	-200	5	-50	750
28-Feb	Variance				-750
28-Feb	Period end balance	-50		-50	0

If the on-hand quantity is negative at the end of the period, this might lead to a negative cost. To ensure that the cost doesn't turn negative, a variance adjustment is created to ensure that the cost becomes 0.

Periodic Average Cost = {[(10 * 100) + SUM ((15 * 50) + (5 * (-200))) + (-750)] / (100 + 50 - 200)}

Periodic Average Cost = {[(1000) + SUM (750 - 1000) - 750] / (-50)}

Periodic Average Cost = {[1000 - 250 - 750] / (-50)} = 0

Example: Quantity is 0 and on-hand value greater than 0

Consider the following transactions.

Date	Transaction	Quantity	Cost	On-Hand Quantity	On-Hand Value
01-Feb	Opening balance	100	10	100	1000
05-Feb	PO Receipt	50	15	150	1750
10-Feb	Return to Vendor	-150	5	0	1000
28-Feb	Variance				-1000
28-Feb	Period end balance	0		0	0

Periodic Average Cost = {[(10 * 100) + SUM ((15 * 50) + (5 * (-150))) + (-1000)] / (100 + 50 - 150)}

Periodic Average Cost = {[(1000) + SUM (750 - 750) - 1000] / (0)} = 0

Example: Quantity is 0 and on-hand value less than 0

Consider the following transactions.

Date	Transaction	Quantity	Cost	On-Hand Quantity	On-Hand Value
01-Feb	Opening balance	100	10	100	1000
05-Feb	PO Receipt	50	15	150	1750
10-Feb	Return to Supplier	-150	15	0	-500
28-Feb	Variance				500
28-Feb	Period end balance	0		0	0

Periodic Average Cost = {[(10 * 100) + SUM ((15 * 50) + (15 * (-150))) + 500] / (100 + 50 - 150)}

Periodic Average Cost = {[(1000) + SUM (750 - 2250) + 500] / (0)} = 0

Periodic Average Cost Adjustment Status

The status of the periodic average cost adjustment specifies what actions you can perform on the adjustment.

The table summarizes the various status that a periodic average cost adjustment can be in.

Status	Description
Submitted	When you create or edit an adjustment, it's in the Submitted status. Only adjustments that are in this status will be processed by the cost processor. You can edit or delete adjustments that are in this status.
Processed	When you run the Create Cost Accounting Distribution process, the adjustments in the Submitted status are processed and corresponding distributions are created. These adjustments are then set to the Processed status. You can edit a value adjustment that's in the Processed status if the corresponding period is not closed. The edited adjustment is then reset to the Submitted status.
Discrepancy	If a processed adjustment is edited and the corresponding period is closed without reprocessing the adjustment, then the adjustment status is set to Discrepancy. You can't edit such an adjustment.
Obsolete	If an adjustment isn't processed during the period and was in the Submitted status when the corresponding period was closed, then the adjustment status is set to Obsolete. You can't edit such an adjustment.
Failed	When you create an adjustment without the cost details through REST API, the adjustment won't be processed successfully and the status is set to Failed. You must add the cost details for such an adjustment from the UI. The cost details can be added only if the period is in the Open or Pending close status.

Create a Value Adjustment

When you want to modify the inventory value for a period, you would create a value adjustment. For example, you received a rebate and want to apply it on the inventory.

1. In the Cost Accounting work area, click **Manage Periodic Average Cost Adjustment** on the tasks menu.
2. On the Periodic Average Cost Adjustments page, click **Create Value Adjustment**.
3. Select the cost organization, cost book, item, and valuation unit.
4. Select the period.
   You can define an adjustment only for the current open period of the cost book.
5. Select a reason code.
6. You can optionally associate an adjustment account, if the cost book is a primary cost book.
7. Click **Add** to include cost details for the adjustment.
8. Select the cost element and enter the adjustment value.
   Repeat step 7 and 8 for each cost element that you want to add to the adjustment.
9. Click **Submit**.

After you create a value adjustment, you can update it only if the corresponding period is in the Open or Pending close status. You can update the reason code and account. You can modify the value for the cost elements, add new cost elements, and delete existing cost elements.

Create an Opening Cost Override

You can define a new cost for the opening inventory balance for a period by creating an opening cost override. For example, the prior period cost was defaulted to 0 due to negative inventory and you don't want to use this cost.

You can define only one opening cost override for a cost organization, cost book, item, valuation unit, and period combination.

1. In the Cost Accounting work area, click **Manage Periodic Average Cost Adjustment** on the tasks menu.
2. On the Periodic Average Cost Adjustments page, click **Create Opening Cost Override**.
3. Select the cost organization, cost book, item, and valuation unit.
4. Select the period.
   You can define an adjustment only for the current open period of the cost book.
5. Select a reason code.
6. You can optionally associate an adjustment account, if the cost book is a primary cost book.
7. Click **Add** to include cost details for the adjustment.
8. Select the cost element and enter the adjustment value.
   Repeat step 7 and 8 for each cost element that you want to add to the adjustment.
9. Click **Submit**.

After you create an opening cost override, you can update it only if the corresponding period is in the Open or Pending close status and the adjustment isn't processed by the cost processor. You can update the reason code and account. You can modify the new unit cost for the cost elements, add new cost elements, and delete existing cost elements.

Costing Subinventory Material Staged for Production

Costing can account material movement from warehouse or a common stock subinventory to a shop floor supply subinventory for work orders that are scheduled for production in the near future.

This supply subinventory is commonly marked as not available-to-promise to prevent the production material from being used for other purposes, while enabling cost accountants to report on the value of the material that's staged for production but not yet issued to work orders.

Prerequisites

The following tasks must be completed in order to enable the costing of subinventory material staged for production:

- Enable the following Subledger Accounting Journal Entry Rule Set: Work in Process Pick
- Run the following process: Transfer Transactions from Inventory to Costing

Accounting Distributions

The following accounting distributions are created on the Review Cost Accounting Distributions page for the subinventory material issue:

Accounting Line Type	Transaction Type
Offset	Debit
Inventory Valuation	Credit

The following accounting distributions are created on the Review Cost Accounting Distributions page for the receipt:

Accounting Line Type	Transaction Type
Inventory Valuation	Debit
Offset	Credit

Cost Accounting for Outside Processing

Oracle Cost Accounting provides costing and accounting features for manufacturing outside processing, where one or more work order operations are outsourced to a supplier who provides specialized manufacturing services.

Costing of Outside Processing Work Orders

An outside processing work order is costed and processed as follows.

- The outside processing service is modeled as an Item in cost planning, and is attached to a supplier operation.
- You can define a standard cost and overheads for the outside processing item.
- The outside processing item cost is included in the finished product's rolled up cost.

Transaction Processing for Outside Processing

Cost Accounting supports the Purchase Order Receipt into Manufacturing transaction type for the costing of outside processing items delivered to Manufacturing. The transaction processing depends on the cost method, as follows.

- Actual or Average cost method. The purchase price multiplied by the number of items received is added to the work in process valuation.
- Standard cost method. The standard cost multiplied by the number of items received is added to the work in process valuation. The difference between the purchase price and the purchase order is accounted as a purchase price variance.

Accounting Distributions Created for Outside Processing

You can review the distributions created for outside processing in the Cost Accounting work area on the Review Cost Accounting Distributions page. Cost Accounting creates the following distributions for the delivery of the outside processing service item to Manufacturing.

Accounting Line Type	Transaction Type
Work In Process Valuation	Debit
Receiving Inspection	Credit

Related Topics

- How Outside Processing Costs are Planned, Accounted, and Reviewed
- How Items Are Set Up for Outside Processing

Cost Accounting for Manual Procurement of Items for Work Orders

Oracle Cost Accounting provides costing and accounting features for items that are directly procured from a work order and are received against that work order and operation.

Costing of Manual Procurement of Items for Work Orders

Cost Accounting supports the Direct Delivery to Work Order transaction type for the costing of items delivered to Manufacturing.

The transaction processing depends on the cost method:

- Actual or Average cost method - The purchase price multiplied by the number of items received is added to the work in process valuation. This is also applicable for description-based and amount-based items.
- Standard cost method - The standard cost multiplied by the number of items received is added to the work in process valuation. The difference between the purchase price and the purchase order is accounted as a purchase price variance.

Accounting Distributions for Manual Procurement of Items for Work Orders

You can review the distributions created for the Direct Delivery to Work Order transactions in the Cost Accounting work area on the Review Cost Accounting Distributions page.

This table lists the accounting distributions for manufacturing work orders.

Accounting Line Type	Transaction Type
Work In Process Valuation	Debit
Receiving Inspection	Credit

This table lists the accounting distributions for maintenance work orders.

Accounting Line Type	Transaction Type
Expense	Debit
Receiving Inspection	Credit

Cost Accounting for Rework and Transformation Work Orders

Oracle Cost Accounting provides costing and accounting functionality for the following manufacturing work order types:

- Rework Work Orders. A work order of type Rework is created for finished products with defects that need to be repaired and reworked. For example, a product may need to have a defective component removed and replaced with a new component.
- Transform Work Orders. A work order of type Transform is created when you want to refurbish a product and transform it into a different product, for example, by upgrading one of the product components.

Transactions Types for Rework and Transform Work Orders

The following transaction types have been added for rework and transform work orders:

- Material Negative Issue. If the quantity is negative and the transaction type is Issue, then a Material Negative Issue transaction is used.
- Material Negative Return. If the quantity is negative and the transaction type is Return, then a Material Negative Return transaction is used.

Related Topics

- Review Work Order Costs
- Overview of Work Orders

Cost Accounting for Manufacturing Work Orders

Oracle Cost Accounting provides costing and accounting functionality for these manufacturing work order types:

- Process and discrete manufacturing work orders
- Standard and nonstandard work orders
- Orderless manufacturing

After a work order is released in manufacturing execution, it can be interfaced to cost accounting. These transactions reported for the work orders get interfaced to costing and are processed by costing:

- Component issues and returns
- Resource charging and reversals
- Product completions and returns
- Scrap transactions
- Work order close
- Work in Process Cost Adjustments

Component Issues and Returns

The component transactions are costed based on the cost method of the component.

Cost Method	Component Cost
Standard Cost	Uses current standard cost of the component.
Perpetual Average	Uses current perpetual average cost of the component.
Actual Cost	Uses the cost of the specific layer from which the component was issued by the cost processor.

Issuing and Consuming the Same Item in a Process Manufacturing Work Order

In specific process industries, it's a common practice for manufacturers to recover a product or by-product from the production process and rework it back into the batch for further processing, In certain industries with blending operations where product yield and material consumption are optimized, it's common practice to capture off-spec product or rework material and blend it back into production to meet target product characteristics such as consistency and concentration. Another business process takes the product leftover from one batch as a starting point for the next batch, for example, when filling the product into containers. In these dynamic scenarios, the same item can be used as an ingredient and a product of a batch, creating a circular reference between the batch input and batch output. Cost Accounting supports such work orders where there are product completions and component issues for the same item using all the supported cost methods.

To explain the cost processing logic for each of the cost methods, let's consider the following example:

Operation	Item	Resource	Transaction Type	Date	Quantity	Cost Factor Allocation
10	Oranges	Input	WIP Material Issue	01-Jul-25	5 lbs	
10	Orange Juice	Input	WIP Material Issue	01-Jul-25	1 lb	
20	Pulp	Secondary Output	Product Completion	01-Jul-25	5 lbs	25%
30	Orange Juice	Primary Output	Product Completion	01-Jul-25	4 lbs	100%

Let's understand the cost processing logic based on the cost method selected:

- Standard Cost Method

  The WIP Material Issue and Product Completion will be costed with the standard cost that's effective when the transaction is processed. If the input was added as an ad-hoc input, it would be treated as a component substitution variance because the input item isn't in the work definition used for the cost rollup.

- Perpetual Average Cost Method

  If the item uses perpetual average cost method, the WIP Material Issue will be processed with the current perpetual average whereas the product completion will be costed using the provisional completion option chosen in the cost profile.

- Actual Cost Method

  For actual costed items, the WIP Material Issue transaction will be costed based on the receipt layer that the issue transaction is depleting from and the product completions will be costed using the provisional completion

option chosen in the cost profile. If the adjustment propagation is enabled, then it's possible that there's a cyclic dependency that's introduced where the product completion of the same order is used to deplete the material issue. In such cases, the adjustment propagation would be stopped after 3 loops.

For products costed using actual and perpetual average cost methods, if the Enforce Transaction Order option is enabled in the cost profile to process the transactions strictly in a sequence and if the provisional option is set to Use Accumulated WIP Balances, there's a chance of a deadlock.

In the above example, let's say that there's another issue transaction on 02-Jul-25 for Orange Juice and all of these transactions are interfaced to costing. Because the enforce transaction ordering is enabled, the WIP Issue will get processed only after the product completion is processed. But, the provisional completion logic requires that all the transactions are processed before a cost is calculated and this might lead to a deadlock. To prevent this, the cost of the WIP Issue on 02-Jul-25 is assumed to be the same cost as on 01-Jul-25 (or last actual cost for Actual costed items) for the purposes of the Accumulated WIP balance calculations. This will remove the deadlock conditions and the product completion will get costed. Any difference between the cost assumed and the actual cost used for the WIP Material Issue on 02-Jul-25 will get recorded as part of the cost adjustment when the work order is closed.

- Periodic Average Cost Method

  If the items are costed using periodic average cost method, then the input item would be costed as a cost derived transaction (uses the periodic average cost of the item) while the product completion would be a cost owned transaction. The cost processor will iteratively calculate the cost of the product by assigning a cost to the WIP material issue and will continue to loop till the cost converges from one iteration to the next.

Process manufacturing users who've a need to use the same item as input and output can do so in manufacturing execution and the same would be costed appropriately, irrespective of the cost method chosen.

Resource Charging and Reversals

Resource transactions are costed based on the resource cost set up in Manage Resource Costs and published to cost accounting. For all cost methods, you need to define the resource rates in a cost scenario. You need to first create a cost scenario for your cost organization and cost book combination. You then define the resource rates in the cost scenario and publish the cost scenario so that the resource rates are used for accounting.

Product Completions and Returns

All product completions are costed with an estimated cost as provisional completions and their actual cost is calculated when the work order is closed. The estimated cost used for the product completion is based on the cost method and the corresponding provisional completions option set in the item cost profile of the product.

Cost Method	Provisional Completions Options
Standard Cost	Value at standard cost
Perpetual Average	• Value at last actual cost • Value at perpetual average cost • Value at standard cost • Value at work order close • Value using accumulated work in process balances
Actual Cost	• Value at last actual cost

Cost Method	Provisional Completions Options
	• Value at standard cost • Value at work order close • Value using accumulated work in process balances

Note:

- Even if you're using the Actual Cost or Perpetual Average cost method, you can create a standard cost for any item.
- If you set value at work order close, product completions are costed with the actual cost incurred for the work order when the work order close is processed. The product completion transactions won't be processed until work order is closed and will remain uncosted.
- If you've defined operation yield in the work definition, the accumulated work in process balances used for provisional completions will consider the total quantity reported in the operation minus the variance quantity reported in the operation.

Prodcut Completion Cost for Same Output Completed on Multiple Operations

You can add co-products and by-products to different operations in a discrete work definition or work order and calculate the costs accurately. When co-products or by-products are specified at the operation level, the application automatically apportions costs based on the cost allocation basis defined in the work definition.

The standard cost calculation uses the multiple instances of the co-products and by-products in a work definition and their cost allocation percentages to calculate a blended standard cost. Here's an example of a work definition where a by-product is yielded in different operations.

Operation	Item Type	Item	Quantity	UOM	Standard Cost	Cost Allocation Factor
10	Component	RM1	1000	Lbs	3	
10	By-product	AL Scrap	100	Lbs		30%
20	Component	RM2	10	Lbs	10	
20	By-product	AL Scrap	50	Lbs		15%
30	Component	RM3	10	Lbs	5	
30	Product	FG1	200	EA		100%

The standard cost for this work definition is calculated as shown in this table.

Operation	Item Type	Item	Quantity	UOM	Standard Cost	Cumulative Cost	Cost Allocation Factor	Allocated Output Cost	Carried Forward
10	Component	RM1	1000	Lbs	3	3000			3000
10	By-product	AL Scrap	100	Lbs			30%	900	2100
20	Component	RM2	10	Lbs	10	100			2200
20	By-product	AL Scrap	50	Lbs			15%	330	1870
30	Component	RM3	10	Lbs	5	50			1920
30	Product	FG1	200	EA			100%	1920	0

Standard cost of AL Scrap = (Total of allocated output cost in all operations where the product is reported) / (Total quantity reported in all the operations)

= (900+330)/(100+50)

= $8.2

Standard cost of FG1 = 1920/200

= $9.6

If you use the Actual, Perpetual Average, or the Periodic Average cost methods and have selected the Use Accumulated Work in Process Balances provisional completion option, each of the product completions will be calculated based on the accumulated work in process balances till that operation. When the work order is closed, the cost processor will calculate a single cost for product completions and will create a product cost adjustment for the difference between the product completion cost and the cost calculated at work order close.

Note: The cost allocation factor basis must be same for the same item across different operations. This validation is enforced when you create a work definition and when you add the same item in different operations in a work order.

Scrap Transactions

The cost of scrap reported against a work order is calculated based on the actual cost incurred till the operation where the scrap has been reported. The scrap accounting is based on these parameters that are setup in the item cost profile.

- The operation scrap valuation option is used to decide when the scrap transactions are processed.
    - Value at work order close: Bunches all the scrap transactions together and processes them at work order close.
    - Value immediately and at work order close: The scrap transaction is processed as soon as the cost processor encounters it and then corrects the value at work order close, if necessary. This option leads to more transactions than the previous option.
    - Value at cost cutoff date and at work order close: This option is used for long running batches. The scrap transaction is processed on the cost cutoff date, which is usually the month end, and is corrected at work order close, if necessary.

- The operation scrap accounting option indicates how to account for the scrap transactions.
    - Include in inventory: The cost of the scrap is included in the inventory value. In essence, the cost of the scrap is spread over the good products produced in the work order. The scrap transaction is ignored by the cost processor and the distribution processor and is marked accordingly.
    - Expense: The cost of the scrap is expensed out from the work order.
- The Estimated Scrap transaction absorbs the costs due to the additional material used at each operation. An Estimated Scrap transaction is recorded for each completion of an operation that has operation yield associated with it. This is supported for all cost methods.

```
Estimated Scrap Quantity = Operation Completion Quantity * (1 - Operation Yield)/Operation Yield
```

Accounting entries for Estimated Scrap are listed here.

Accounting Line Type	Debit	Credit
Work in Process	X	
Estimated Scrap Absorption		X

If an operation completion transaction is reversed, the estimated scrap gets reversed through an Estimated Scrap Return transaction.

Accounting Line Type	Debit	Credit
Estimated Scrap Absorption	X	
Work in Process		X

Component Scrap in Work Order Costs Without Material Returns

You can scrap a component issued to a work order without performing a component return. You can move the scrapped item to a specific subinventory where it can be reviewed before a final disposition.

- The scrap transaction uses the standard cost when the item is standard costed or the cost at which the material was issued. The accounting entry created for the Work in Process Material Scrap transaction debits the Inventory Valuation account and credits the WIP Valuation account.
- The scrap return transaction uses the current cost of the item and debits the WIP Valuation account and credits the Inventory Valuation account type.

The material scrap transaction helps you to accurately account for any material that was damaged during the manufacturing process rather than performing a material return. You can use different accounts to track the component scraps versus component returns which can help to streamline costing process and improve financial visibility for better operational decision making.

Note: The Scrap and Scrap Return transactions are supported only for discrete manufacturing work orders.

Account for Rework Costs in Discrete Work Orders

You can track the costs incurred in rework activities and capture the cost of poor quality for scenarios where a rework is performed in a discrete manufacturing work order. Material and resource costs that are incurred to rework products in a discrete work order are tracked separately and aren't included in the cost of the products.

Rework costs are shown in the Rework Amount column on the Work Order Costs Redwood page. Also, if a transaction is marked as a Rework Transaction, the same is indicated on the Input Costs tab.

Optionally, you can create a rework operation to track the extra material and resources required for the rework. The rework operation created when you move rejected items to rework also has a rework indicator in the operation-wise summary of the input costs. Scrap and product completions reported in the rework operation use the costs accumulated till that operation and don't include any rework costs incurred in that operation or any other prior rework operation.

Across all cost methods, rework costs are cleared as rework variances when a work order is closed.

Work Order Close

When the work order is closed, costing ensures that all the transactions reported for the work order are successfully costed. After successfully processing all transactions, these events are created in costing.

- If the product is costed using actual cost or perpetual average, product cost adjustment transactions are created. After the work order is closed, cost processor calculates the actual cost for the product based on all the material and resource transactions reported for the work order. If there's a difference between this actual cost and the estimated cost used for the provisional completions, product cost adjustments are created.
- The scrap costs are recalculated and necessary adjustments are created if the costs are different from the ones that were considered earlier. The actual scrap transaction reported in work orders that have operation yield associated with it are processed with the Operation Scrap Accounting option of Expense, irrespective of the value set up in the cost profile.
- If the product is costed using standard cost, then the cost processor compares the components and resources used for the work order with the work definition used to roll up the product and creates these variances. If the same item is repeated multiple times within the same opearation, then variance computation is done at the item, operation, and basis type levels.

Variance	Description
Material Rate Variance	The difference in cost when the rate used for the component during cost rollup is different from the rate used while costing the component issue transaction.
Material Substitution Variance	The difference in cost when an item in the work definition isn't used in the work order or when an item that isn't in the work definition is used in the work order.
Material Usage Variance	The difference in cost when the quantity used in the work order is different from the quantity specified in the work definition.
Resource Rate Variance	The difference in cost when the rate used for the resource during cost rollup is different from the rate used while costing the resource charging transaction.

Variance	Description
Resource Substitution Variance	The difference in cost when a resource specified in the work definition isn't used in the work order or when a resource that isn't in the work definition is used in the work order.
Resource Efficiency Variance	The difference in cost when the actual usage of resource is different from the one that's specified in the work definition.
Batch Size Variance	The difference in cost for items and resources that have a usage basis of 'fixed' and the quantity used in the work order.
Job Close Variance	This is used to accommodate any variances that the cost processor can't identify as one of those defined earlier. Also, if the standard cost of the product is manually setup and not through the cost rollup process, then the entire cost of components and resources is marked as job close variance.
Yield Variance	The difference between the planned output (from the work definition) and the actual output.

Note:

- If a closed work order is reopened and closed again in manufacturing execution, these transactions will be recreated to identify if any new resource or material transaction is reported since the last time the work order was reopened.
- For process work orders that have operations with operation yield, the batch quantity used to scale the item and resource requirements will be based on the completion quantity and scrapped quantity in the first operation.

Work in Process Cost Adjustments

These are the work order cost adjustments.

- Work in Process Material Standard Cost Adjustment - Captures the change in the standard cost of components for work orders that are in the Released and Completed status.
- Work in Process Resource Cost Adjustment - Captures the change in cost of resources for work orders that are in the Released and Completed status.
- Work in Process Product Cost Adjustment - The cost of product completions is estimated based on the provisional completions options set in the cost profile. After the work order is closed, the cost of the work order is recalculated and compared against the earlier estimated cost. The difference, if any, is accounted as cost adjustment. This cost adjustment is applicable only if the products are costed using the Actual or Perpetual Average cost methods.
- Work in Process Scrap Cost Adjustment - Scrap can be accounted each time it's reported or at the end of the work order based on the scrap valuation option set in the cost profile. If scrap is accounted as soon as it's reported, then the actual cost accumulated in the operation till that point of time is considered. Scrap is recalculated at the work order close and if the value is different, then this cost adjustment is created.

Note: The Review Cost Accounting Distributions page doesn't lists the scrap cost adjustment transaction as a separate transaction, instead it's logged as a layer against the original scrap transaction.

Accounting for Operation Variances in Process Manufacturing Work Order

Due to the variability of ingredients and processing in a process manufacturing work order, it's possible that you can't complete the entire planned quantity in an operation or work order. You can now report the quantity completed and mark the operation as complete to continue to the next operation for a process manufacturing work order. The difference between the planned and actual output quantities is automatically captured in a variance dispatch status to facilitate cost analysis and production efficiency improvements.

You can also effectively track this difference between the planned and actual quantities produced without inflating material requirements in subsequent operations. Marking the last operation as complete in the process manufacturing work order also completes the work order, so that no additional actions are required to resolve any remaining quantity compared to the work order batch quantity.

On the Manage Plant Parameters page in the Setup and Maintenance work area, you must select the **Enable process manufacturing** and **Report operation completion and variance on process work orders** options in the **Plant Details** and **Work Execution** tabs respectively.

The example here explains the logic for the accumulated work in process balances calculation. This table lists the work order operations with completion quantities.

Operation	Start Quantity	Completed Quantity	Variance Quantity	Marked as Complete	Work in Process
10	100	80	20	Yes	$1800
20	80	70	10	Yes	$1000
30	70	50	0	No	$500

Let's assume that a by-product is reported at operation 20 with a cost allocation factor of 50% and the primary product, which is completed in operation 30, gets rest of the cost. The accumulated work in process balances will calculate the cost as shown in this table.

Operation	WIP Value Added	Cost Allocation Factor	Accumulated Work in Process Balance	Cost Allocation for Product	Completed Quantity	Per Unit Cost at Operation
10	$1800		0	$1800	80	$1800/80 = $22.5
20	$1000	50%	($1800 + $1000) = $2800	$1400	70	$1400/70 = $20
30	$500	100%	(Carry Forward Cost + Current Operation WIP) ($1000 + $500) = $1500	$1500	50	$1500/50 = $30

Operation	WIP Value Added	Cost Allocation Factor	Accumulated Work in Process Balance	Cost Allocation for Product	Completed Quantity	Per Unit Cost at Operation

Carry Forward Cost = Quantity Completed in Current Operation * Per unit cost till prior operation

In this case it's 50 * $20 = $1000

If scrap is reported in any of the operation, it would use the cost as shown in the Per Unit Cost at Operation column. The detailed variances are calculated by using the completed quantity in the first operation.

The Work Order Costs page shows the quantity completed, rejected, scrapped, and the variance reported for each operation to help you understand the cost calculations.

Related Topics

- Create a Cost Scenario for Regular Items
- Operation Yield for Estimating Losses during Work Order Execution
- Co-Products and By-Products in Discrete Manufacturing
- Publish Costs
- Include Supplier Supplied Items in Work Order Costs

Cost Accounting of Parallel Work Order Operations Using Precedence Constraints

In Cost Accounting, you can cost your transactions and calculate your product costs when the work order operations are executed in parallel. Work definitions can define operation dependencies using transfer percentage to control how quantities flow from one operation to another. You can accurately cost work orders with parallel operations in both process and discrete manufacturing, across all cost methods.

This table provides a high-level overview of how a work order with parallel operations is costed:

Costing Factor	Process Manufacturing	Discrete Manufacturing
Batch Type	Notional and calculated batch	N/A
Quantity Transfer Percentage (Manufacturing)	Defined	Not defined; entire quantity moves through each operation
Cost Accounting Transfer Percentage (Costing)	Same as Manufacturing transfer percentage	Notional transfer percentage, evenly split across parallel operations
Output Costs at Close	Output cost reflects transfer percentage-based start cost and carry-forward cost across parallel operations	Output cost reflects notional transfer percentage-based start cost and carry-forward cost across parallel operations
Accumulated WIP (Used for valuing scrap and product completions before close)	Accumulated WIP includes prior operation costs split across parallel operations using the defined transfer percentage	Accumulated WIP includes prior operation costs split across parallel operations using the notional transfer percentage

Costing Factor	Process Manufacturing	Discrete Manufacturing
Scrap Cost Before Close	Scrap absorbs full current operation cost and prior operation costs to the extent of the transfer percentage	Scrap absorbs full current operation cost and prior operation costs only to the extent of the notional transfer percentage
Output Cost Before Close	Output cost reflects accumulated WIP after transfer percentage-based allocation	Output cost reflects accumulated WIP after notional transfer percentage allocation

When parallel operations are enabled on a work order, costing logic applies the transfer percentage while calculating the operation-level start cost and accumulated WIP. This impacts the output costs and scrap costs generated from the operation.

Let's consider this example to understand how a work order with parallel operations is costed across different business flows.

This table describes the operation dependencies defined for a work definition:

From Operation	To Operation	Transfer Percentage
10	20	50%
10	30	50%
20	40	100%
30	40	100%
40	Null	Null

This table describe the input costs of the work order:

Input Quantity	Unit Cost	Input Cost
10	$10	$100
25	$20	$500
20	$10	$200
10	$25	$250

This table describe the products of the work order, which are resulting from operation 20 and 30:

Operation	Product Type	Cost Allocation Factor	Cost Allocation	Product Quantity
10	-	-	-	-
20	Primary product	Variable	0.8	4
30	By-product	Fixed	10	10
40	-	-	-	-

Based on this scenario, let's see how costs are calculated for parallel work order operations using precedence constraints, across process and discrete manufacturing.

Process Manufacturing Work Orders

With parallel operations enabled for notional batch quantity, this table shows how costs are calculated for process manufacturing:

Operatio	Start Quantity	Scrap Quantity	End Quantity	Input Costs	Product Quantity	Unit Cost of Product	Start Cost (Previou operatio	Input Costs	Scrap Cost	Output Cost of Operatio	Carry Forward Cost	Total Output Cost	Unit Cost of Product
10	100	10	90	$100	0	-	$0	$100	$10	$0	$90	-	-
20 (parallel)	45	0	45	$500	4	-	$45	$500	$0	$436	$109	$1175.11	$293.77
30 (parallel)	45	10	35	$200	10	$10	$45	$200	$54.44	$100	$90.55	$100	$10
40	80	0	80	$250	0	-	$199.55	$250	$0	$0	$449.55	-	-

Let's look at cost calculations for notional batch quantity in detail:

- For the starting operation (Operation 10), the Start Cost is 0.
- On split from Operation 10 into parallel operations:
  - Start Cost of Operation 20 = Carry-Forward Cost of Operation 10 * Transfer Percentage (Op 10 to Op 20)
  - Start Cost of Operation 30 = Carry-Forward Cost of Operation 10 * Transfer Percentage (Op 10 to Op 30)
- On merge of parallel operations:
  - Operation 20 and Operation 30 merge at Operation 40.
  - Start Cost of Operation 40 = Carry-Forward Cost of Operation 20 + Carry-Forward Cost of Operation 30

The same split or merge logic is used whether batch quantity is notional or calculated, and it also applies when costing is derived using Accumulated WIP.

Discrete Manufacturing Work Order

With parallel operations enabled for discrete manufacturing, this table illustrates how costs are calculated:

Operation	Start Quantity	Scrap Quantity	End Quantity	Input Costs	Product Quantity	Unit Cost of Product	Start Cost (Previous operation)	Input Costs	Scrap Cost	Output Cost of Operation	Carry Forward Cost
10	100	0	100	$100	0	$0	$0	$100	$0	$0	$100
20 (parallel)	100	0	100	$500	4	$10	$50	$500	$0	$40	$510
30 (parallel)	100	10	90	$200	0	$0	$50	$200	$25	$0	$225

Operation	Start Quantity	Scrap Quantity	End Quantity	Input Costs	Product Quantity	Unit Cost of Product	Start Cost (Previous operation)	Input Costs	Scrap Cost	Output Cost of Operation	Carry Forward Cost
40	90	0	90	$250	0	$0	$735	$250	$0	$985	$0

For discrete work orders, transfer percentages aren't explicitly defined in manufacturing when parallel operations are enabled. However, to ensure accurate cost calculations, a notional costing transfer percentage is applied. The notional transfer percentage is distributed equally across the parallel operations. For example, if there are three parallel operations, each operation is assigned a transfer percentage of 33.33%.

Similar to process manufacturing work orders:

- On split, the start cost of each parallel operation is calculated as the carry-forward cost of the parent operation multiplied by its respective transfer percentage.
- On merge, the start cost of the merged operation is calculated as the sum of the carry-forward costs of the merging operations.
- Same logic is applied for calculating the cost of a work order using Accumulated WIP.

Considerations When Costing Work Orders with Parallel Operations

- The primary difference between how work orders are costed in process manufacturing and discrete manufacturing is the handling of transfer percentages. For process manufacturing, costing uses the transfer percentages defined in Manufacturing. For discrete manufacturing, because Manufacturing supports parallel operations but doesn't define transfer percentages, costing derives a notional transfer percentage to ensure accurate cost calculations.
- For discrete work orders, only in parallel operations, scrap is treated as distinct to the operation in which it is reported. Accordingly, scrap in a parallel operation absorbs 100% of the cost incurred within that operation and prior operation costs only to the extent of the transfer percentage. It doesn't absorb costs from other parallel operations. If scrap needs to be accounted for across multiple parallel operations, a workaround is to report the scrap in an ad-hoc operation after the parallel operation with no components or resources issued to ensure the cost is appropriately absorbed.
- With transfer percentage, scrap and product costs are calculated for both process and discrete manufacturing work orders as described here:
    - Scrap Cost (parallel operation) = 100% of current operation cost + { (Prior operation carry-forward cost * Transfer percentage) * (Scrap quantity) / (Scrap quantity + Completed quantity) }
    - Product Cost (parallel operation) = 100% of current operation cost + { (Prior operation carry-forward cost * Transfer percentage) - (Scrap cost of the operation * Cost allocation factor) }

Related Topics

- Rollup Costs for Parallel Work Order Operations Using Precedence Constraints

Review Work Order Costs

You can review work order costs for process manufacturing and discrete manufacturing on the Review Work Order Costs page. The accounting transactions for work in process balances are displayed, including costs of inputs, outputs, scrap, and standard cost variances.

To review work order costs, perform the following steps.

1. From the Navigator menu, select Cost Accounting.
2. From the Tasks panel, select Review Work Order Costs.
3. Search for the work order records by Cost Organization. You can also filter by Cost Book, Plant, Output Item, Work Order Number, and Work Order Status. The fields are described in the following table.

Field	Description
WIP Balance	The work in process balance is equal to the sum of input and resource costs, minus completions and scrap costs.
Variance Percentage	The difference between actual and standard cost as a percentage of output cost.
Scrap Percentage	The scrap cost as a percentage of total work order cost. The processing of scrap valuation and scrap accounting is determined by the Cost Profile settings for your organization. For more information, see the guide Implementing Manufacturing and Supply Chain Materials Management. The scrap costs are calculated using the following formula: Scrap costs = (The total costs accumulated through this operation) multiplied by the (Scrap Quantity divided by the Batch Quantity)
Amount in Cost Book Currency	The value of input and resources at operation and cost element levels.
Operation Completion Quantity	The total quantity of completions and returns.
Cost Allocation Factor	The product costs for process manufacturing and discrete manufacturing transactions are calculated based on the cost allocation factor defined in the work definition for the primary product, co-products, and by-products. All product completions processed before a work order is closed use an estimated cost based on the Provisional Completion setting defined for the item's Cost Profile. Once a work order is closed, the cost allocation factor is used to calculate the actual product costs. The cost allocation factor settings are as follows: • Fixed. The standard cost of the item is used to cost the provisional completions. You must create a standard cost for the output item when you set the cost allocation factor to Fixed. • Percentage. The following formula is used for products that have the cost allocation factor set to Percentage: Percentage = (The total costs accumulated through this operation minus Scrap Reported in this operation) multiplied by the Cost Allocation Factor), divided by the Quantity Produced.

You can view the variance details on the Variance Amounts tab. Information is displayed for the following variance types:

- Material rate variance
- Yield variance
- Job close variance
- Batch size variance
- Usage variance
- Efficiency variance

The formula for calculating the yield variance is as follows:

Yield Variance = (The actual reported quantity minus the planned scaled quantity) multiplied by the standard cost of the product

When there's operation yield, the Estimated Scrap Costs tab on the Review Work Order Costs - View Detailed Balances page shows the estimated scrap that has been absorbed into work in process. If there's no operation yield, this tab is called Scrap Absorbed into Inventory. The actual scrap transaction reported in work orders with operation yield are processed with the Operation Scrap Accounting option of Expense, irrespective of the value set up in the cost profile. The timing of the scrap processing transaction depends on the Operation Scrap Valuation option chosen in the cost profile.

The Actual Scrap Costs tab in the Review Work Order Costs - View Detailed Balances shows the actual scrap reported for the work order.

Related Topics

- Overview of Work Orders
- How Cost Organizations, Inventory Organizations, and Cost Books Fit Together

Review Maintenance Work Order Costs

Reviewing maintenance work orders help you track costs incurred for the materials and resources used for maintenance activities. These activities include preventive maintenance, break down maintenance, and so on, which can be performed in-house or outside as outsourced jobs.

Prerequisites

The two prerequisites are:

1. Run the processes listed in the table in the same sequence. These can be either scheduled or run on demand.

Process	Run By	Navigation
Transfer Transactions from Maintenance to Costing	Manufacturing Supervisor	Tasks panel of Maintenance Management > Transfer Transactions from Maintenance to Costing.

Process	Run By	Navigation
Transfer Transactions from Inventory to Costing	Cost Accountant	Scheduled Processes work area > Schedule New Process > Transfer Transactions from Inventory to Costing.
Create Cost Accounting Distributions	Cost Accountant	Cost Accounting Work area > Create Cost Accounting Distributions.
Create Accounting to create Accounting in SLA	Cost Accountant	Cost Accounting Work area > Create Accounting.

2. The maintenance work order is in any status other than the unreleased status. That is, the work order is in any of the following statuses.
    - Released
    - On Hold
    - Canceled
    - Completed
    - Closed

Viewing Costs of a Maintenance Work Order

You can review the material and resource costs incurred for a maintenance work order on the Maintenance Work Order Costs page. You can review the cost details and their distributions, separately.

- Details: View the summary of cost details, which includes the total cost, material costs, and the resource costs.

  You can further drill down and view detailed information about the material and resource costs incurred for each operation and work center in that work order.

- Distributions: View the summary of costs distribution.

  Distributions provide accounting information for all the transactions reported against the maintenance work order that's being analyzed. The summary page shows the processing status of the transactions, such as, Not Processed, Partially Costed, and so on.

To review maintenance work order costs, do the following:

1. In the Cost Accounting work area, select **Review Maintenance Work Order Costs** under Cost Processing from the Tasks panel.
2. Search for the work order records using the search filters: Cost Organization, Cost Book, Plant, Output Item, Work Order Number, and Work Order Status.
3. Select the required work order from the search results and click View Costs.

> **Note:** You can also navigate to this page by clicking View Costs on the Edit Maintenance Work Orders page.

When you perform maintenance activities for multiple assets that belong to the same item in a single maintenance work order, the assets that you link to the work order get interfaced to costing and the maintenance expenses are equally apportioned to all the assets linked to the work order. This ability to group and track expenses incurred on multiple assets in a single maintenance work order helps to improve the operational efficiencies.

The Multiple Assets column on the Maintenance Work Order Costs page indicates whether one or more assets are linked to the order. The asset details are shown in the Asset Details section with the total costs incurred for the work order apportioned across all the assets linked to the work order. Also, the Work Order Costs detail page shows the Asset field set as Multiple if multiple assets are linked to the work order and you can identify the assets by clicking the link.

You can track the work in process balances and complete assets to inventory for maintenance work orders with Completion to Inventory enabled. Transactions such as WIP Material Issue and Resource Charges will debit the Work in Process accounting line type instead of the Maintenance Expense.

The Completion to Inventory column on the Maintenance Work Order Costs page helps you to differentiate such work orders. You can also assign multiple assets to such a work order and Multiple Assets is set to Yes for the work order.

You can transform an asset in a maintenance work order into a different item by completing it to inventory. Also, you can transform the asset from one asset number to another asset number for the same item. The Target Item column on the Maintenance Work Order Costs and View Costs pages helps you to identify the original item and the target item to differentiate such work orders. In this case, the material and resource transactions will debit the Maintenance Expense accounting line type.

Click View Costs to see the details of the Input Costs, Output Costs, and Variance Amounts.

- If you're using the Standard Cost method to cost the asset item, any difference between the Input Costs and Output Costs will create a Rework Variance.
- If you're using Actual, Perpetual Average, or Periodic Average cost methods, the product completion cost will be based on the total costs incurred for the work order.

Reviewing Distributions of a Maintenance Work Order

Review distributions for all transactions reported against a maintenance work order or for a specific transaction. The transaction and costing details give you the accounting information of all the resources and materials used for each item.

To review distribution of maintenance work order costs, on the Maintenance Work Order Costs page:

1. Select the required work order.
2. Click Review Distributions.

Account for Service Costs

You can accrue unposted service costs as Service Work in Process and recognize the expense as a cost of service at a later point when the service charge is posted in Service Logistics. The Material and Resource transactions created in Maintenance use the Service Work in Process Valuation accounting line type instead of Maintenance Expense. After you post the service charges (debrief charges) in the Service Logistics application, service cost lines along with recognition percentage are interfaced to Cost Accounting. Using this information, Service Cost Recognition transactions are created to reverse the appropriate amount from Service Work in Process Valuation and post it to the new Service Work in Process Recognition accounting line type.

Field Service Debrief Cost Accounting

WIP Material Issue

Accounting Line Type	Debit	Credit
Service Work in Process Valuation	X	
Inventory Valuation		X

WIP Resource Transactions

Accounting Line Type	Debit	Credit
Service Work in Process Valuation	X	
Resource Absorption		X

Field Service Billing Cost Recognition

Service WIP Recognition

Accounting Line Type	Debit	Credit
Service Work in Process Recognition	X	
Service Work in Process Valuation		X

Let's take an example of a service work order where both parts and resources have been reported and Service WIP option is enabled.

Transaction Type	Transaction Date	Item	Resource	Quantity	Cost	Service WIP Valuation	Inventory Valuation	Resource Absorption
WIP Material Issue	24-Jul-25	AS54888		5 EA	$50	250	(250)	
WIP Material Issue	24-Jul-25	9010		5 EA	$100	500	(500)	
WIP Resource	24-Jul-25		Skilled Labor	5 Hrs	$50	250		(250)
WIP Resource	28-Jul-25		Labor	2 Hrs	$75	150		(150)
WIP Material Issue	28-Jul-25	AS54999		5 EA	$60	300	(300)	
WIP Resource	29-Jul-25		Skilled Labor	5 Hrs	$50	250		(250)
WIP Material Issue	29-Jul-25	INV-101		5 EA	$30	150	(150)	
Total						1850	(1200)	(650)

After the charges are posted in Service Logistics, the invoice and revenue recognition information gets interfaced to costing. Based on this information, the cost processor would create the following distributions to recognize the service costs.

Transaction Type	Transaction Date	Item	Resource	Cost Recognition Percentage	Subscription Type	Service WIP Valuation	Service Work in Process Recognition
WIP Material Issue	1-Aug-25	AS54888		100%	Standard Warranty	(250)	250
WIP Material Issue	1-Aug-25	9010		80%	Standard Warranty	(400)	400
WIP Material Issue	1-Aug-25	9010		20%		(100)	100
WIP Resource	1-Aug-25		Skilled Labor	100%	Standard Warranty	(250)	250
WIP Resource	1-Aug-25		Labor	75%	PSA (Contract)	(112.5)	112.5
WIP Resource	1-Aug-25		Labor	25%		(37.5)	37.5
WIP Material Issue	1-Aug-25	AS54999		100%		(300)	300
WIP Resource	1-Aug-25		Skilled Labor	100%		(250)	250
WIP Material Issue	1-Aug-25	INV-101		100%		(150)	150
Total						(1850)	1850

On the Maintenance Work Order Costs page, you can search for the maintenance work orders using the Service Request Number and Service Document Number. You can track the total recognized costs, recognized material, and recognized resource costs for each work order that has Service WIP enabled.

Note: The Service Cost Recognition transaction will move the costs from the Service Work in Process Valuation to Service Cost accounts that can be different for different purposes such as warranty reserve, subscription cost of goods sold, time and material cost of goods sold, and installation cost of goods sold. You can configure the SLA mapping sets and account rules to achieve this using the SLA sources such as Subscription Type and Work Order attributes.

Purchase Order Return and Sales Return Flows

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 don't reference an RMA, it uses the Unreferenced RMA Receipt Cost option set in the cost profile associated with the item cost profile.

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:

Reference	Transaction Date	Transaction Type	Quantity	Unit Cost	Receipt Layer Reference
Receipt #1	01-Jan-2025	PO Receipt	100	$120	Not applicable
Receipt #2	02-Jan-2025	PO Receipt	80	$100	Not applicable
Receipt #3	03-Jan-2025	Miscellaneous Receipt	20	$105	Not applicable
Issue #1	04-Jan-2025	Miscellaneous Issue	-40	$120	Receipt #1
Issue #2	05-Jan-2025	Miscellaneous Issue	-60	$120	Receipt #1
Issue #2	05-Jan-2025	Miscellaneous Issue	-15	$100	Receipt #2
Receipt #1	06-Jan-2025	PO Return	-10	$100	Receipt #2

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

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

Sales Returns

A sales return is costed using the Referenced RMA or Unreferenced RMA option defined in the cost profile associated with the item cost profile.

Any sales return classified as unreferenced in Order Management is costed using the Unreferenced RMA Cost option set in the cost profile. For sales returns classified as referenced in Order Management, they're costed as listed in this table. Here, CO1 and CO2 are cost organizations, IO1 and IO2 are inventory organizations, and BU1 and BU2 are business units.

Sales Order Type	Ship From	Return To	RMA Cost Option
Simple Sales Order	CO1 - IO1 - BU1	CO1 - IO1 - BU1	Referenced
Simple Sales Order	CO1 - IO1 - BU1	CO1 - IO2 - BU1	Referenced
Simple Sales Order	CO1 - IO1 - BU1	CO2 - IO2 - BU1	Unreferenced
Drop Ship	CO1 - IO1 - BU1	CO1 - IO1 - BU1	Referenced
Drop Ship	CO1 - IO1 - BU1	CO1 - IO2 - BU1	Referenced

Sales Order Type	Ship From	Return To	RMA Cost Option
Drop Ship	CO1 - IO1 - BU1	CO2 - IO2 - BU1	Unreferenced
Drop Ship	CO1 - IO1 - BU1	CO2 - IO2 - BU2	Unreferenced

Note: In the case of customer drop shipments, the ship from is where the logical shipment is processed.

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

- Referenced RMA: Sales returns are costed using the original sales order issue cost.
- Un-referenced RMA: Sales returns are costed based on the value set for the Unreferenced RMA Receipt Cost option set in the cost profile associated with the item cost profile.
    - Existing Item Cost: The RMA receipt is costed using the existing item cost. In the case where a current cost is unavailable, the item is costed with zero cost, if you've setup a default cost element.
    - Price on RMA Order: The RMA receipt is costed using the price entered on the RMA order excluding taxes and recurring charges.

Let's consider an example to understand how the sales returns are costed based on these settings. This table illustrates several receipts and issues of an item in an inventory organization.

Reference	Transaction Date	Transaction Type	Quantity	Unit Cost	Receipt Layer Reference	Average Cost	Standard Cost
Receipt #1	01-Jan-2025	PO Receipt	100	$120.00	Not applicable	$120.00	$110.00
Receipt #2	02-Jan-2025	PO Receipt	80	$100.00	Not applicable	$110.00	$110.00
Issue #1	13-Jan-2025	Sales Order Issue	-40	$120	Receipt #1	$110.00	$110.00
Receipt #3	05-Feb-2025	Miscellaneous Receipt	20	$140.00	Not applicable	$113.00	$115.00
Issue #2	15-Feb-2025	Sales Order Issue	-60	$100.00	Receipt #2	$113.00	$115.00
Issue #3	05-Mar-2025	Sales Order Issue	-15	$140	Receipt #3	$113.00	$120.00

A sales return for the item is initiated and the price on the RMA order is listed in this table.

Price Component	Per Unit Amount
Basic onetime price	$90.00

Price Component	Per Unit Amount
Recurring charges	$15.00
Taxes	$5.00
Total	$110.00

Based on the settings, let's see how the item is costed on RMA order for different cost methods.

Reference	Transaction Date	Transaction Type	Quantity	Unit Cost Actual Costing	Unit Cost Average Costing	Unit Cost Standard Costing
Referenced RMA of Issue#2	20-Feb-2025	RMA Receipt	60	$100.00	$113.00	$115.00
Unreferenced RMA Cost: Price on RMA Order	10-Mar-2025	RMA Receipt	5	$90.00	$90.00	$90.00
Unreferenced RMA Cost: Existing Item Cost	13-May-2025	RMA Receipt	4	$140.00	$113.00	$120.00

Note: When the Unreferenced RMA Cost option is set to Existing Item Cost, for the Actual cost method, the item is costed based in the setting for the Receipt Without Cost option in the cost profile. In our example here, we have considered that this option is set to last receipt layer.

Related Topics

- Actual Cost Method
- Why is the RMA transaction not listed on the Review Cost Accounting Distributions page?
- Set Up a Cost Profile

Cost Accounting for Drop Shipments

Global drop shipment is an order fulfillment strategy where the seller does not keep products in the inventory. The seller relies on suppliers or contract manufacturers to build, store, and ship orders to the customers.

When a customer places an order for a drop shipped product, the seller issues a purchase order for the item. The seller also provides instructions to the suppliers to ship directly to the customer.

The supply chain financial orchestration process routes the orchestration flow of drop shipments through one or more business units within the corporation. These business units can belong to the same legal entity or might occur across legal entities.

The financial flow starts when the supplier sends the advanced shipment notice, or when the supplier matches the invoice with the purchase order for the drop shipment. The flow creates cost accounting distributions and intercompany invoices for the ownership transfers that occur between parties, including supplier, one or more organizations, and the customer. Oracle Supply Chain Financial Orchestration sends a request to the receiving system to create a drop ship receipt on the supplier invoice that references the purchase order. Oracle Receiving creates a logical receipt, and then notifies Oracle Order Management to start customer billing. This automation helps to reduce billing cycle time.

Cost Accounting Distributions for Drop Shipments

You can review the cost accounting distributions for drop shipments on the Review Cost Accounting Distributions page. The following accounting line types are created for single business unit drop shipment events.

Event	Transaction	Subledger	Accounting Line	Dr/Cr
Invoice Validation	Supplier Invoice	Accounts Payable	Accrual	Debit
Invoice Validation	Supplier Invoice	Accounts Payable	Liability	Credit
Drop Ship Delivery	Put Away	Cost Accounting	Drop Ship Inventory	Debit
Drop Ship Delivery	Put Away	Cost Accounting	Receiving Inspection	Credit
Trade Sale Issue	Logical Sale Issue	Cost Accounting	Deferred Cost of Goods Sold	Debit
Trade Sale Issue	Logical Sale Issue	Cost Accounting	Drop Ship Inventory	Credit

For the corresponding receipt accounting distribution, see *Receipt Accounting for Drop Shipments*.

Cost Accounting Distributions for Drop Shipment Invoice Cancellation or Correction

For customer drop ship with payables invoice as the ownership change event, sometimes you might need to cancel the supplier invoice. For example, when an incorrect purchase order is matched to the invoice or when the supplier has sent an incorrect invoice. When the invoice is canceled, the Oracle Supply Chain Financial Orchestration sends trade sales return as a reversal to the trade sale issue created on invoice matching.

Oracle Cost Management creates cost accounting distributions for receipt corrections and trade sales returns. This reverses the accounting recorded on the invoice approval and ensuring that no balance is accumulated in the receiving inspection account. The automatic reconciliation of the receiving inspection account avoids manual adjustments and provides accurate accounting for the drop ship correction flow, when ownership change event is invoice.

You can review the cost accounting distributions for invoice cancellation or correction on the Review Cost Accounting Distributions page. The following accounting line types are created:

Event	Transaction	Subledger	Accounting Line	Dr/Cr
Invoice Cancellation	Supplier Invoice	Accounts Payable	Liability	Debit
Invoice Cancellation	Supplier Invoice	Accounts Payable	Accrual	Credit
Drop Ship Receipt Adjustment	Put Away Correction	Cost Accounting	Receiving Inspection	Debit
Drop Ship Receipt Adjustment	Put Away Correction	Cost Accounting	Drop Ship Inventory	Credit
Trade Sale Return	Logical Sale Issue Reversal	Cost Accounting	Drop Ship Inventory	Debit
Trade Sale Return	Logical Sale Issue Reversal	Cost Accounting	Deferred Cost of Goods Sold	Credit

For the corresponding receipt accounting distribution, see *Receipt Accounting for Drop Shipments*.

Note:

- Drop ship correction events are processed for single BU customer drop ship flow.
- If AP invoice is canceled avoid creation of AR invoice and cost of goods recognition (COGS) for the initial events. The correction events on cancellation won't reverse the cost of goods till AR invoice revenue recognition is reversed and order line is reopened. The balance in COGS account can be manually adjusted.
- Review the accounting setup for mapping sets and account rules for the Drop Ship Delivery Adjustment, Trade Sales Return events to ensure it reverses the accounts booked on Drop Ship Delivery and Trade Sale Issue.

Apply Project Identifiers and Asset Categories from Physical Organizations in Drop Shipment Flows

You can capitalize the project costs by using the asset category attribute defined in the Purchasing item organization of an item for across multiorganization project costing flows, such as customer drop shipment and internal drop shipment, without assigning the item to every logical inventory organization in the flow. This is useful in the case of complex, multinode variants of customer drop shipment, internal drop shipment, and trade-sale scenarios where there are no physical inventory transactions in the financial or trade organization.

This delivers policy-driven capitalization that aligns with IFRS/US GAAP, ensures accurate asset class mapping from the first cost capture, and automates end-to-end flows by removing unnecessary item-organization dependencies. It strengthens controls and auditability with a single, deterministic derivation source, supports granular componentization for large programs, for example data centers and network builds, and scales globally without duplicating master data across many organizations.

You can do this by defining and setting the CST_PJC_ASSET_CATEGORY profile option. The asset category attribute defined in the Purchasing item organization of an item can be either master controlled or inventory organization controlled and the application uses this logic to derive it:

- If the item is assigned to the logical trade organization, the respective value assigned will be used.
- If the item isn't assigned to the logical trade organization, the value will be derived from the project expenditure organization on the transaction.
- If the item isn't assigned to the logical trade organization or the project expenditure organization, the value is derived from the purchasing attribute in the shipping or receiving organization used in the drop shipment flow.

To derive from the item validation organization of the cost organization, create and enable the CST_PJC_MASTER_ORG_ASSET_CATEGORY profile option similar to the CST_PJC_ASSET_CATEGORY profile option.

By getting the correct asset category at import, you can reduce exceptions and accelerate the period close activity. This also improves the tax and statutory outcomes through consistent category-to-book mappings. Additionally, you get the benefit of enhanced forecasting, benchmarking, and ROI analysis with reliable, consistent asset classification.

Related Topics

- Apply Project Identifiers and Asset Categories from Physical Organizations in Drop Shipment Flows

Cost Management for Inclusive Taxes

To comply with country-specific regulatory requirements, you can capture item prices and all calculated exclusive and inclusive taxes in your purchases, with receipt costs adjusted to account for amounts of inclusive taxes that were incorporated in the item purchase price.

The amounts of inclusive taxes are booked to a tax liability or recovery account. Procurement flows for both delivery and non-delivery inclusive taxes are supported, as follows.

- Tax Point Basis Set to Receipt. In the case of delivery based taxes, where the Tax Point Basis is set to Receipt, the tax call is made during the receipt transaction, and inclusive taxes are calculated. Based on the recoverable percentage defined, inclusive tax can have recoverable and nonrecoverable amounts. On the purchase order line, the total amount calculation incorporates the receipt quantity. During invoicing, the receipt values are copied to the invoice, therefore cost variance is not applicable.
- Tax Point Basis Set to Invoice. In the case of non-delivery based taxes, where the Tax Point Basis is set to Invoice, recoverable and nonrecoverable inclusive taxes on the purchase order are copied during the receipt transaction. Any difference between the amounts on the receipt and the invoice are considered as variances, and are applied to the item cost.

Cost Management supports the following cost adjustments and accounting events for inclusive taxes:

Cost Adjustments and Accounting Events	Description
Adjust Receipt and Inventory Cost for Inclusive Taxes on Purchase Orders.	Segregate and account for recoverable and nonrecoverable inclusive tax. When the item price on a purchase order line includes taxes, Receipt Accounting separates the item price into basic item price, inclusive recoverable tax, and inclusive nonrecoverable tax. This lets you account for nonrecoverable tax in the item cost when the price on the purchase order line contains inclusive tax.

Cost Adjustments and Accounting Events	Description
Adjust Receipt and Inventory Cost for Inclusive Taxes on Global Procurement Purchase Orders.	Segregate and account for recoverable and nonrecoverable inclusive tax. When the item price on a global procurement purchase order line includes taxes, Receipt Accounting separates the item price into basic item price, inclusive recoverable tax, and inclusive nonrecoverable tax. Inclusive tax adjustments are now performed on logical transactions in the supplier-facing inventory organization when you physically receive the items in an inventory organization that is associated with a different business unit.
Adjust Receipt and Inventory Cost for Inclusive Taxes on Consignment Purchase Orders	Segregate and account for recoverable and nonrecoverable inclusive tax. When the item price on a consignment purchase order line includes taxes, Receipt Accounting separates the item price into basic item price, inclusive recoverable tax, and inclusive nonrecoverable tax. This lets you account for nonrecoverable tax in the consigned item cost when the price on a purchase order line contains inclusive tax.

Internal Material Transfers

Cost Management for Internal Material Transfers

Cost Management supports receipt accounting and cost accounting for requisition-based internal transfers for items going to either an expense or an inventory destination, with or without a receipt at the destination.

Oracle Self-Service Procurement, Oracle Supply Chain Financial Orchestration, and Oracle Cost Accounting have been integrated to provide an estimated transfer price based on the internal cost of the items on the requisition. A transfer price is required on the internal material transfer requisition line for approval, budgetary control, and encumbrance accounting.

Cost Management supports requisition-sourced transfer orders going to expense destinations with multiple distributions and different expense accounts. Based on the account defined at the distribution level, Cost Management will book the expense for the appropriate account. In the case of transfers to expense destinations where a receipt isn't required, new logical receipt and delivery transactions are created in Cost Management, similar to the physical events created with receipt expense destination transfers when a receipt is required. Budgetary control and encumbrance accounting are supported for expense destination internal transfer orders.

> **Note:** For interorganization transfers to expense destination, ensure that you've set up the cost organization relationship for the destination organization before the transfer transactions are processed.

Lot and Serial Level Costing for Transfers

When using the actual or average cost methods, lot and serial level costing helps you to accurately retain and track cost information across transfers ensuring a complete picture of the production costs. You can track this cost information for cost-based transfers, when goods are transferred from one organization to another or within an organization when transfer flow isn't orchestrated by Supply Chain Financial Orchestration. Knowing the cost throughout the supply chain allows for better decision making with reference to cost visibility, tracking, and pricing.

You can track the costs for transfers using the cost method and valuation unit combinations listed here:

- Perpetual average cost method with granular valuation structure having valuation unit at the Serial or Lot level.

- Actual cost method with any valuation unit where summarization at the Lot or Serial level isn't enabled.

This cost tracking is supported by the business flows listed here:

- Inventory destination cost-based transfers from one inventory organization to another inventory organization.
- Expense destination cost-based transfers from inventory organization to an expense location.

Note: Do note these points regarding cost tracking during transfers:

- Items with different inventory control in source and destination organizations are average costed. For example, the item is lot or serial controlled in the shipping organization and no control in the destination organization or vice versa.
- Expense destination transfers without receipt having multiple distributions are average costed.
- Transfer order receipt transactions to expense destination are average costed because the receipt doesn't have visibility of lot or serial data. The actual cost is used when booking expense on receipt delivery event.

Budgetary Control and Encumbrance Accounting

You can ensure that budget funds are available before a requisition for an internal transfer is submitted for approval.

Budgetary Control

Depending on your budgetary control configuration, the funds will be reserved either at the time the requisition is submitted for approval, or when the requisition is approved. Insufficient funds override rules and approvers can be configured as part of budgetary control setup. Cost Management liquidates the commitment and books an expenditure at the time of delivery when a receipt is required, or at the time of shipment by creating a virtual receipt when the receipt isn't required. The Requisition for Internal Material Transfer transaction subtype has been added to enable budgetary control of requisitions for internal material transfers.

You can enact budget control checks for internal material transfers, or transfer orders, across organizations as it's for purchases from suppliers. You can also correctly budget check, cost, and account the receipt returns for expense destination transfer orders or inventory destination transfer orders that are put away into a subinventory that's not tracking on-hand quantity and is under budget control.

A department might use a budget and consume from the same when it receives the material. When excess or unused material is returned to the stockroom, budget balances should be recovered increasing the funds available for the returning department. So when processing the return event in Receipt Accounting, a reversal distribution for the actual expense will be booked and a fresh commitment won't be generated.

Encumbrance Accounting

Encumbrance accounting entries are created for transactions subject to budgetary control and encumbrance accounting when the Create Accounting process is run. Cost Management liquidates the reserve for the encumbrance account and creates journal entries for the actual expense value.

Note: When budgetary control is enabled, Receipt Accounting will create the Deliver to Inventory events so that the transactions are interfaced to budget control module. If encumbrance accounting isn't enabled, the status of the corresponding transactions will be set to Excluded from accounting.

Example of Accounting of Interorganization Transfers

This example illustrates:

- Material moment transactions that are captured in Oracle Inventory Management and interfaced to Oracle Receipt Accounting and Oracle Cost Accounting.
- Supply chain financial transactions that are captured in Oracle Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the transfer of goods across profit center business units.

Scenario

A transfer order is issued from an asset or expense inventory to an expense destination, where the sending organization and receiving organization are in different profit center business units. A trade agreement setup in Supply Chain Financial Orchestration to create the financial ownership trade events. Let's consider the sending organization is M1 and the receiving organization is M2. The quantity of goods transferred is 10 units and the transfer price is $15.00 per unit, where $12.00 is the cost and $3.00 is the internal markup.

These parameters defined on the agreement drive how the accounting for these trade events is recorded in cost accounting and receipt accounting.

- Intercompany Invoicing: If intercompany invoicing is set to Yes, then for the Trade In Transit Issue event, Inter Company Cost of Goods Sold is created at cost, else Cost Accounting will book Interorganization Receivable at the transfer price.
- Profit Tracking: If profit tracking is set to Yes, then the internal markup is tracked separately in the destination node as a separate cost element Profit in Inventory. If set to No, then the markup is included in the material cost.

In this example, Intercompany Invoicing and Profit Tracking are set to Yes.

Accounting Events

For this transfer to expense destination, the corresponding events along with the transaction creating system and subledger are summarized in this table.

Event	Transaction Creating System	Subledger
Transfer Order Issue	Inventory	Cost Accounting
Trade in Transit Issue	Financial Orchestration/ Cost Accounting	Cost Accounting
Trade Receipt Accrual	Financial Orchestration/ Cost Accounting	Receipt Accounting
Trade in Transit Receipt	Financial Orchestration/ Cost Accounting	Cost Accounting
Transfer Order Receipt	Receiving	Receipt Accounting

Event	Transaction Creating System	Subledger
Transfer Order Deliver to Expense	Receiving	Receipt Accounting

In the case where the transfer is without a manual receipt at destination, the events Transfer Order Logical Receipt and Transfer Order Logical Deliver to Expense will replace Transfer Order Receipt and Transfer Order Deliver to Expense respectively.

Note: In this example, the transfer is across different profit center business units. Therefore, the Trade in Transit Issue, Trade Receipt Accrual, and Trade in Transit Receipt events are generated by Financial Orchestration. In the case of a transfer within a profit center business unit, these events are generated by Cost Accounting.

Analysis

Receipt Accounting and Cost Accounting create accounting entries for the transfer of goods.

Accounting Entries

This table describes the receipt and cost accounting entries for the transfer order with manual receipt at expense destination.

Subledger	Event	Inventory Org/VU	Accounting Line	Cost Element	Amount in USD (+Dr/-Cr)	Basis of Amount
Cost Accounting	Transfer Order Issue	M1	Trade in Transit	Material	+ 120.00	Current Item Cost
Cost Accounting	Transfer Order Issue	M1	Inventory	Material	- 120.00	Current Item Cost
Cost Accounting	Trade in Transit	M1	Intercompany Cost of Goods Sold	Material	+ 120.00	Transfer Order Issue Cost
Cost Accounting	Trade in Transit	M1	Trade in Transit	Material	- 120.00	Transfer Order Issue Cost
Receipt Accounting	Trade Receipt Accrual	M2	Trade Clearing		+ 150.00	Transfer Price
Receipt Accounting	Trade Receipt Accrual	M2	Intercompany Accrual		- 150.00	Transfer Price
Cost Accounting	Trade in Transit Receipt	M2	Trade in Transit	Material	+ 120.00	Cost of Shipment
Cost Accounting	Trade in Transit Receipt	M2	Trade in Clearing	Material	- 120.00	Cost of Shipment

Subledger	Event	Inventory Org/VU	Accounting Line	Cost Element	Amount in USD (+Dr/-Cr)	Basis of Amount
Cost Accounting	Trade in Transit Receipt	M2	Trade in Transit	Profit in Inventory	+ 30.00	Transfer Price - Cost
Cost Accounting	Trade in Transit Receipt	M2	Trade in Clearing	Profit in Inventory	- 30.00	Transfer Price - Cost
Receipt Accounting	Transfer Order Receipt	M2	Receiving Inspection		+ 150.00	Transfer Price
Receipt Accounting	Transfer Order Receipt	M2	Trade in Transit		- 150.00	Transfer Price
Receipt Accounting	Transfer Order Deliver to Expense	M2	Expense		+ 150.00	Transfer Price
Receipt Accounting	Transfer Order Deliver to Expense	M2	Receiving Inspection		- 150.00	Transfer Price

Note: In the case of a transfer within a profit center business unit, the Transfer Price and Cost of Shipment will be same as the Current Item Cost as there won't be any markup on the cost. Therefore, the accounting lines corresponding to the Profit in Inventory cost element won't be included in the accounting entries in such cases.

Example of Accounting of Interorganization Transfers with Cost Propagation

This example illustrates:

- Material moment transactions that are captured in Oracle Inventory Management and interfaced to Oracle Receipt Accounting and Oracle Cost Accounting.
- Supply chain financial transactions that are captured in Oracle Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the transfer of goods across organizations.

Scenario

A transfer order is issued from an asset or expense inventory to an expense destination, where the sending organization and receiving organization are in different profit center business units. A trade agreement is set up in Supply Chain Financial Orchestration to create the financial ownership trade events.

Let's consider the sending organization is M1 and the receiving organization is M2. The quantity of goods transferred is 10 units and the cost per unit is $12.00. The transfer price is $15.00. M1 then makes a cost adjustment of $4.50 per unit.

Accounting Events

For this transfer to expense destination, the corresponding events along with the transaction creating system and subledger are summarized in this table.

Event	Transaction Creating System	Subledger
Miscellaneous	Inventory	Cost Accounting
Transfer Order Issue	Inventory	Cost Accounting
Trade in Transit Issue	Financial Orchestration/ Cost Accounting	Cost Accounting
Trade Receipt Accrual	Financial Orchestration/ Cost Accounting	Receipt Accounting
Trade in Transit Receipt	Financial Orchestration/ Cost Accounting	Cost Accounting
Transfer Order Receipt	Receiving	Receipt Accounting
Transfer Order Deliver to Expense	Receiving	Receipt Accounting
Receipt Cost Adjustment	Cost Accounting	Cost Accounting

In the case where the transfer is without a manual receipt at destination, the events Transfer Order Logical Receipt and Transfer Order Logical Deliver to Expense will replace Transfer Order Receipt and Transfer Order Deliver to Expense respectively.

Analysis

Receipt Accounting and Cost Accounting create accounting entries for the transfer of goods.

Accounting Entries

This table describes the receipt and cost accounting entries for the transfer order with manual receipt at expense destination.

Subledger	Event	Inventory Org/VU	Accounting Line	Cost Element	Amount in USD (+Dr/-Cr)	Basis of Amount
Cost Accounting	Miscellaneous Receipt	M1	Inventory	Material	+ 120.00	Transaction Cost
Cost Accounting	Miscellaneous Receipt	M1	Offset	Material	- 120.00	Transaction Cost
Cost Accounting	Transfer Order Issue	M1	Trade in Transit	Material	+ 120.00	Current Item Cost

Subledger	Event	Inventory Org/VU	Accounting Line	Cost Element	Amount in USD (+Dr/-Cr)	Basis of Amount
Cost Accounting	Transfer Order Issue	M1	Inventory	Material	- 120.00	Current Item Cost
Cost Accounting	Trade in Transit Issue	M1	Interorganization Receivable	Material	+ 150.00	Transfer Price
Cost Accounting	Trade in Transit Issue	M1	Trade in Transit	Material	- 120.00	Transfer Order Issue Cost
Cost Accounting	Trade in Transit Issue	M1	Interorganization Gain/Loss		- 30.00	Transfer Price - Cost
Receipt Accounting	Trade Receipt Accrual	M2	Trade Clearing		+ 150.00	Transfer Price
Receipt Accounting	Trade Receipt Accrual	M2	Interorganization Payable		- 150.00	Transfer Price
Cost Accounting	Trade in Transit Receipt	M2	Trade in Transit	Material	+ 150.00	Transfer Price
Cost Accounting	Trade in Transit Receipt	M2	Trade in Clearing	Material	- 150.00	Transfer Price
Receipt Accounting	Transfer Order Receipt	M2	Receiving Inspection		+ 150.00	Transfer Price
Receipt Accounting	Transfer Order Receipt	M2	Trade in Transit		- 150.00	Transfer Price
Receipt Accounting	Transfer Order Deliver to Expense	M2	Expense		+ 150.00	Transfer Price
Receipt Accounting	Transfer Order Deliver to Expense	M2	Receiving Inspection		- 150.00	Transfer Price
Cost Accounting	Receipt Cost Adjustment	M1	Inventory	Material	+ 45.00	Cost Adjustment
Cost Accounting	Receipt Cost Adjustment	M1	Offset	Material	- 45.00	Cost Adjustment
Cost Accounting	Transfer Order Issue	M1	Trade in Transit	Material	+ 45.00	Propagated Cost Adjustment

Subledger	Event	Inventory Org/VU	Accounting Line	Cost Element	Amount in USD (+Dr/-Cr)	Basis of Amount
Cost Accounting	Transfer Order Issue	M1	Inventory	Material	- 45.00	Propagated Cost Adjustment
Cost Accounting	Trade in Transit	M1	Interorganization Receivable	Material	+ 45.00	Propagated Cost Absorbed to Gain/ Loss
Cost Accounting	Trade in Transit	M1	Trade in Transit	Material	- 45.00	Propagated Cost Absorbed to Gain/ Loss
Cost Accounting	Trade in Transit	M1	Interorganization Gain/Loss		+ 45.00	Propagated Cost Absorbed to Gain/ Loss
Cost Accounting	Trade in Transit	M1	Interorganization Receivable	Material	- 45.00	Propagated Cost Absorbed to Gain/ Loss

Transfer price once established doesn't get updated. Therefore, the propagated cost adjustment gets recorded against the interorganization gain/loss.

	Transfer Price	Cost of Shipment	Interorganization Gain/Loss
Before Cost Propagation	150.00	120.00	30.00
After Cost Propagation	150.00	165.00 (120.00 + 45.00)	- 15.00 (30.00 - 45.00)

Example of Accounting Interorganization Transfers or Intercompany Shipments as Cost Derived Using Periodic Cost

This example illustrates:

- Material moment transactions that are captured in Oracle Inventory Management and interfaced to Oracle Receipt Accounting and Oracle Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for transfers or intercompany shipments for inventory organizations with periodic average costing (PAC) enabled.

Scenario

A transfer order is issued from a PAC-enabled inventory organization to another PAC-enabled destination inventory organization.

The quantity of goods transferred is 10 units. The prior period average cost is $10.00 per unit and the current period average cost is $14 in the source organization. Cost variance is booked for the difference between the prior period average cost or opening period average cost and the current period average cost in the source organization.

Accounting Entries

Here's how the transfer transactions are cost processed. The table lists the accounting distributions in the source and destination PAC-enabled inventory organizations.

Source Organization Accounting Distributions

Subledger	Event	Accounting Line	Amount in USD (+Dr/-Cr)
Cost Accounting	Transfer Order Interorganization Shipment	Trade In-Transit	+140
Cost Accounting	Transfer Order Interorganization Shipment	Inventory	-140
Cost Accounting	Transfer Order Interorganization Shipment	Cost Variance	+40
Cost Accounting	Transfer Order Interorganization Shipment	Trade In-Transit	-40
Cost Accounting	Trade In-Transit Issue	Interorganization Receivable	+100
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100

Destination Organization Accounting Distributions

Subledger	Event	Accounting Line	Amount in USD (+Dr/-Cr)
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	+100
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100
Cost Accounting	Transfer Order Interorganization Receipt	Inventory	+100
Cost Accounting	Transfer Order Interorganization Receipt	Receiving Inspection	-100
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	+100
Receipt Accounting	Trade Receipt Accrual	Interorganization Payable	-100

Subledger	Event	Accounting Line	Amount in USD (+Dr/-Cr)
Receipt Accounting	Transfer Order Receipt	Receiving Inspection	+100
Receipt Accounting	Transfer Order Receipt	Trade In-Transit	-100

Related Topics

- Periodic Average Cost Method

Example of Accounting of Intraorganization Transfers with Cost Propagation

This example illustrates:

- Material moment transactions that are captured in Oracle Inventory Management and interfaced to Oracle Receipt Accounting and Oracle Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the transfer of goods within an organization.

Scenario

A transfer order is issued from an inventory to an expense destination within an organization. The quantity of goods transferred is 10 units and the cost per unit is $12.00. There's a subsequent cost adjustment of $3.00 per unit. The Actual cost method is used and Cost Propagation is enabled in the cost profile.

Accounting Events

For this transfer to expense destination, the corresponding events along with the transaction creating system and subledger are summarized in this table.

Event	Transaction Creating System	Subledger
Miscellaneous Receipt	Inventory	Cost Accounting
Transfer Order Issue	Inventory	Cost Accounting
Transfer Order Receipt	Receiving	Receipt Accounting
Transfer Order Deliver to Expense	Receiving	Receipt Accounting
Receipt Cost Adjustment	Cost Accounting	Cost Accounting
Transfer Order Expense Adjustment	Cost Accounting	Receipt Accounting

In the case where the transfer is without a manual receipt at destination, the events Transfer Order Logical Receipt and Transfer Order Logical Deliver to Expense will replace Transfer Order Receipt and Transfer Order Deliver to Expense respectively.

Analysis

Receipt Accounting and Cost Accounting create accounting entries for the transfer of goods.

Accounting Entries

This table describes the receipt and cost accounting entries for the transfer order with manual receipt at expense destination.

Subledger	Event	Inventory Org/VU	Accounting Line	Cost Element	Amount in USD (+Dr/-Cr)	Basis of Amount
Cost Accounting	Miscellaneous Receipt	Subinventory 1	Inventory	Material	+ 120.00	Transaction Cost
Cost Accounting	Miscellaneous Receipt	Subinventory 1	Offset	Material	- 120.00	Transaction Cost
Cost Accounting	Transfer Order Issue	Subinventory 1	Trade in Transit	Material	+ 120.00	Current Item Cost
Cost Accounting	Transfer Order Issue	Subinventory 1	Inventory	Material	- 120.00	Current Item Cost
Receipt Accounting	Transfer Order Receipt	Expense Destination	Receiving Inspection		+ 120.00	Transfer Price
Receipt Accounting	Transfer Order Receipt	Expense Destination	Trade in Transit		- 120.00	Transfer Price
Receipt Accounting	Transfer Order Deliver to Expense	Expense Destination	Expense		+ 120.00	Transfer Price
Receipt Accounting	Transfer Order Deliver to Expense	Expense Destination	Receiving Inspection		- 120.00	Transfer Price
Cost Accounting	Receipt Cost Adjustment	Subinventory 1	Inventory	Material	+ 30.00	Cost Adjustment
Cost Accounting	Receipt Cost Adjustment	Subinventory 1	Offset	Material	- 30.00	Cost Adjustment
Cost Accounting	Transfer Order Issue	Subinventory 1	Trade in Transit	Material	+ 30.00	Propagated Cost Adjustment

Subledger	Event	Inventory Org/VU	Accounting Line	Cost Element	Amount in USD (+Dr/-Cr)	Basis of Amount
Cost Accounting	Transfer Order Issue	Subinventory 1	Inventory	Material	- 30.00	Propagated Cost Adjustment
Receipt Accounting	Transfer Order Expense Adjustment	Expense Destination	Expense		+ 30.00	Propagated Cost Adjustment
Receipt Accounting	Transfer Order Expense Adjustment	Expense Destination	Trade in Transit		- 30.00	Propagated Cost Adjustment

Note: If Cost Propagation is disabled in the cost profile or the Average cost method is used, then the Receipt Cost Adjustment event books the change in the cost to Inventory Write Off/Cost Variance because the inventory is no longer on-hand.

Example of Accounting of Direct Transfer Order to Inventory Destination

This example illustrates:

- Material moment transactions that are captured in Oracle Inventory Management and interfaced to Oracle Receipt Accounting and Oracle Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for a direct transfer order from inventory to an inventory destination.

Scenario

Let's consider a direct transfer order from an inventory to an inventory destination within an organization. The quantity of goods transferred is 10 units and the cost per unit is $12.00.

Accounting Events

For this direct transfer to inventory destination, the corresponding events along with the transaction creating system and subledger are summarized in this table.

Event	Transaction Creating System	Subledger
Miscellaneous Receipt	Inventory	Cost Accounting
Transfer Order IntraOrg Transfer	Inventory	Cost Accounting

Analysis

Receipt Accounting and Cost Accounting create accounting entries for the transfer of goods.

Accounting Entries

This table describes the receipt and cost accounting entries for the direct transfer order to inventory destination.

Subledger	Event	Inventory Org/VU	Accounting Line	Cost Element	Amount in USD (+Dr/-Cr)	Basis of Amount
Cost Accounting	Miscellaneous Receipt	Subinventory 1	Inventory	Material	+ 120.00	Transaction Cost
Cost Accounting	Miscellaneous Receipt	Subinventory 1	Offset	Material	- 120.00	Transaction Cost
Cost Accounting	Transfer Order IntraOrg Transfer	Subinventory 1	Offset	Material	+ 120.00	Current Item Cost
Cost Accounting	Transfer Order IntraOrg Transfer	Subinventory 1	Inventory	Material	- 120.00	Current Item Cost
Cost Accounting	Transfer Order IntraOrg Transfer	Subinventory 2	Inventory		+ 120.00	Transfer Price
Cost Accounting	Transfer Order IntraOrg Transfer	Subinventory 2	Offset		- 120.00	Transfer Price

Example of Accounting of In Transit Transfer Order Shipment with Cost Propagation

This example illustrates:

- Material moment transactions that are captured in Oracle Inventory Management and interfaced to Oracle Receipt Accounting and Oracle Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for an in transit transfer order shipment to an inventory destination with manual receipt.

Scenario

Let's consider an in transit transfer order shipment from an inventory to an inventory destination within an organization. The quantity of goods transferred is 10 units and the cost per unit is $12.00. There's a subsequent cost adjustment of $3.00 per unit. The Actual cost method is used and Cost Propagation is enabled in the cost profile.

Accounting Events

For this in transit transfer to inventory destination, the corresponding events along with the transaction creating system and subledger are summarized in this table.

Event	Transaction Creating System	Subledger
Miscellaneous Receipt	Inventory	Cost Accounting
Transfer Order IntraOrg Shipment	Inventory	Cost Accounting
Transfer Order Receipt	Receiving	Receipt Accounting
Transfer Order IntraOrg Receipt	Receiving	Receipt Accounting
Receipt Cost Adjustment	Cost Accounting	Cost Accounting
Propagation Cost Adjustment	Cost Accounting	Cost Accounting

Analysis

Receipt Accounting and Cost Accounting create accounting entries for the transfer of goods.

Accounting Entries

This table describes the receipt and cost accounting entries for the in transit transfer order.

Subledger	Event	Inventory Org/VU	Accounting Line	Cost Element	Amount in USD (+Dr/-Cr)	Basis of Amount
Cost Accounting	Miscellaneous Receipt	Subinventory 1	Inventory	Material	+ 120.00	Transaction Cost
Cost Accounting	Miscellaneous Receipt	Subinventory 1	Offset	Material	- 120.00	Transaction Cost
Cost Accounting	Transfer Order IntraOrg Shipment	Subinventory 1	Trade in Transit	Material	+ 120.00	Current Item Cost
Cost Accounting	Transfer Order IntraOrg Shipment	Subinventory 1	Inventory	Material	- 120.00	Current Item Cost
Receipt Accounting	Transfer Order Receipt	Subinventory 2	Receiving Inspection		+ 120.00	Transfer Price
Receipt Accounting	Transfer Order Receipt	Subinventory 2	Trade in Transit		- 120.00	Transfer Price

Subledger	Event	Inventory Org/VU	Accounting Line	Cost Element	Amount in USD (+Dr/-Cr)	Basis of Amount
Cost Accounting	Transfer Order IntraOrg Receipt	Subinventory 2	Inventory		+ 120.00	Transfer Price
Cost Accounting	Transfer Order IntraOrg Receipt	Subinventory 2	Receiving Inspection		- 120.00	Transfer Price
Cost Accounting	Receipt Cost Adjustment	Subinventory 1	Inventory	Material	+ 30.00	Cost Adjustment
Cost Accounting	Receipt Cost Adjustment	Subinventory 1	Offset	Material	- 30.00	Cost Adjustment
Cost Accounting	Transfer Order IntraOrg Shipment	Subinventory 1	Trade in Transit	Material	+ 30.00	Propagated Cost Adjustment
Cost Accounting	Transfer Order IntraOrg Shipment	Subinventory 1	Inventory	Material	- 30.00	Propagated Cost Adjustment
Cost Accounting	Transfer Order IntraOrg Shipment	Subinventory 1	Offset	Material	+ 30.00	Propagated Cost Adjustment
Cost Accounting	Transfer Order IntraOrg Shipment	Subinventory 1	Trade in Transit	Material	- 30.00	Propagated Cost Adjustment
Cost Accounting	Propagation Cost Adjustment	Subinventory 2	Inventory		+ 30.00	Propagated Cost Adjustment
Cost Accounting	Propagation Cost Adjustment	Subinventory 2	Offset		- 30.00	Propagated Cost Adjustment

Note: If Cost Propagation is disabled in the cost profile or the Average cost method is used, then the Receipt Cost Adjustment event books the change in the cost to Inventory Write Off/Cost Variance because the inventory is no longer on-hand.

Lot Transactions

Cost Accounting for Lot Transactions

You can create lot split, merge, or translate transactions in inventory to record events that require you to break, combine, or transform some or all of the goods in a specific lot.

After you transfer these transactions to Cost Management and run the Create Cost Accounting Distributions process, the cost distribution processor creates distributions to record the movement of the inventory value from one lot and subinventory to another lot and subinventory.

Lot split, merge, and translate result in two or more transactions being created. Before we understand how the lot transactions are costed and accounted, let's learn a little bit about these transactions.

- Lot Split: A source lot is split into two or more lots. Here, a transaction is created for the source lot where the quantity and the corresponding inventory value are issued out from the lot. Also transactions are created for each of the resultant lots where the quantity and the corresponding inventory value are received into the new lots.
- Lot Merge: Two or more source lots are merged into a resultant lot. Here, transactions are created for each source lot where the quantity and corresponding the inventory value are issued from the lot. Also, a transaction is created for the resultant lot where the quantity and corresponding inventory value are received.
- Lot Translate: A source lot is translated into a resultant lot. Here, a transaction is created for the source lot from which the quantity and corresponding inventory value are issued and another transaction is created for the resultant lot where the quantity and corresponding inventory value are received.

Costing of Lot Split, Merge, and Translate Transactions

When lot transactions are interfaced to costing, transactions for the source lots are costed based on the cost method.

- Average Cost: The average cost at the item - valuation unit level as on the cost date.
- Actual Cost: The cost of the layer being depleted.
- Standard Cost: The standard cost of the item at the inventory organization level.

The transactions for the resultant lots are costed as listed in this table.

Lot Transaction	Cost Derivation
Lot Split	Same as the cost for the source lot
Lot Merge	Weighted average cost of the lots being merged
Lot Translate	Same as the cost for the source lot

When you run the Create Cost Accounting Distributions process, the distributions are created and can be reviewed on the Review Cost Accounting Distributions page.

Note: Cost Accounting creates distributions for the lot split, merge and translate transactions even when the Account Intravaluation Unit Transfers option is set to no in the cost profile.

The table lists the distribution created for transactions corresponding to the source lots.

Accounting Line Type	Transaction Type
Offset	Debit

Accounting Line Type	Transaction Type
Inventory Valuation	Credit
Expense	Debit
Material Overhead Absorption	Credit

Note: Expense and Material Overhead Absorption distributions are created only when the accounting overhead rules are defined for the issue leg of the transactions or the rules are defined for the receipt leg of the transaction with Absorption Type set to Expense.

The table lists the distribution created for transactions corresponding to the resultant lots.

Accounting Line Type	Transaction Type
Inventory Valuation	Debit
Offset	Credit
Inventory Valuation	Debit
Material Overhead Absorption	Credit

Note: Inventory Valuation (for overhead) and Material Overhead Absorption distributions are created only when the accounting overhead rules are defined for the receipt leg of the transactions.

Accounting of Lot Split, Merge, and Translate Transactions

To support accounting of the lot transactions, new accounting events are introduced:

- Lot Split
- Lot Merge
- Lot Translate

Based on your accounting requirements, review and modify the subledger journal entry rule sets to account for these transactions. You can either copy an existing journal entry rule set or use the seeded rule sets to set up account rules for the new accounting events.

Tips and Considerations

You should make a note of these consideration with reference to the costing and accounting of lot transactions:

- The Summarize Lot Transactions option in the cost profile is effective and summarizes lot transactions only when the valuation unit on the cost profile for the item is higher than the lot level. Transactions for Lot - Serial items can't be summarized.
- On the Manage Accounting Overhead Rules page, you can define accounting overhead rules for lot transactions. Overheads for the issue leg of the transaction can only be expensed. However, overheads defined for the receipt leg of the transaction can be included in inventory or expensed.
- You can create receipt cost adjustments for the receipt leg of the lot transactions from the Manage Cost Adjustments page.
- An item set as lot or serial controlled exclusively during receiving, by enabling the **Entry for tracking in receiving only** attribute in the item definition won't be costed as a lot or serial controlled item in Cost Accounting.

Related Topics

- Overview of Subledger Journal Entry Rule Set

Example of Accounting of Lot Split Transactions

This example illustrates the accounting entries for a lot split transaction.

Scenario

The lot Lot1 of Item-A with 10 units each and priced at $100 per item is split into two lots, Lot2 and Lot3, within the same subinventory. The valuation unit set up in the cost profile is at the lot level.

Item	Lot Number	Transaction Type	Quantity	Amount
Item-A	Lot1	Inventory Lot Split	- 10	($1000)
Item-A	Lot2	Inventory Lot Split	8	$800
Item-A	Lot3	Inventory Lot Split	2	$200

Analysis

Cost accounting creates these distributions for the transaction corresponding to the source lot, Lot1.

Accounting Event	Valuation Unit	Accounting Line Type	Cost Element	Amount in USD (+Dr/-Cr)
Lot Split	Subinventory1-Lot1	Offset	Material	+ 1000.00
Lot Split	Subinventory1-Lot1	Inventory Valuation	Material	- 1000.00

Accounting Event	Valuation Unit	Accounting Line Type	Cost Element	Amount in USD (+Dr/-Cr)

For the resultant transactions of the lot split, these distributions are created.

Accounting Event	Valuation Unit	Accounting Line Type	Cost Element	Amount in USD (+Dr/-Cr)
Lot Split	Subinventory1-Lot2	Inventory Valuation	Material	+ 800.00
Lot Split	Subinventory1-Lot2	Offset	Material	- 800.00
Lot Split	Subinventory1-Lot3	Inventory Valuation	Material	+ 200.00
Lot Split	Subinventory1-Lot3	Offset	Material	- 200.00

Example of Accounting of Lot Merge Transactions

This example illustrates the accounting entries for a lot merge transaction.

Scenario

Let's consider two lots, Lot11 and Lot12, of Item-A with 4 and 6 units each. The items are costed using the actual cost method. Lot12 of 6 units has two receipts of 2 and 4 units with a unit cost of $15 and $7.50 respectively. These two lots are merged into a lot in another subinventory as listed in this table.

Item	Subinventory	Lot Number	Depletion Receipt Number	Transaction Type	Quantity	Unit Cost	Amount
Item-A	Subinventory1	Lot11	1	Inventory Lot Merge	- 4	$10	($40)
Item-A	Subinventory1	Lot12	2	Inventory Lot Merge	- 2	$15	($60)
Item-A	Subinventory1	Lot12	3	Inventory Lot Merge	- 4	$7.50	($60)
Item-A	Subinventory2	Lot13		Inventory Lot Merge	10	$10	$100

Note: The unit cost of the quantity received in Lot13 as part of the merge transaction is equal to the weighted average cost of the lots being merged, Lot11 and Lot12. For the actual cost method, this weighted average cost is derived based on the cost of each of the individual receipts which are depleted to cost the lot merge issue transaction.

Analysis

Cost accounting creates these distributions for the transactions corresponding to the source lots, Lot11 and Lot12.

Accounting Event	Valuation Unit	Accounting Line Type	Cost Element	Amount in USD (+Dr/-Cr)
Lot Merge	Subinventory1-Lot11	Offset	Material	+ 40.00
Lot Merge	Subinventory1-Lot11	Inventory Valuation	Material	- 40.00
Lot Merge	Subinventory1-Lot12	Offset	Material	+ 60.00
Lot Merge	Subinventory1-Lot12	Inventory Valuation	Material	- 60.00

For the resultant transaction of the lot merge, these distributions are created.

Accounting Event	Valuation Unit	Accounting Line Type	Cost Element	Amount in USD (+Dr/-Cr)
Lot Merge	Subinventory2-Lot13	Inventory Valuation	Material	+ 100.00
Lot Merge	Subinventory2-Lot13	Offset	Material	- 100.00

Example of Accounting of Lot Translate Transactions

This example illustrates the accounting entries for a lot merge transaction.

Scenario

A lot, Lot10, of Item-A with 10 units each and priced at $20 per item is translated into a another lot, Lot20, and in a different subinventory. The valuation unit set up in the cost profile is at the subinventory level.

Item	Subinventory	Transaction Type	Quantity	Amount
Item-A	Subinventory1	Inventory Lot Translate	- 10	($200)
Item-A	Subinventory2	Inventory Lot Translate	10	$200

Analysis

Cost accounting creates these distributions for the transaction corresponding to the source lots, Lot10.

Accounting Event	Valuation Unit	Accounting Line Type	Cost Element	Amount in USD (+Dr/-Cr)
Lot Translate	Subinventory1	Offset	Material	+ 200.00
Lot Translate	Subinventory1	Inventory Valuation	Material	- 200.00

For the resultant transaction of the lot translate, these distributions are created.

Accounting Event	Valuation Unit	Accounting Line Type	Cost Element	Amount in USD (+Dr/-Cr)
Lot Translate	Subinventory2	Inventory Valuation	Material	+ 200.00
Lot Translate	Subinventory2	Offset	Material	- 200.00

Preserve Inventory Cost and Lot Traceability During Item Conversion

The Item Translate transaction helps you to convert all or part of the available quantity in a lot to a different item, while retaining lot-level traceability. You can translate an item while retaining the lot number, or translate both the item and the lot. This supports controlled item reclassification and material conversion without manual inventory reconciliation.

Each Item Translate transaction creates a linked pair of inventory transactions: a source-item issue and a resultant-item receipt. When these transactions are transferred to Cost Management, the Create Cost Accounting Distributions process records the inventory movement, offset, and any applicable variance so inventory value and accounting remain accurate.

When Item Translate transactions are interfaced to Cost Accounting, transactions for the source items are costed based on the cost method:

- Average Cost: The average cost at the item-valuation unit level as on the cost date.
- Actual Cost: The cost of the layer being depleted.
- Standard Cost: The standard cost of the item at the inventory organization level.

The transactions for the resultant item are costed as per the user entered cost. If you don't enter a cost, the current cost of the resultant item is used.

The paired issue and receipt create inventory valuation and offset distributions:

- The inventory valuation distribution of the source item issue will always deplete inventory based on the cost method of the source item.
- The offset distribution of the source item issue will be based on the user entered cost. If there's a difference between the offset distribution and the inventory valuation distribution, it will be booked as a variance.

- The inventory valuation distribution of the resultant item receipt will be based on the user entered cost.
- The offset distribution of the resultant item receipt will be based on the user entered cost.

The table lists the distributions created for the transactions corresponding to the source item, similar to how a miscellaneous issue transaction would be costed.

Accounting Line Type	Transaction Type
Inventory Valuation	Credit
Offset	Debit
Variance	Credit
Expense	Debit
Material Overhead Absorption	Credit

Note: Expense and Material Overhead Absorption distributions are created only when the accounting overhead rules are defined for the issue leg of the transactions or the rules are defined for the receipt leg of the transaction with Absorption Type set to Expense.

The table lists the distributions created for the transactions corresponding to the resultant item, similar to how a miscellaneous receipt transaction would be costed.

Accounting Line Type	Transaction Type
Inventory Valuation	Debit
Offset	Credit
Inventory Valuation (Overhea)	Debit
Material Overhead Absorption	Credit

Note: Inventory Valuation (for overhead) and Material Overhead Absorption distributions are created only when the accounting overhead rules are defined for the receipt leg of the transactions.

Here's an example of how the paired transactions would look. Let's assume the source item, Milk, is being translated to the resultant item, Curd. Milk's current cost is $5, based on its cost method. The user enters the item unit cost of Curd as $6. This is how the distributions would look:

Transaction Type	Item	Accounting Line Type	Quantity	Cost	Debit	Credit
Source Item Issue	Milk	Inventory Valuation	100	$5		$500
Source Item Issue	Milk	Offset	100	$6	$600	
Source Item Issue	Milk	Variance	100	$1		$100

Transaction Type	Item	Accounting Line Type	Quantity	Cost	Debit	Credit
Resultant Item Receipt	Curd	Inventory Valuation	100	$6	$600	
Resultant Item Receipt	Curd	Offset	100	$6		$600

This way, the offset accounts for both the source item and the resultant item will be balanced.

If Milk and Curd have different units of measure, such as liter and kg, then the unit cost is derived based on the unit of measure conversion rules specified in Inventory.

To support accounting of this type of lot transaction, a new event type has been introduced: Item Translate. Based on your accounting requirements, review and modify the subledger journal entry rule sets to account for these transactions. You can either copy an existing journal entry rule set or use the predefined rule sets to set up account rules for the new accounting event.

Note:

- Transaction unit costs can be entered when you perform a item translate transaction in Inventory. However, entering a cost that's significantly different from the current cost can cause large swings in the unit cost of remaining on-hand inventory.

  If you use the Use Current Item Cost option while processing the item translate transaction, make sure that the resultant item isn't a new item without a cost. This will ensure that both the issue and receipt legs of the transaction get costed correctly.

- You can create receipt cost adjustments for the receipt leg of the lot transactions from the Manage Cost Adjustments page.

- On the Manage Accounting Overhead Rules page, you can define accounting overhead rules for lot transactions. Overheads for the issue leg of the transaction can only be expensed. However, overheads defined for the receipt leg of the transaction can be included in inventory or expensed.

- While creating Standard Cost Overhead Absorption Rules, you can find the new transaction type, Item Translate under the transaction group Intra organization transfers, similar to the other lot transactions.

Cost of Goods Sold and Gross Margin

Sales Order Issue

When you receive a shipment confirmation, a sales order issue transaction is created in Inventory. To cost this transaction and create accounting distributions, run these processes.

- Transfer Transactions from Inventory to Costing
- Create Cost Accounting Distributions

The transaction is costed based on the cost profile associated with the inventory item.

Note: When running the Create Cost Accounting Distributions process, you must select the Cost of Goods Sold processor option and also set the cost cut-off date.

Cost of Goods Sold Recognition

You can recognize the associated cost of goods sold in proportion to the revenue recognized in Oracle Fusion Receivables or Oracle Fusion Revenue Management. The Analyze Product Gross Margins page shows the recognized and unrecognized revenue and cost of goods sold.

To transfer the revenue recognition from Receivables, perform these steps.

- Run the Import Revenue Lines process for the business unit from the Scheduled Processes work area.

  This transfers the final accounted revenue lines from Receivables. Ensure that you select the number of workers, the import as of date, and the start date. Revenue lines with accounting date between the start date and the import as of date, including both dates, are transferred.

  If you don't set the import as of date, it defaults to the system date. If you don't set the start date, then the revenue lines with accounting date between the start of the previous or current open period and the import as of date are transferred.
- Run the Create Cost Accounting Distributions process with the Cost of Goods Sold processor option checked.

The percentage of revenue recognized is identifies by matching the revenue lines to the shipment lines. This percentage is used to recognize the cost of goods sold for the same proportion.

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Revenue Recognition % = Recognized Revenue / Total Revenue
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The transaction date of the cost of goods sold recognition is the accounting date of the revenue line. The accounting date is either the transaction date or the cost date of the original sales order issue, whichever is later.

For ship-only sales orders, the transaction date of the cost of goods sold recognition is the shipment date. However, if you want to use the order line closed date as the transaction date for cost of goods sold recognition, then you can add the **Use Order Line Close Date for Cost of Goods Sold Recognition** profile option in the Manage Profile Options page and then set this option in the Manage Costing Profile Options page from the Setup and Maintenance work area.

To avoid accounting date discrepancies between revenue and cost of goods recognition, first close the period in Receivables, then the period in Cost Management, and lastly the General Ledger period. However, if the transaction date of the cost of goods sold recognition falls in a period that's already closed, the cost of goods sold recognition is automatically posted in the next open period.

The cost of goods sold recognition differs based on the type of sales order. This table summarizes the costs of goods sold recognition for the different sales order types.

Sales Order Type	Cost of Goods Sold Recognition
Ship-only sales orders	Ship-only sales orders aren't invoiced. Therefore, the cost of goods sold recognition is always at 100% and occurs at sales order issue.
Ship and bill sales orders	Cost of goods sold recognition is created for the item or items that are shipped. The percentage of recognition is derived from the invoice revenue lines that are matched to the shipment lines.

Sales Order Type	Cost of Goods Sold Recognition
Bill-only sales orders	In this case, there are no shipments but the Analyze Product Gross Margin page displays the revenue information.
Internal drop ship	Cost of goods sold recognition is created for the Trade Sales Issue in the customer-facing business unit.

Note: The Review Cost Accounting Distributions page shows details such as the recognition percentage, reference type, reference number, and costed date for the COGS Recognition transactions. However, to view the relevant cost information, search for the Sales Order Issue transaction with the corresponding reference number.

Related Topics

- Manage Cost Accounting Profile Options

Oracle Fusion Cloud Revenue Management Integration

The integration with Oracle Fusion Cloud Revenue Management enables you to identify revenue contracts as sales order documents are submitted. In compliance with IFRS 15 and ASC 606, Oracle Revenue Management automatically identifies accounting contracts, performance obligations, and their valuations at inception.

This provides you with insight into the expected consideration from the sale of goods and services to customers as soon as the orders are booked. This integration enables Oracle Revenue Management to process fulfillment data from Oracle Fusion Cloud Order Management and recognize revenue when performance obligations are satisfied.

When a revenue satisfaction event is accounted in Oracle Revenue Management, the associated cost of goods sold is accurately recognized in the same period and the same proportion to the revenue recognized. The revenue and the cost of goods sold information is available for you to perform detailed gross margin analysis.

When you set up integration with Oracle Revenue Management, Oracle Receivables isn't used as the revenue source and, therefore, running the Import Revenue Lines process isn't necessary.

These steps help recognize the cost of goods sold if Oracle Revenue Management is used for revenue recognition.

- After sales orders are transferred from Oracle Order Management to Oracle Revenue Management, contracts are created and revenue satisfaction events are accounted by the Revenue Management Create Accounting process. The process automatically transfers the revenue accounting events to Cost Management.
- Run the Create Cost Accounting Distributions process with the Cost of Goods Sold processor option selected.

The revenue lines are matched to the shipment lines and the accounting distributions are created to recognize the cost of goods sold to the extent of revenue recognition.

The cost of goods sold recognition differs based on the type of sales order. This table summarizes the costs of goods sold recognition for the different sales order types.

Sales Order Type	Cost of Goods Sold Recognition
Ship-only sales orders	Oracle Revenue Management creates the revenue lines as per the ASC606 standard. The cost of goods sold recognition isn't based on the revenue recognition. The cost of goods sold recognition is always at 100% and occurs at sales order issue.
Ship and bill sales orders	Cost of goods sold recognition happens for item or items that are shipped. The percentage of recognition is derived from the invoice revenue lines that are matched to the shipment lines.
Bill-only sales orders	In this case, there are no shipments but the Analyze Product Gross Margin page displays the revenue information.

Note: For internal inter-business unit transfer transactions, the revenue recognition data continue to be transferred from Receivables.

Sales Returns

If a sales return is referenced to a sales order, the cost at which the shipment occurred is used to offset the recognized cost of goods sold.

In the case of a sales return without reference to the original sales order, either the current cost of the item or the price on the RMA order is used to offset the cost of goods sold. This depends on the Unreferenced RMA Receipt Cost option set in the cost profile associated with the item cost profile.

On RMA receipt, Cost Management creates distributions with the accounting line type as RMA Gain/Loss. You can set the same account as that used for the cost of goods sold to ensure that the recognized cost of goods sold is offset on sales return.

For sales return that reference to a sales order, an RMA receipt is costed using the original sales issue cost and, therefore, the cost of goods sold on the forward flow can be completely offset on sales return. However, in the case of an unreferenced RMA, cost of goods sold might not be completely offset on sales return because the original sales issue isn't identifiable.

Related Topics

- Purchase Order Return and Sales Return Flows
- Why is the RMA transaction not listed on the Review Cost Accounting Distributions page?

Adjustment Propagation

If you're using the Actual cost method, you have an option to propagate adjustments, such as price changes, through the supply chain.

For example, an acquisition cost adjustment transaction created for an invoice price variance can trigger the reopening of a closed work order if the corresponding receipt was used in a work order. After the cost of the work order is

recalculated, if the item is available in stock, then the inventory valuation is adjusted. If the item has been shipped, then the cost of goods sold is adjusted.

Note: The propagation of cost adjustment is applicable only if the item is costed using the Actual cost method. Also, the Propagate Cost Adjustment option must be selected in the cost profile associated with the item.

Example of Cost of Goods Sold Recognition

This example illustrates the method of revenue recognition in Oracle Receivables and Oracle Fusion Cloud Revenue Management and the corresponding impact to cost of goods sold.

Scenario

Let's consider these sales orders.

Sales Order # 520917

Item	UOM	Quantity	Unit Selling Price	Selling Amount
Network Gateway Switch	Each	2	105.00	210.00
			Total	210.00

Sales Order # 520919

Item	UOM	Quantity	Unit Selling Price	Selling Amount
Oracle Database Enterprise Edition	Each	10	165.00	1650.00
Extended Warranty 2 years	Each	10	45.00	450.00
			Total	2100.00

Also, these invoices are created in Receivables.

Receivables Invoice # 127017

Item	UOM	Quantity	Unit Selling Price	Bill Amount	Revenue
Network Gateway Switch	Each	2	105.00	210.00	210.00
				Total	210.00

Item	UOM	Quantity	Unit Selling Price	Bill Amount	Revenue

Receivables Invoice # 127018

Item	UOM	Quantity	Unit Selling Price	Selling Amount	Revenue
Oracle Database Enterprise Edition	Each	10	165.00	1650.00	1650.00
Extended Warranty 2 years	Each	10	45.00	450.00	450.00
				Total	2100.00

In the case of Revenue Management, let's consider this contract is created.

Revenue Contract # 14011

Item	UOM	Quantity	Unit Selling Price	Selling Amount	Unit Standalone Selling Price	Extended Standalone Selling Price	New Revenue
Network Gateway Switch	Each	2	105.00	210.00	98.00	196.00	134.51
Oracle Database Enterprise Edition	Each	10	165.00	1650.00	123.00	1230.00	844.12
Extended Warranty 2 years	Each	10	45.00	450.00	97.00	970.00	1331.37
						Total	2310.00

Analysis

Let's start with the revenue and cost of goods sold recognition when using Oracle Receivables in our example.

After the shipping transaction is interfaced from Inventory to Costing, the Sales Order Issue transaction gets processed.

Sales Order Issue

Order #	Shipment #	Item	Unit Cost	Quantity	Deferred Cost of Goods Sold	Inventory
520917	45027	Network Gateway Switch	50.00	2	100.00	- 100.00

Order #	Shipment #	Item	Unit Cost	Quantity	Deferred Cost of Goods Sold	Inventory
520919	45031	Oracle Database Enterprise Edition	75.00	10	750.00	- 750.00

In this example, the entire 100% of the revenue is recognized in Oracle Receivables and the information is interfaced to costing, based on which the COGS Recognition transactions are costed and accounted.

Cost of Goods Sold Recognition

Order #	Invoice #	Item	Unit Cost	Quantity	Cost of Goods Sold	Deferred Cost of Goods Sold
520917	127017	Network Gateway Switch	50.00	2	100.00	- 100.00
520919	127018	Oracle Database Enterprise Edition	75.00	10	750.00	- 750.00

The Analyze Product Gross Margin page uses this information to display the consolidated and order level gross margins.

Order #	Invoice #	Item	Unit Cost	Quantity	Total	Revenue	Gross Margin	Gross Margin %
520917	127017	Network Gateway Switch	50.00	2	100.00	210.00	110.00	52.38
520919	127018	Oracle Database Enterprise Edition	75.00	10	750.00	1650.00	900.00	54.54
				Total	850.00	1860.00	1010.00	

Cost of Goods Sold and Gross Margin Using Revenue Management

The Sales Order Issue and the Cost of Goods Sold Recognition gets created exactly as shown earlier, the only difference is the revenue information that's interfaced from Oracle Revenue Management. In this example, the entire 100% of the revenue is recognized in Oracle Revenue Management and the information is interfaced to Oracle Cost Accounting, based on which the gross margin is calculated.

Order #	Contract #	Item	Unit Cost	Quantity	Total	Revenue	Gross Margin	Gross Margin %
520917	14011	Network Gateway Switch	50.00	2	100.00	134.51	34.51	25.66
520919	14011	Oracle Database Enterprise Edition	75.00	10	750.00	844.12	94.12	11.15
				Total	850.00	978.63	128.63	

Example of Return Material Authorization Recognition for Sales Returns

This example illustrates the accounting of sales returns and the corresponding return material authorization (RMA) recognition.

Scenario

Let's assume that there's a return of the item from the previous example. Out of the two network gateway switches shipped, the customer wants to return one of them. Oracle Order Management orchestrates the return information to Oracle Receivables or Oracle Fusion Cloud Revenue Management, depending on which application is being used, and the information is interfaced to Oracle Cost Accounting through the same process that's followed for forward flows. After the revenue reversal information is available, the cost of goods sold processor creates the distribution for the RMA recognition event based on the revenue reversal information.

Analysis

Similar to the forward flow, two transactions are created for sales returns. The Return Material Authorization sales order is first created and the goods are returned through a Return Material Authorization in Receiving. Once the transaction is interfaced to costing, these distributions are created.

RMA Receipt

RMA Order #	Receipt #	Item	Unit Cost	Quantity	Deferred RMA Gain/Loss	Inventory
520951	34578	Network Gateway Switch	50.00	1	- 50.00	50.00

In this example, the entire 100% of the revenue is recognized in Receivables and the information is interfaced to costing, based on which the cost of goods sold recognition transactions are costed and accounted.

RMA Recognition

RMA Order #	Invoice #	Item	Unit Cost	Quantity	Deferred RMA Gain/Loss	RMA Gain/Loss
520951	127074	Network Gateway Switch	50.00	1	50.00	- 50.00

FAQ for Cost of Goods Sold and Gross Margin

Why is the COGS recognition accounting entry missing or not created for sales order issue or RMA receipt?

If the automatically created invoice corresponding to a sales order isn't available and you've replaced it with a manual invoice referencing the sales order, then Cost Accounting wouldn't be able to match the sales order to the revenue lines.

As a result, the COGS Recognition accounting entry isn't created and you must manually create the journal entry for this. This is also applicable in the case of an RMA receipt if the credit invoice is similarly manually created.

Global Procurement

Overview of Global Procurement Trade Accounting

Companies often design their legal structure for financial efficiency as well as efficiency in the physical flow of goods through the supply chain. Typically, the most optimal financial movement of goods is different from the most optimal physical movement of goods.

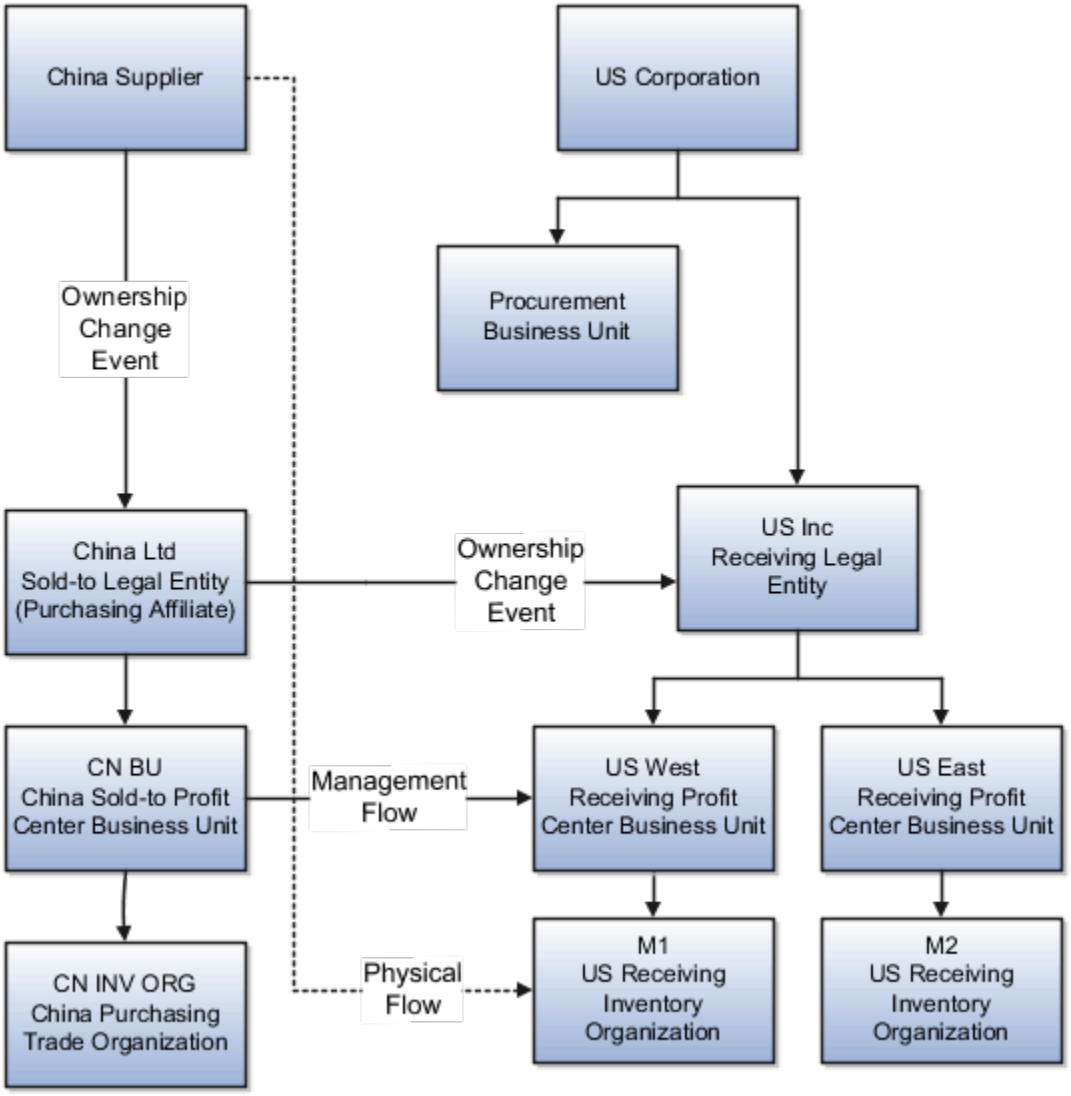
For example, the purchase requisitions from a group of subsidiary companies could be routed through a single international purchasing company who deals with the suppliers. As a result, the legal owners of the purchasing organizations will be different from the legal owners of the receiving organizations. This form of purchasing is known as global procurement.

The following discusses:

- Global procurement trade flows
- Trade agreements and accounting rule sets
- Agreements converted to purchase orders
- Commonly used terms

Global Procurement Trade Flows

This figure illustrates a typical global procurement trade flow, in this case between a US corporation and its China supplier. The US corporation has a central procurement business unit which creates trade agreements and purchase orders on behalf of its subsidiaries.



The China supplier drop ships the goods directly to the US receiving inventory organization M1. However for legal and accounting purposes, the trade flows from the China supplier through the China sold-to legal entity (China Ltd), to the US receiving legal entity (US Inc). For management and profit tracking purposes, the trade flows from the China sold-to profit center business unit CN BU to the US receiving profit center business unit US West.

Financial Trade Agreements and Accounting Rule Sets

A trade agreement defines the parties in the trade relationship. In this example the trade agreement is between the US corporation and the China supplier, and it defines the buying, selling, sold-to, and receiving legal entities, profit center business units, inventory organizations, and trade organizations.

The accounting rule sets define source documents and accounting that is required in the legal and financial flow, also known as the ownership change event flow. A rule set is associated with a financial route, and financial routes can have different accounting rule sets.

The following illustrates a trade agreement setup for the US corporation:

- Agreement #: GP001
- Type: Procurement
- Supplier Ownership Change: ASN (Advance Shipment Notice)
- Primary Trade Relationship #: PTR1
- Sold-to Legal Entity: China Ltd.
- Sold-to Business Unit: CN BU
- Deliver-to Legal Entity: US Inc.
- Deliver-to Business Unit: US West
- Financial Trade Relationship #: FTR1
- From Legal Entity: China Ltd.
- From Business Unit: CN BU
- From Organization: CN INV ORG
- To Legal Entity: US Inc.
- To Business Unit: US West
- To Organization: M1
- Profit Tracking: Yes
- Invoicing: Yes
- Obligation Currency: CNY
- Rate Type: Corporate
- Transfer Pricing: Purchase Order - 10%
- Purchase Order/Sales Order: No

Trade Agreement Converted to Purchase Orders

The trade agreement is used to create purchase orders. The following illustrates a purchase order created under the US Corporation trade agreement # GP001:

- Document Type: Purchase Order
- Document #: PO-GP001
- Document Line #: 1
- Document Line Detail: 1.1
- Document Line Distribution #: 1.1.1
- Item: SFO-CST_ASSET
- Quantity: 100
- UOM: Each
- Currency: CNY
- Price: 650

- Sold-to Legal Entity: China Ltd.
- Trade Organization: CN INV ORG
- Deliver-to Organization: M1
- Primary Trade Relationship #: PTR1

Global Procurement Common Terms

The following table describes the terms commonly used in global procurement trading:

Terms	Definitions and Rules
buy-sell relationship	Relationship between two business units where one acts as a buyer and the other as a seller of goods or services. The seller records the revenue, cost of sale, and receivables. The buyer records the payables and inventory or expense. A buy-sell trade between internal business units is settled through the transfer price.
asset item	Inventory item where the cost of acquisition is valued as an asset on the balance sheet. The inventory cost is expensed when it is consumed or sold.
expense item	Inventory item whose cost of acquisition is booked as an expense.
transfer price	The unit price that one business unit charges another for goods or services traded within the enterprise. The transfer price is typically based on the price list, cost plus or minus, or purchase price plus or minus.
financial route	Designates how financial transactions are settled, can be different from the physical route, and may involve one or more intermediary nodes. The intermediary nodes are internal business units that are not part of the physical supply chain transaction but are part of the financial route.
Incoterms	A series of sales terms in international trade, used to define the rights and obligations of the trade partners with respect to the delivery of goods sold. Incoterms are used to divide transaction costs and responsibilities between buyer and seller, and to reflect transportation practices.
intercompany profit and loss	The internal profit or loss arising out of trade among business units in the enterprise. These internal profits and losses are used for internal management but are typically eliminated when producing the enterprise consolidated financial statements for external stakeholders.
intercompany trade	The trade of goods and services between organizations belonging to different legal entities within a conglomerate.
intracompany trade	The trade of goods or services between two internal organizations within a legal entity.
ownership change event	The transfer of title of goods and services from one party to another. This results in accounting and the creation of financial documents such as Accounts Receivable and Accounts Payable invoices.
price list	Contains the basic list information and pricing attributes for items or product groups.
pricing option	A method to compute the transfer price based on cost, source document price, or price list.

Terms	Definitions and Rules
profit center	A business unit that operates with its own income statement and reports to the legal entity.
purchasing trade organization	The inventory organization reporting to the sold-to legal entity identified in the purchase order. This organization is used for cost accounting the transactions in the sold-to legal entity.
qualifiers	Business attributes of a supply chain document or transaction that determine the applicability of the trade agreement.
supply chain financial orchestration agreement	An agreement between the legal entities, business units, and trade organizations of a corporate group. The agreement defines the parties in the trade relationship and the financial settlement process.
trade distributions	Subledger entries created by Oracle Receipt Accounting and Oracle Cost Accounting for Oracle Supply Chain Financial Orchestration trade transactions.
procurement business unit	Has central responsibility for the creation of trade agreements and purchase orders on behalf of legal entities and business units under the holding company.

Related Topics

- Example of Accounting of Global Procurement Trade Transactions into Inventory
- Example of Accounting of Global Procurement Trade Transactions into Expense
- Profit Center Business Units and Bill-to Business Units

Profit Center Business Units and Bill-to Business Units

Oracle Receipt Accounting and Oracle Cost Accounting create accounting distributions for trade transactions in the supply chain. These accounting distributions are associated with two kinds of business units: profit center business units and bill-to business units.

The following explains the different business units associated with trade transactions and the assumptions used to derive them.

Profit Center Business Unit

A profit center business unit reports to a single legal entity and is responsible for measuring the profitability of inventory organizations under that legal entity. All trade transactions are associated with a profit center business unit which, in turn, is derived from the inventory organization that owns the trade transaction. Cost Accounting uses the profit center business unit to process all inventory transactions.

Bill-to Business Unit

A bill-to business unit is used to process receipt accruals in a trade transaction, and is the same business unit that processes the invoice in Accounts Payable. For supplier accruals, the bill-to business unit is derived from the purchase order. For intercompany accruals, the bill-to business unit is derived from the profit center business unit.

Related Topics

- How Cost Organizations, Inventory Organizations, and Cost Books Fit Together

Example of Accounting of Global Procurement Trade Transactions into Inventory

Most large enterprises use a global procurement approach to their purchasing needs, wherein a central buying organization buys goods from suppliers on behalf of the internal organizations.

Oracle Receipt Accounting and Oracle Cost Accounting process transactions for these global procurement trade events and generate subledger journal entries.

The following is an example of accounting performed by Cost Accounting and Receipt Accounting for a global procurement flow into inventory. It illustrates:

- Transactions that are captured in Oracle Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the forward flow of a shipment from the supplier, through the intermediary distributor, to the final receiving organization.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the receiving organization to the supplier.

Scenario

China Supplier ships the goods to US Inc. through the intermediary distributor, China Ltd.

Transactions from Supply Chain Financial Orchestration

The global procurement trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

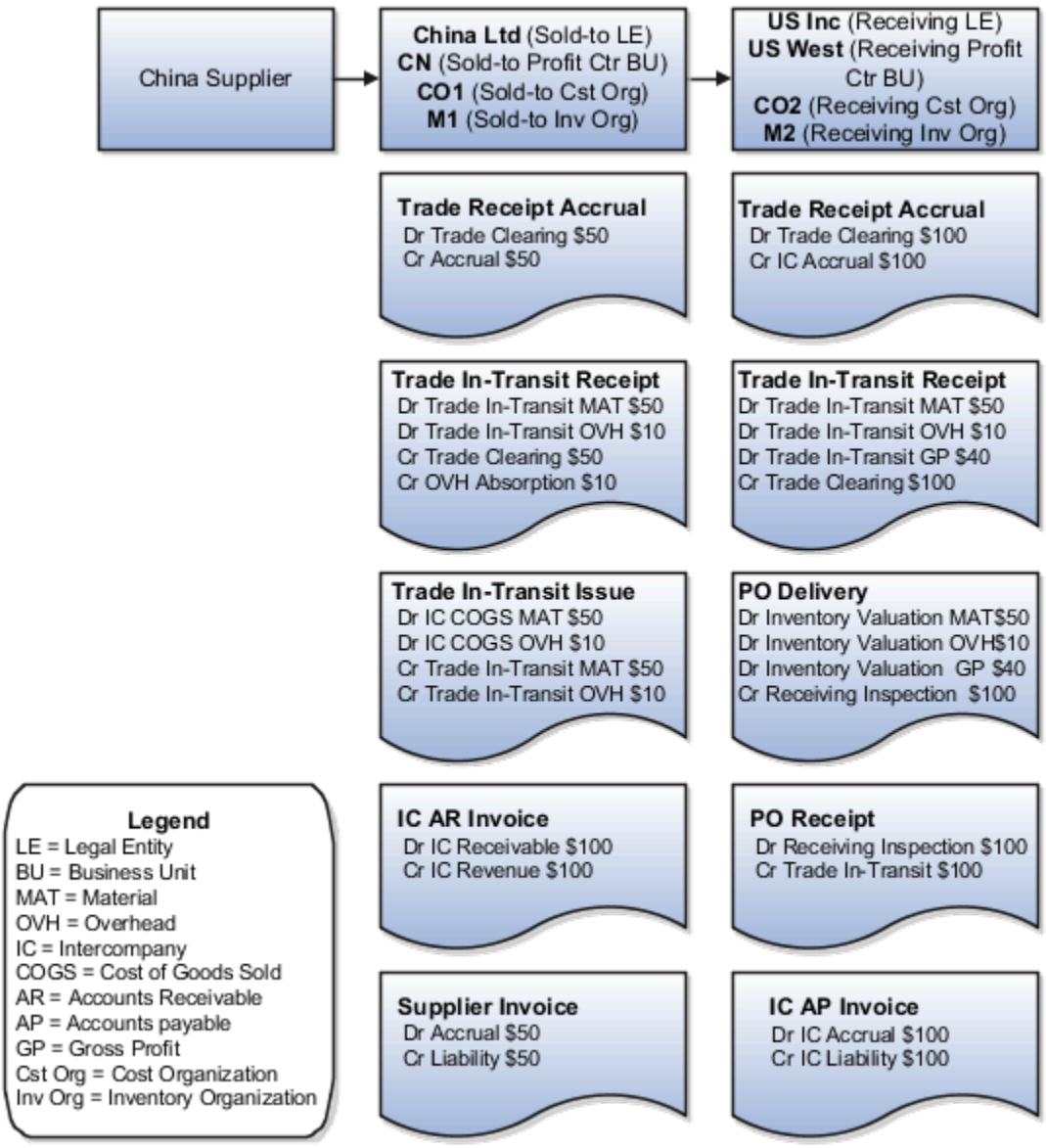
- Purchase Order (PO) price from China Supplier to China Ltd. is USD 50.
- Intercompany transfer price from China Ltd. to US Inc. is USD 100.
- Intercompany invoicing is set to Yes.
- Profit tracking is set to Yes.
- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in Cost Organization CO1.
- China Ltd books a profit of USD 40 (USD 100 transfer price - USD 50 PO price - USD 10 overhead).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following figure illustrates accounting entries for the forward flow from legal entity China Ltd. to legal entity US Inc.



Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes those distributions.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	50	USD	Not Applicable	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Accrual	-50	USD	Not Applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Expense	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Receipt	Overhead Absorption	-10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	PO Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Supplier Invoice	Accrual	50	USD	Not Applicable	PO Price
Receipt Accounting	Supplier Invoice	Liability	-50	USD	Not Applicable	PO Price

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

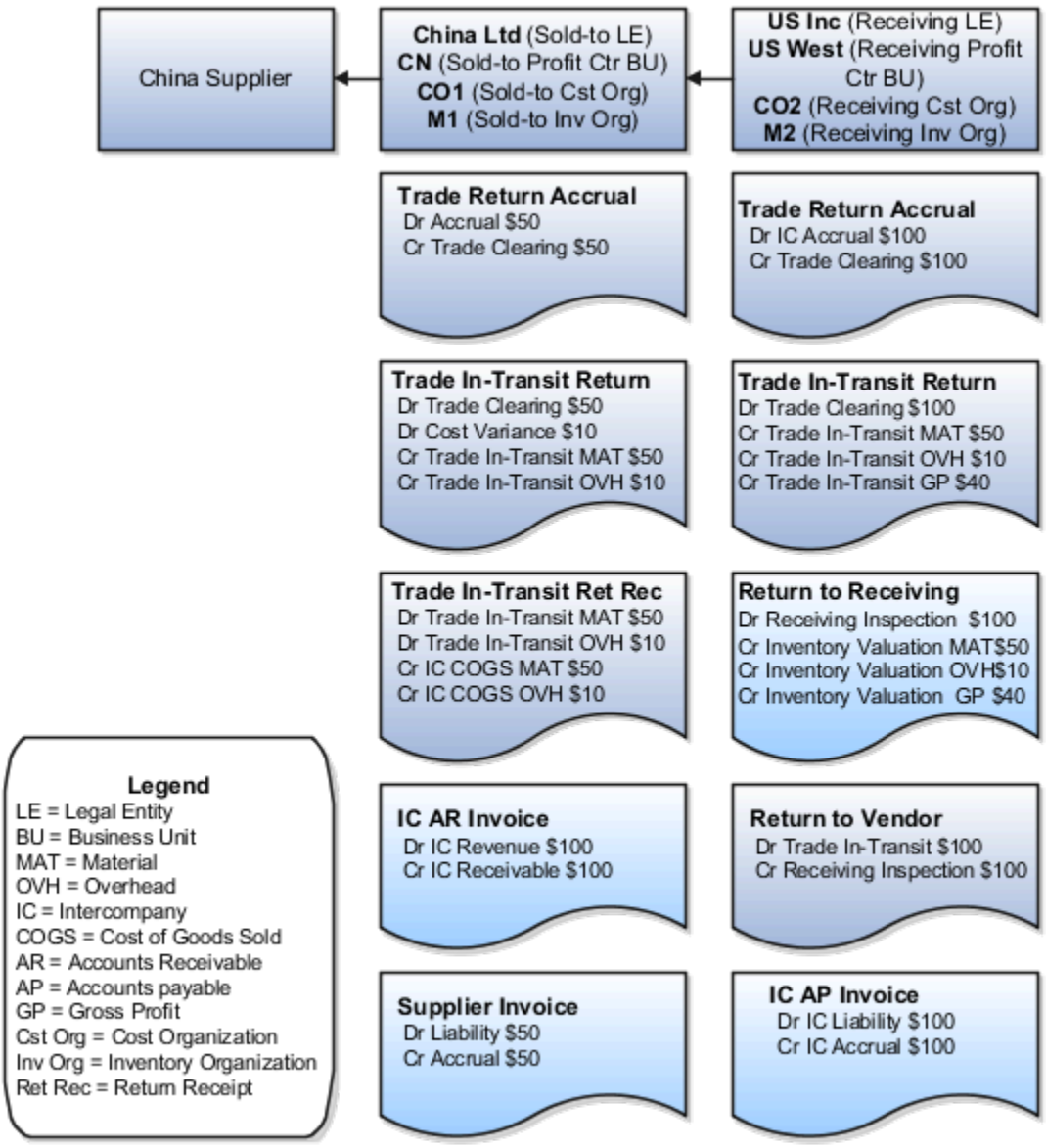
The following table describes those distributions.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not Applicable	Transfer Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	40	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Receipt	Trade In-Transit	-100	USD	Not Applicable	Transfer Price
Cost Accounting	PO Delivery	Inventory Valuation	50	USD	Material	Sending Organization Cost
Cost Accounting	PO Delivery	Inventory Valuation	10	USD	Overhead	Sending Organization Cost
Cost Accounting	PO Delivery	Inventory Valuation	40	USD	Profit in Inventory	Internal Markup
Cost Accounting	PO Delivery	Receiving Inspection	-100	USD	Not Applicable	Transfer Price

US Inc returns goods directly to China Supplier.

The following figure illustrates accounting entries for the return flow from legal entity US Inc to legal entity China Ltd.



Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

The following table describes those distributions.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD	Not Applicable	Transfer Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD	Material	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-40	USD	Profit in Inventory	Internal Markup
Cost Accounting	Return to Receiving	Receiving Inspection	100	USD	Material, Overhead, and Profit in Inventory	Transfer Price
Cost Accounting	Return to Receiving	Inventory Valuation	-50	USD	Material	Sending Organization Cost
Cost Accounting	Return to Receiving	Inventory Valuation	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Return to Receiving	Inventory Valuation	-40	USD	Profit in Inventory	Internal Markup
Receipt Accounting	Return to Supplier	Trade In-Transit	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Return to Supplier	Receiving Inspection	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Intercompany AP Invoice	Intercompany Liability	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Intercompany AP Invoice	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes those distributions.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Accrual	50	USD	Not Applicable	PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-50	USD	Not Applicable	PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Cost Variance*	10	USD	Not Applicable	Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Intercompany COGS	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Intercompany COGS	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Supplier Invoice	Liability	50	USD	Not Applicable	PO Price
Receipt Accounting	Supplier Invoice	Accrual	-50	USD	Not Applicable	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

Related Topics

- Overview of Global Procurement Trade Accounting
- Example of Accounting of Global Procurement Trade Transactions into Expense
- Review Item Cost and Global Procurement Trade Transaction Accounting

Example of Accounting of Global Procurement Trade Transactions into Expense

Oracle Receipt Accounting and Oracle Cost Accounting process transactions and create distributions for global procurement purchases that are received into expense destinations rather than inventory, and for services that are expensed.

The following is an example of accounting performed by Cost Accounting and Receipt Accounting for a global procurement flow into expense. It illustrates:

- Transactions that are captured in Oracle Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the forward flow of goods or services from the supplier, through the intermediary distributor, to the final receiving organization.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the receiving organization to the supplier.

Scenario

China Supplier ships the goods to US Inc. and the goods flow through an intermediary distributor, China Ltd.

Transactions from Supply Chain Financial Orchestration

The global procurement trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

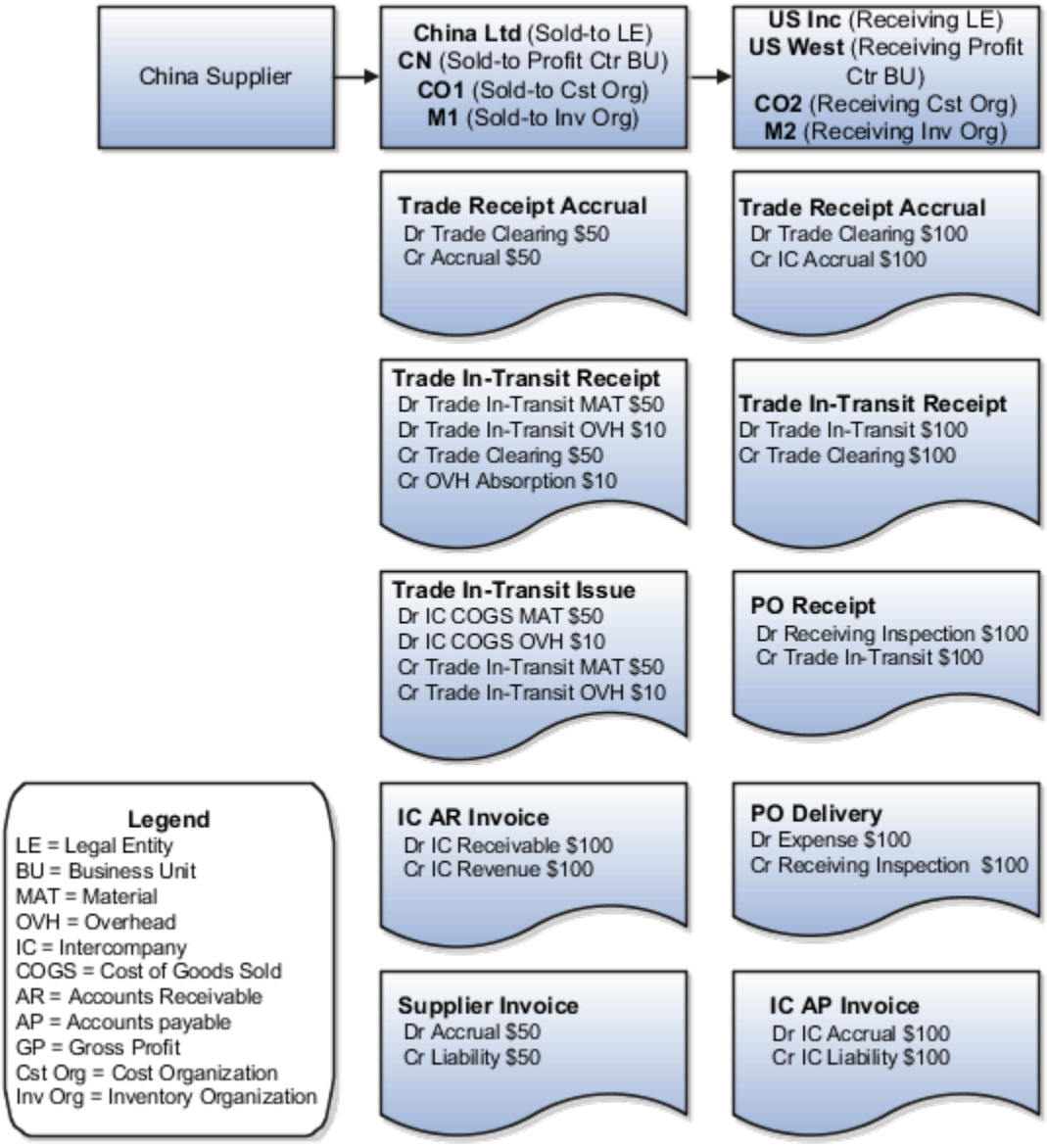
- Purchase Order (PO) price from China Supplier to China Ltd is USD 50.
- Intercompany transfer price from China Ltd to US Inc is USD 100.
- Intercompany invoicing is set to Yes.
- Profit tracking is set to Yes.
- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in cost organization CO1.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following figure illustrates the accounting entries for the forward flow from China Ltd (sold-to legal entity) to US Inc (receiving legal entity).



Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes those receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	50	USD	Not Applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-50	USD	Not Applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Receipt	Overhead Absorption	-10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Supplier Invoice	Accrual	50	USD	Not Applicable	PO Price
Receipt Accounting	Supplier Invoice	Liability	-50	USD	Not Applicable	PO Price

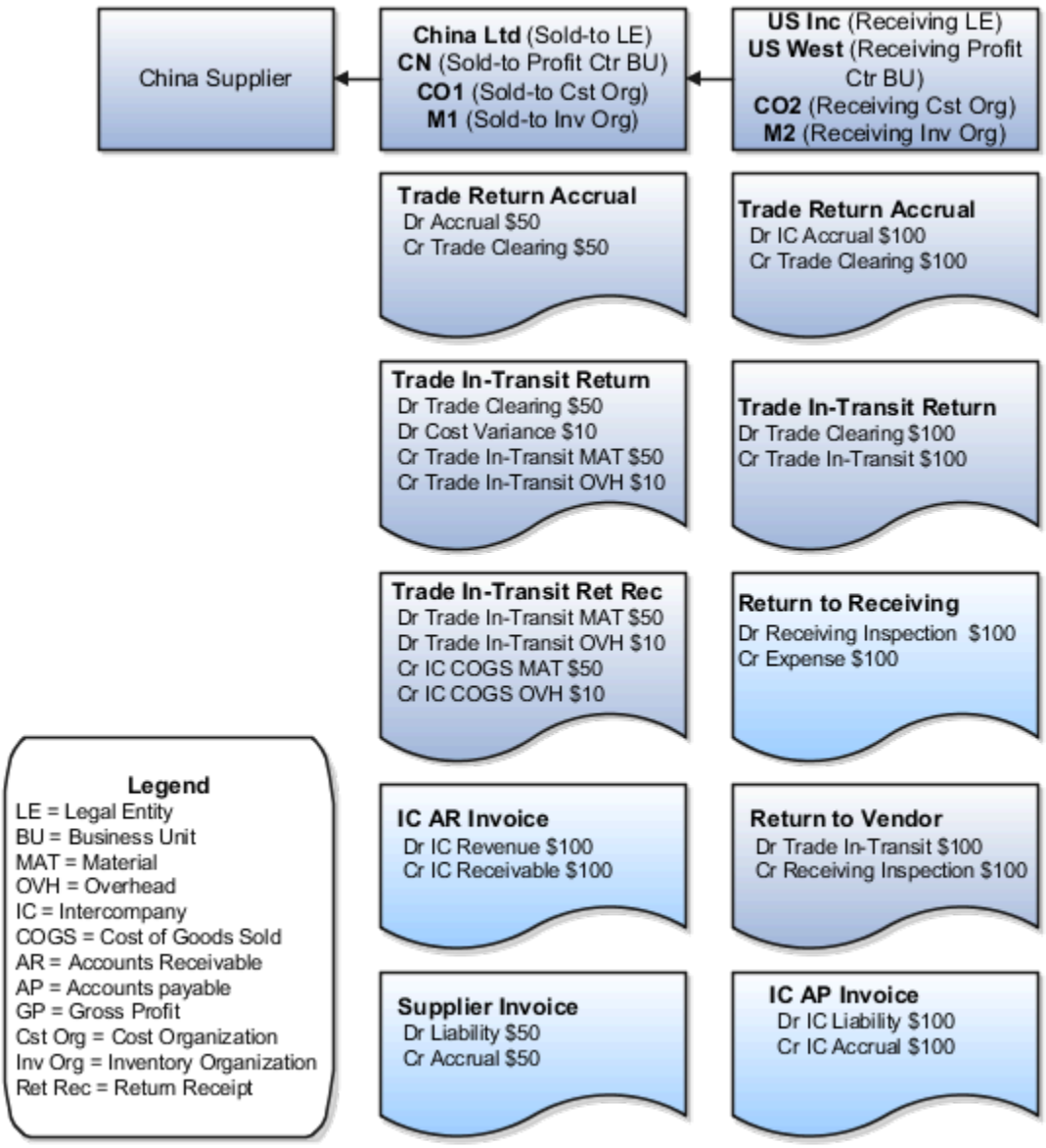
Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

The following table describes those receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Receipt	Trade In-Transit	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Delivery	Expense	100	USD	Not Applicable	Transfer Price
Receipt Accounting	PO Delivery	Receiving Inspection	-100	USD	Not Applicable	Transfer Price

US Inc. returns goods directly to China Supplier.

The following figure illustrates the accounting entries for the return flow from legal entity US Inc. to legal entity China Ltd .



Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

The following table describes those receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD	Not Applicable	Transfer Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD	Material	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD	Material	Transfer Price
Receipt Accounting	Return to Receiving	Receiving Inspection	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Return to Receiving	Expense	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Return to Supplier	Trade In-Transit	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Return to Supplier	Receiving Inspection	-100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes those receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	50	USD	Not Applicable	PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-50	USD	Not Applicable	PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	50	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Return	Cost Variance*	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	-10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivables	-100	USD	Not Applicable	Transfer Price
Receipt Accounting	Supplier Invoice	Liability	50	USD	Not Applicable	PO Price
Receipt Accounting	Supplier Invoice	Accrual	-50	USD	Not Applicable	PO Price

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

Related Topics

- Example of Accounting of Global Procurement Trade Transactions into Inventory
- Overview of Global Procurement Trade Accounting
- Review Item Cost and Global Procurement Trade Transaction Accounting

Review Item Cost and Global Procurement Trade Transaction Accounting

Oracle Receipt Accounting and Oracle Cost Accounting process and create accounting distributions for trade transactions in the supply chain.

You must first run the Create Receipt Accounting Distributions process and the Create Cost Accounting Distributions process for the supplier facing organization and associated primary cost book. You must then run these processes for the receiving organization. The transactions of the supplier facing organization and primary cost book must be costed before costing the transactions of the receiving organization.

The following explains how to review the results of global procurement trade transactions processed by Receipt Accounting and Cost Accounting.

Receipt Accounting Results

In the Receipt Accounting work area, access the Review Receipt Accounting Distributions page. On this page you can view accounting details by Source Document Number and Source Document Line Number. Source documents are purchase order schedules, transfer orders, and sales orders.

Cost Accounting Results

In the Cost Accounting work area:

- Access the Review Item Costs page. On this page you can view a breakdown of the cost of items, cost comparisons of items across organizations, and cost trends over time.
- Access the Review Cost Accounting Distributions page. On this page you can view accounting details of trade transactions by Reference Document Number.

Related Topics

- Receipt Accounting Tasks and Accounting Events
- Review Item Costs

Cost Accounting Examples

Example of Using the Actual Cost Method

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:

Receipt ID	Inventory Value
Receipt #1	10 * $10 = $100
Receipt #2	15 * $12 = $180

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

Receipt ID	Overhead Absorption
Receipt #1	Labor: $5 Facility: $3
Receipt #2	Labor: $8 Facility: $7

Resulting Accounting Distributions

The distribution processor generates the following accounting entries:

Event	Accounting Entry
Receipt #1: 10 units raw material	Dr Inventory-Raw Material $100 Cr Receiving $100
Receipt #1: overhead	Dr Inventory-Labor $5 Dr Inventory-Facility $3 Cr Overhead Absorption $8
Receipt #2: 15 units raw material	Dr Inventory-Raw Material $180

Event	Accounting Entry
	Cr Receiving $180
Receipt #2: overhead	Dr Inventory-Labor $8 Dr Inventory-Facility $7 Dr Overhead Absorption $15
COGS for 12 units (10 * $108/10) + (2 * $195/15)	Dr COGS $134 Cr Inventory $134

The beginning inventory is 25 units valued at: 10 * $10.8 + 15 * $13 = $303.

The ending inventory is 13 units valued at: 13 * $13 = $169.

Related Topics

- Actual Cost Method

Examples of Making Cost Adjustments

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.

Accounting Line Type	Debit	Credit
Inventory Valuation	$100	Not applicable
Offset	Not applicable	$100

Adjustment at Cost Element Level

Assume that an item has the following cost structure.

Cost Element	Amount
Material	$4.00

Cost Element	Amount
Freight	$1.00
Tax	$0.50
Utilities	$0.50

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.

Accounting Line Type	Debit	Credit
Inventory Valuation - Utilities	$50	Not applicable
Offset	Not applicable	$50

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.

Accounting Line Type	Debit	Credit
Inventory Valuation	$120	Not applicable
Offset	Not applicable	$120

Example of Receipt Cost Adjustment

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 accounting entries for the PO receipt, interorganization transfer to Organization B, and sales issues from Organization A and Organization B. The following table describes those accounting entries:

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

The cost distribution processor creates 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. The following table describes those accounting entries :

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

Related Topics

- Receipt Cost Adjustment and Propagation

Example of Acquisition Cost Adjustment for Partial Receipts

This example illustrates the accounting entries for an acquisition cost adjustment and the corresponding entries when the ignore invoice variances for inventory destination purchase orders feature is enabled.

Scenario

An organization has a purchase order receipt, for which it subsequently processes an invoice price variance adjustment.

Transaction Details

The details of the transactional data are listed in this table.

Transaction Type	Cost Component	Quantity	Price	Comments
PO		10	$10.00	
Receipt Accrual	PO Price	8	$10.00	
Deliver to Inventory	Standard Cost	8	$8.00	
Invoice (Match to PO)	Invoice Price	8	$12.00	Invoice Price Variance: $2.00

Note: You haven't opted in to the Calculate Acquisition Cost for Purchase Order Transactions with Enhanced Cost Processing feature.

Analysis

Run the cost processor to cost the initial PO receipt. After entering the receipt cost adjustment for the invoice price variance of $2 per unit, rerun the cost processor.

Resulting Accounting Distributions

The cost distribution processor creates these accounting entries.

Application	Transaction Type	Accounting Event	Item	Line Type	Cost Element	Dr.	Cr.
Receipt Accounting	Receipt	PO Receipt	AS54888	Receiving Inspection	N/A	$80.00	

Application	Transaction Type	Accounting Event	Item	Line Type	Cost Element	Dr.	Cr.
Receipt Accounting	Receipt	PO Receipt	AS54888	Accrual	N/A		$80.00
Receipt Accounting	Invoice Cost Adjustment	Invoice Cost Adjustment	AS54888	Receiving Inspection	N/A	$16.00	
Receipt Accounting	Invoice Cost Adjustment	Invoice Cost Adjustment	AS54888	Invoice Price Variance	N/A		$16.00
Cost Accounting	Delivery	Deliver to Inventory	AS54888	Inventory	Material	$64.00	
Cost Accounting	Delivery	Deliver to Inventory	AS54888	Purchase Price Variance	Purchase Price Variance	$16.00	
Cost Accounting	Delivery	Deliver to Inventory	AS54888	Receiving Inspection	Material		$64.00
Cost Accounting	Delivery	Deliver to Inventory	AS54888	Receiving Inspection	Purchase Price Variance		$16.00
Cost Accounting	Acquisition Cost Adjustment	Acquisition Cost Adjustment	AS54888	Inventory	Material	$12.80	
Cost Accounting	Acquisition Cost Adjustment	Acquisition Cost Adjustment	AS54888	Receiving Inspection	Material		$12.80

However, when the ignore invoice variances for inventory destination purchase orders feature is enabled by setting the value of the `ORA_CMR_IGNORE_AP_INV_VAR_ALL` profile option to Yes, you will notice that some of the additional distributions aren't created in receipt accounting or cost accounting. These are created only when this option is set to No, which is the default behavior. This table shows the accounting distributions when the option is set to Yes.

Application	Transaction Type	Accounting Event	Item	Line Type	Cost Element	Dr.	Cr.
Receipt Accounting	Receipt	PO Receipt	AS54888	Receiving Inspection	N/A	$80.00	
Receipt Accounting	Receipt	PO Receipt	AS54888	Accrual	N/A		$80.00
Cost Accounting	Delivery	Deliver to Inventory	AS54888	Inventory	Material	$64.00	
Cost Accounting	Delivery	Deliver to Inventory	AS54888	Purchase Price Variance	Purchase Price Variance	$16.00	

Application	Transaction Type	Accounting Event	Item	Line Type	Cost Element	Dr.	Cr.
Cost Accounting	Delivery	Deliver to Inventory	AS54888	Receiving Inspection	Material		$64.00
Cost Accounting	Delivery	Deliver to Inventory	AS54888	Receiving Inspection	Purchase Price Variance		$16.00

Related Topics

- Acquisition Cost Adjustment
- Manage Cost Accounting Profile Options

Example of Acquisition Cost Adjustment with Accrual Clearing

This example illustrates the accounting entries for an acquisition cost adjustment with accrual clearing.

Scenario

An organization has a purchase order receipt, for which it subsequently processes an invoice price variance adjustment.

Transaction Details

The details of the transactional data are listed in this table.

Transaction Type	Cost Component	Quantity	Price	Comments
PO		10	$10.00	
Receipt Accrual	PO Price	8	$10.00	
Deliver to Inventory	Standard Cost	8	$8.00	
Invoice (Match to PO)	Invoice Price	6	$12.00	Invoice Price Variance: $2.00
Accrual Clearing	PO Price	2	$10.00	

Note: You haven't opted in to the Calculate Acquisition Cost for Purchase Order Transactions with Enhanced Cost Processing feature.

Analysis

Run the cost processor to cost the initial PO receipt. After entering the receipt cost adjustment for the invoice price variance of $2 per unit, rerun the cost processor.

Resulting Accounting Distributions

The cost distribution processor creates these accounting entries.

Application	Transaction Type	Accounting Event	Item	Line Type	Cost Element	Dr.	Cr.
Receipt Accounting	Receipt	PO Receipt	AS54888	Receiving Inspection	N/A	$80.00	
Receipt Accounting	Receipt	PO Receipt	AS54888	Accrual	N/A		$80.00
Cost Accounting	Delivery	Deliver to Inventory	AS54888	Inventory	Material	$64.00	
Cost Accounting	Delivery	Deliver to Inventory	AS54888	Purchase Price Variance	Material	$16.00	
Cost Accounting	Delivery	Deliver to Inventory	AS54888	Receiving Inspection	Material		$80.00
Accounts Payable	Invoice	Invoice	AS54888	Accrual		$60.00	
Accounts Payable	Invoice	Invoice	AS54888	Invoice Price Variance		$12.00	
Accounts Payable	Invoice	Invoice	AS54888	Liability			$72.00
Receipt Accounting	Accrual Clearing	Accrual Clearing	AS54888	Accrual		$20.00	
Receipt Accounting	Accrual Clearing	Accrual Clearing	AS54888	Receiving Inspection			$20.00
Cost Accounting	Acquisition Cost Adjustment	Acquisition Cost Adjustment	AS54888	Receiving Inspection		$20.00	
Cost Accounting	Acquisition Cost Adjustment	Acquisition Cost Adjustment	AS54888	Purchase Price Variance			$20.00

Example of Procurement Flow using Dual Units of Measure with Partial Receipt and no Invoice

This example illustrates the accounting entries for a procurement flow with partial receipts and no invoice when using dual units of measure.

Scenario

Let's consider a purchase order for an item A005. The details for the purchase order PO1 are listed in this table.

Quantity	UOM	Secondary Quantity	Secondary UOM	Unit Price	Pricing UOM	Amount	Invoice Match Option
100	Ea	200	Lbs	$1.000	Lbs	$200.000	Order

You should note that the purchase order is priced by the secondary UOM and, therefore, the amount is calculated by using the secondary quantity. Also, the invoice match option is set to order.

For this PO, you have these receiving transactions.

Transaction	Transaction Quantity	Transaction UOM	Secondary Quantity	Secondary UOM
R1	4	Ea	9	Lbs
R2	2	Ea	4.5	Lbs

You also have an inventory put away transaction as listed in this table.

Transaction	Transaction Quantity	Transaction UOM	Costing Quantity	Costing UOM
D1	2	Ea	4.5	Lbs

Also, no invoice has been raised.

Analysis

We know the primary UOM is Each and the secondary UOM is Lbs.

For the purchase order PO1 we have this information:

```
Uninvoiced PO Quantity: 100 Ea

Uninvoiced PO Amount: $100.000
```

And for the put away transaction D1 we have this information:

```
Uninvoiced Delivered Quantity: 2 Ea

Uninvoiced Delivered Amount: $2.000
```

Therefore, the acquisition amount is $2.00. We arrive at this value by using this equation:

```
Acquisition Amount = Total Uninvoiced Delivered Quantity * Latest PO Price + Total Invoice Amount
```

In this case, we have no invoice.

The total delivered quantity in the costing UOM is 4.5 Lbs. Therefore, the unit cost in the costing UOM is $0.444.

```
$2.000/4.5 = $0.444
```

The corresponding entries created in Oracle Receipt Accounting are here.

Accounting Line Type	Source Document Number	Quantity	UOM	Unit Cost	Amount
Receiving Inspection	PO1	4	Ea	$1.000	$4.000
Receiving Inspection	PO1	2	Ea	$1.000	$2.000

The corresponding entries created in Oracle Cost Accounting are here:

Accounting Line Type	Reference Number	Costing Quantity	Costing UOM	Unit Cost	Amount	Document Number
Purchase Order Receipt	PO1	4.5	Lbs	$0.444	$2.000	D1

Example of Procurement Flow using Dual Units of Measure with Multiple Put Away and no Invoice

This example illustrates the accounting entries for a procurement flow with multiple inventory put away and no invoice when using dual units of measure.

Scenario

Let's extend the previous example with one more delivery transaction.

So, we have the purchase order PO1 with the details listed in this table.

Quantity	UOM	Secondary Quantity	Secondary UOM	Unit Price	Pricing UOM	Amount	Invoice Match Option
100	Ea	200	Lbs	$1.000	Lbs	$200.000	Order

And, we have the receiving transactions R1 and R2.

Transaction	Transaction Quantity	Transaction UOM	Secondary Quantity	Secondary UOM
R1	4	Ea	9	Lbs
R2	2	Ea	4.5	Lbs

The put away transactions D1, which same as that in the previous example, and D2, the new transaction, are listed in this table.

Transaction	Transaction Quantity	Transaction UOM	Costing Quantity	Costing UOM
D1	2	Ea	4.5	Lbs
D2	2	Ea	4.5	Lbs

Also, no invoice has been raised.

Analysis

We know the primary UOM is Each and the secondary UOM is Lbs.

For the purchase order PO1 we have this information:

```
Uninvoiced PO Quantity: 100 Ea
```

```
Uninvoiced PO Amount: $100.000
```

And for the put away transactions D1 and D2 we have this information:

```
Uninvoiced Delivered Quantity: 4 Ea
```

```
Uninvoiced Delivered Amount: $4.000
```

Therefore, the acquisition amount is $4.00. We arrive at this value by using this equation:

```
Acquisition Amount = Total Uninvoiced Delivered Quantity * Latest PO Price + Total Invoice Amount
```

In this case, we have no invoice.

The total delivered quantity in the costing UOM is 9 Lbs. Therefore, the unit cost in the costing UOM is $0.444.

```
$4.000/9 = $0.444
```

The entries in Oracle Receipt Accounting are same as the previous example. The corresponding entries created in Oracle Cost Accounting are listed in this table.

Accounting Line Type	Reference Number	Costing Quantity	Costing UOM	Unit Cost	Amount	Document Number
Purchase Order Receipt Adjustment	PO1	4.5	Lbs	-	-	D1
Purchase Order Receipt	PO1	4.5	Lbs	$0.444	$2.000	D2

Example of Procurement Flow using Dual Units of Measure with Partial Invoice

This example illustrates the accounting entries for a procurement flow with partial invoice when using dual units of measure.

Scenario

Let's extend the previous example by including a partial invoice. So, the purchase order, receipt transactions and put away transactions are same as that in the previous example.

Quantity	UOM	Secondary Quantity	Secondary UOM	Unit Price	Pricing UOM	Amount	Invoice Match Option
100	Ea	200	Lbs	$1.000	Lbs	$200.000	Order

Transaction	Transaction Quantity	Transaction UOM	Secondary Quantity	Secondary UOM
R1	4	Ea	9	Lbs
R2	2	Ea	4.5	Lbs

Transaction	Transaction Quantity	Transaction UOM	Costing Quantity	Costing UOM
D1	2	Ea	4.5	Lbs
D2	2	Ea	4.5	Lbs

An invoice is raised with the details listed in this table.

Invoice	Invoice Quantity	Invoice UOM	Invoice Price	Invoice Amount	IPV	Total Invoice Amount
I1	10	Ea	$0.500	$10.000	($5.000)	$5.000

Analysis

We know the primary UOM is Each and the secondary UOM is Lbs.

For the purchase order PO1 we have this information:

```
Uninvoiced PO Quantity: 100 Ea
```

```
Uninvoiced PO Amount: $100.000
```

And based on the put away transactions and invoice we have this information:

```
Uninvoiced Delivered Quantity: -6 Ea
```

```
Uninvoiced Delivered Amount: ($6.000)
```

Therefore, the acquisition amount is ($1.00). We arrive at this value by using this equation:

```
Acquisition Amount = Total Uninvoiced Delivered Quantity * Latest PO Price + Total Invoice Amount
```

The total delivered quantity in the costing UOM is 9 Lbs. Therefore, the unit cost in the costing UOM is ($0.111).

```
($1.000)/9 = ($0.111)
```

The corresponding entry created in Oracle Receipt Accounting is listed in this table.

Accounting Line Type	Source Document Number	Quantity	UOM	Unit Cost	Amount
Invoice Price Adjustment	PO1	10	Ea	($0.500)	($5.000)

The corresponding entries created in Oracle Cost Accounting are listed in this table.

Accounting Line Type	Reference Number	Costing Quantity	Costing UOM	Unit Cost	Amount	Document Number
Acquisition Cost Adjustment	PO1	4.5	Lbs	($0.556)	($2.500)	D1
Acquisition Cost Adjustment	PO1	4.5	Lbs	($0.556)	($2.500)	D2

The unit cost for the acquisition cost adjustment is the difference between the unit cost after the invoice is raised and the unit cost before the invoice was raised, which is available in the previous example.

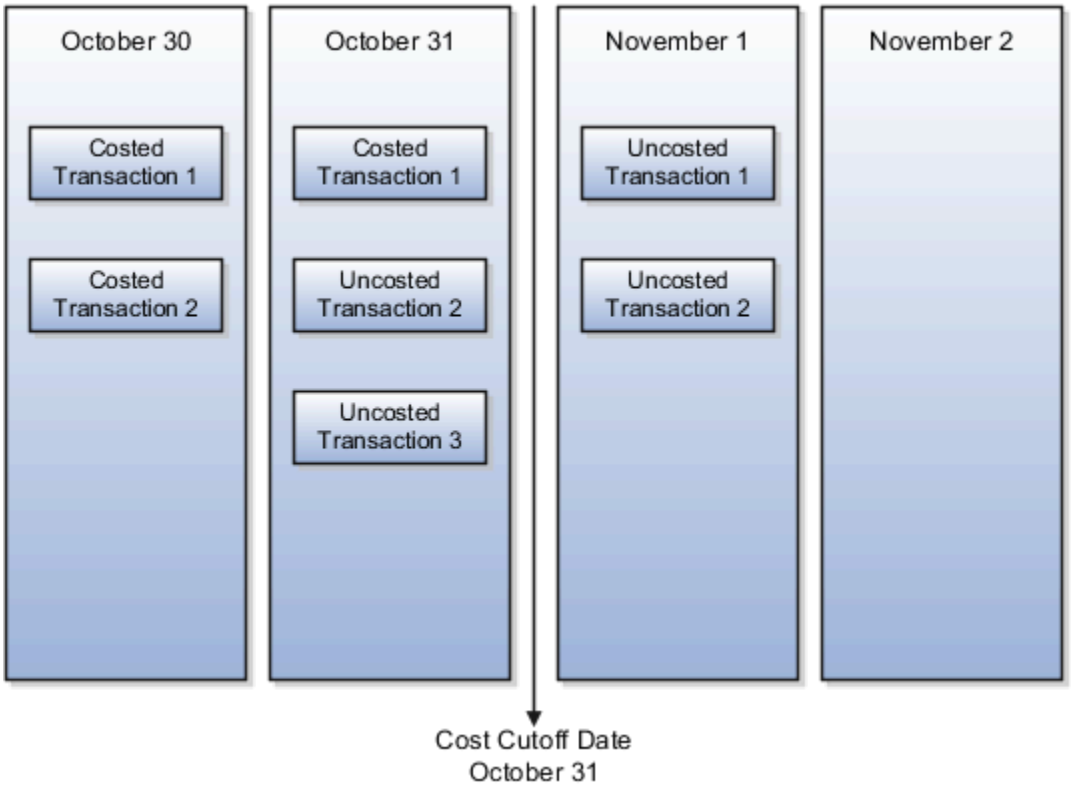
Examples of Backdating of Transactions

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.

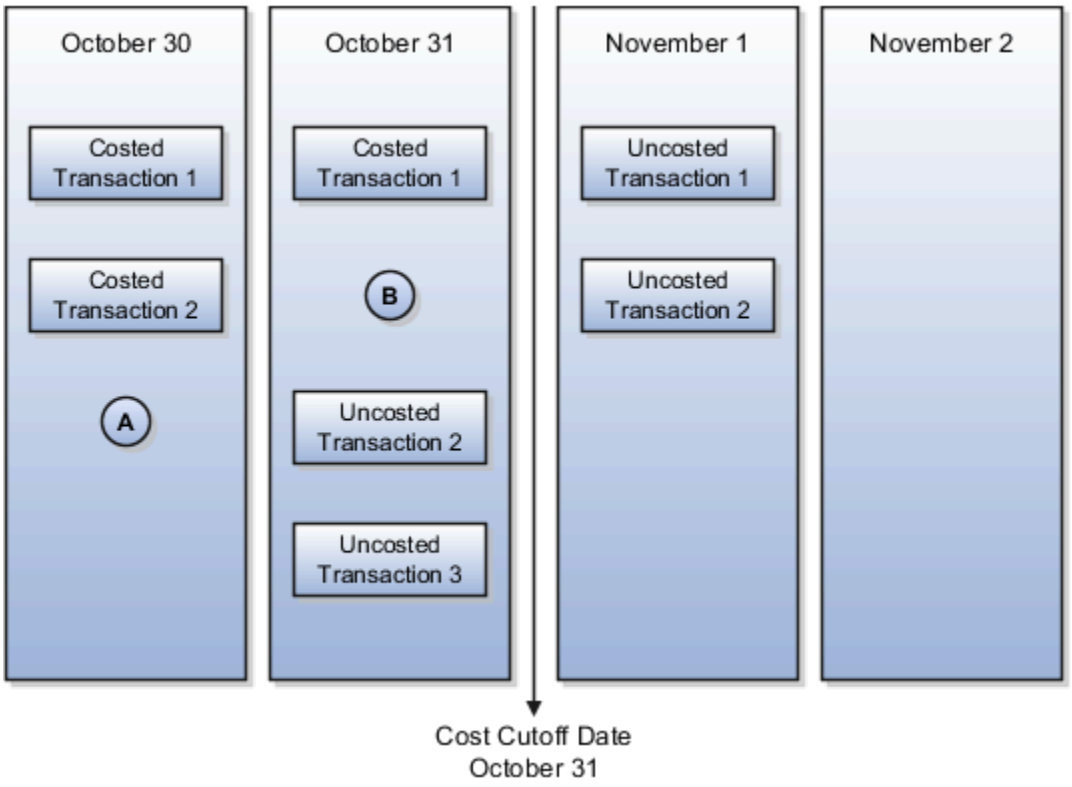
The following costed and uncosted transactions are in process.



Example 1

Transactions are backdated to a point before the latest costed transaction.

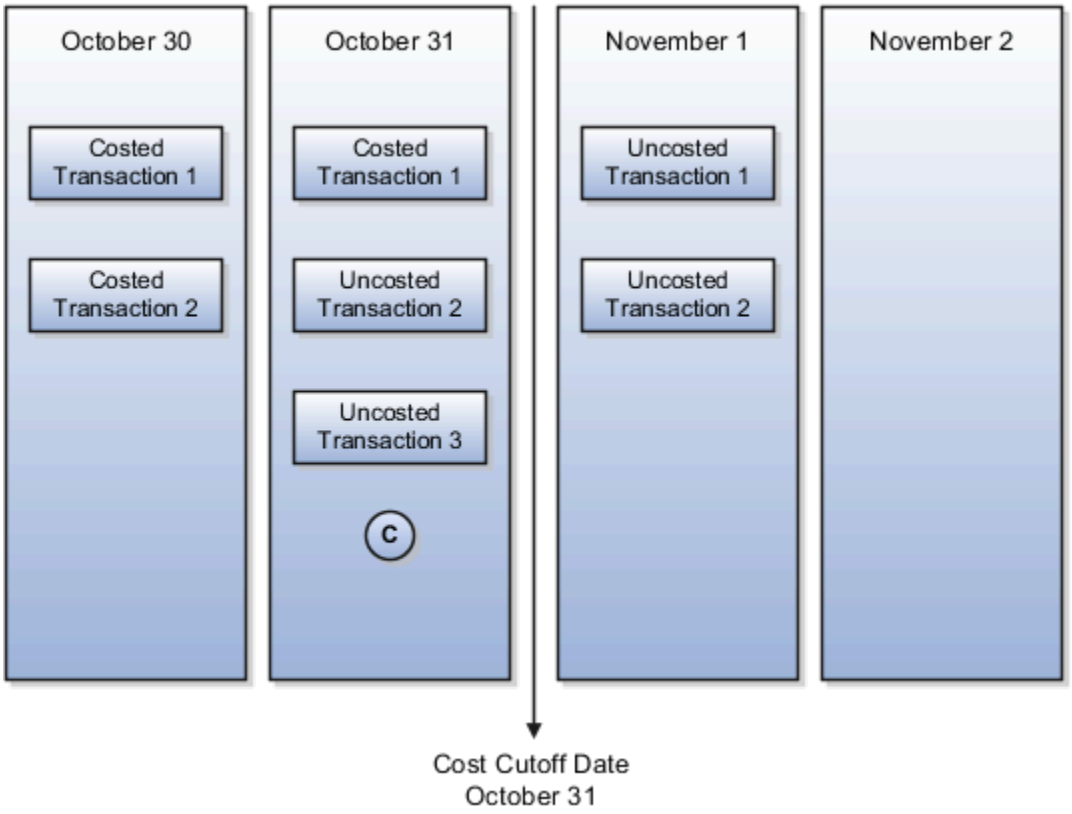
In the following figure, the inventory transaction is backdated to position A. The transaction is costed with accounting date B before transactions 2 and 3 are processed. The transaction created on November 2 and backdated to October 30 is costed with the effective date of October 31.



Example 2

Transactions are backdated to a point between the latest costed transaction and the cost cutoff date.

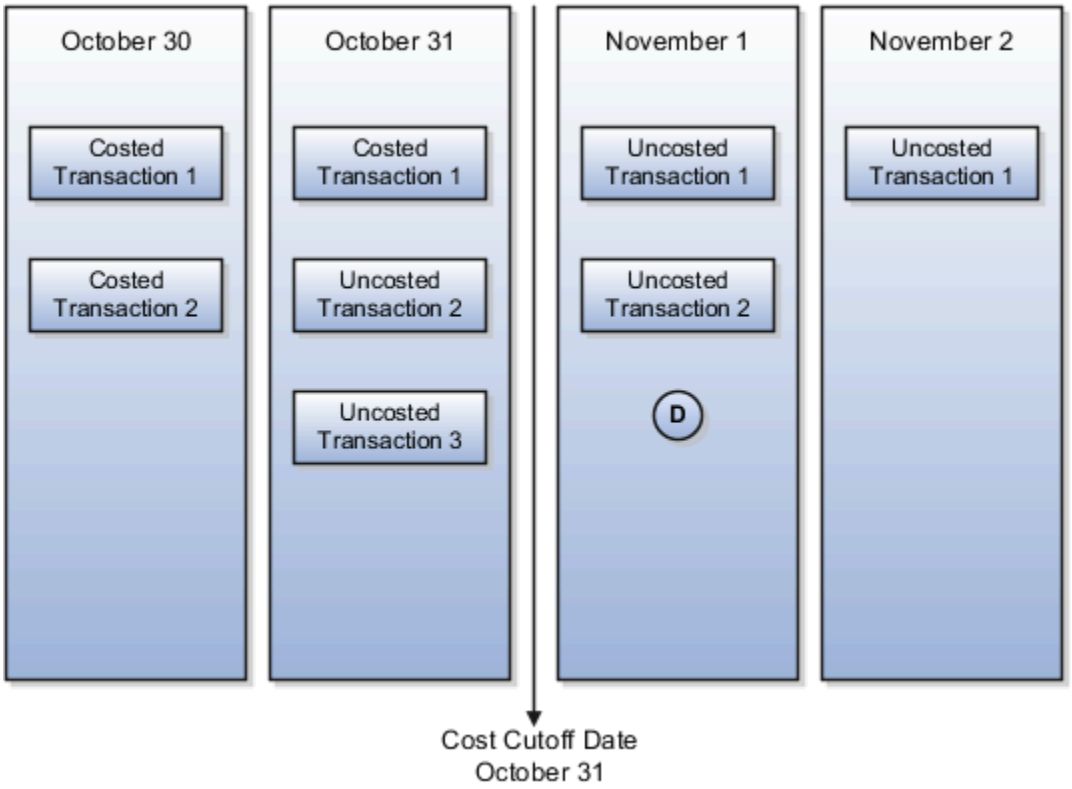
In the following figure, the inventory transaction is backdated to position C. The transaction is costed with accounting date C after transactions 2 and 3 are processed. The transaction created on November 2 and backdated to October 31 is costed with the effective date of October 31.



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.



Note: A transaction can be backdated only to period with open or pending close status. If the transaction is backdated to a date that falls in a period which is in closed or final close status, then the the cost date of the transaction is set to the 1st day of the next open period. If no open period is available, then the transaction processing fails with an error.

Example of Overhead Absorption for Miscellaneous Receipt or Subinventory Transfer (Receipt)

This example of overhead absorption for a standard costed item is applicable for miscellaneous receipt transaction and receipt of a subinventory transfer transaction.

Let's consider a miscellaneous receipt for a standard costed item. The cost details are shown in this table.

Cost Element	Standard Cost
Material	$100.00
Freight Overhead	$20.00

The accounting distributions for this miscellaneous receipt with overhead absorption enabled, which is the default setting, are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Inventory	Material	$100.00	
Inventory	Freight Overhead	$20.00	
Offset	Material		$100.00
Overhead Absorption	Freight Overhead		$20.00

However, if you've set the transaction type to not absorb the overhead, then the accounting distributions created are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Inventory	Material	$100.00	
Inventory	Freight Overhead	$20.00	
Offset	Material		$100.00
Offset	Freight Overhead		$20.00

Example of Overhead Absorption for Interorganization Transfer Receipt

This is an example of overhead absorption for the interorganization transfer receipt of a standard costed item.

Let's consider an interorganization transfer for a standard costed item. The transfer price at the source organization and the standard cost details at the destination organization are shown in this table.

Cost Element	Transfer Price	Standard Cost
Material	$100.00	$110.00
Freight Overhead	$20.00	$30.00

The accounting distributions for this interorganization transfer receipt with overhead absorption enabled are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Inventory	Material	$110.00	
Inventory	Overhead	$30.00	
Transfer Price Variance	Material	$10.00	
Trade In Transit Valuation	Material		$100.00
Trade In Transit Valuation	Overhead		$20.00
Overhead Absorption	Overhead		$30.00

However, if you've set the transaction type to not absorb the overhead, then the accounting distributions created are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Inventory	Material	$110.00	
Inventory	Overhead	$30.00	
Trade In Transit Valuation	Material		$100.00
Trade In Transit Valuation	Overhead		$20.00
Transfer Price Variance	Material		$10.00
Transfer Price Variance	Overhead		$10.00

The accounting distributions will be same even in the case of return to the source organization.

Example of Overhead Absorption for Interorganization Transfer Return

This is an example of overhead absorption for the interorganization transfer return of a standard costed item.

Let's consider an interorganization transfer return for a standard costed item from the previous example. Note that the interorganization transfer return derives the overhead absorption setting from the corresponding forward flow.

The accounting distributions for this interorganization transfer return with overhead absorption enabled are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Inventory	Material		$110.00
Inventory	Overhead		$30.00
Transfer Price Variance	Material		$10.00
Trade In Transit Valuation	Material	$100.00	
Trade In Transit Valuation	Overhead	$20.00	
Cost Variance	Overhead	$30.00	

However, if you've set the transaction type to not absorb the overhead, then the accounting distributions created are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Inventory	Material		$110.00
Inventory	Overhead		$30.00
Trade In Transit Valuation	Material	$100.00	
Trade In Transit Valuation	Overhead	$20.00	
Transfer Price Variance	Material	$10.00	
Transfer Price Variance	Overhead	$10.00	

Example of Overhead Absorption for Purchase Order Receipt

This is an example of overhead absorption for the purchase order receipt of a standard costed item.

Let's consider a purchase order for a standard costed item. The purchase price is $150 and quantity is 1. The standard cost details for the item are shown in this table.

Cost Element	Standard Cost
Material	$100.00
Overhead	$20.00

The accounting distributions for the purchase order receipt with overhead absorption enabled are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Inventory	Material	$100.00	
Purchase Price Variance	Material	$50.00	
Receiving Inspection	Material		$150.00
Inventory	Overhead	$20.00	
Overhead Absorption	Overhead		$20.00

However, if you've set the transaction type to not absorb the overhead, then the accounting distributions created are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Inventory	Material	$100.00	
Purchase Price Variance	Material	$50.00	
Receiving Inspection	Material		$150.00
Inventory	Overhead	$20.00	
Purchase Price Variance	Overhead		$20.00

Example of Overhead Absorption for Purchase Order Return

This is an example of overhead absorption for the purchase order return of a standard costed item.

Let's consider a return of item from the previous purchase order example. Note that the purchase order return derives the overhead absorption setting from the corresponding forward flow.

The accounting distributions for the purchase order return with overhead absorption enabled are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Receiving Inspection	Material	$150.00	
Cost Variance	Overhead	$20.00	
Inventory	Material		$100.00
Inventory	Overhead		$20.00
Purchase Price Variance	Material		$50.00

However, if you've set the transaction type to not absorb the overhead, then the accounting distributions created are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Receiving Inspection	Material	$150.00	
Purchase Price Variance	Overhead	$20.00	
Inventory	Material		$100.00
Inventory	Overhead		$20.00
Purchase Price Variance	Material		$50.00

Example of Overhead Absorption for Drop Ship Delivery in Receiving Business Unit

This is an example of overhead absorption for a drop ship delivery in the receiving business unit.

Let's consider a drop ship purchase order for a standard costed item. The purchase price is $150 and quantity is 1. The standard cost details for the item are shown in this table.

Cost Element	Standard Cost
Material	$100.00
Overhead	$20.00

The accounting distributions for the drop ship delivery with overhead absorption enabled are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Drop Ship Inventory	Material	$100.00	
Purchase Price Variance	Material	$50.00	
Receiving Inspection	Material		$150.00
Drop Ship Inventory	Overhead	$20.00	
Overhead Absorption	Overhead		$20.00

However, if you've set the transaction type to not absorb the overhead, then the accounting distributions created are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Drop Ship Inventory	Material	$100.00	
Purchase Price Variance	Material	$50.00	
Receiving Inspection	Material		$150.00
Drop Ship Inventory	Overhead	$20.00	
Purchase Price Variance	Overhead		$20.00

Example of Overhead Absorption for Trade in Transit Receipt in Supplier Facing Business Unit for Global Procurement

This is an example of overhead absorption for a Trade in Transit Receipt transaction of drop ship delivery in the supplier facing business unit.

Let's consider a drop ship purchase order for a standard costed item. The purchase price is $150 and quantity is 1. The standard cost details for the item are shown in this table.

Cost Element	Standard Cost
Material	$100.00
Overhead	$20.00

The accounting distributions for the drop ship delivery with overhead absorption enabled are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Trade In-Transit Valuation	Material	$100.00	
Purchase Price Variance	Material	$50.00	
Trade Clearing	Material		$150.00
Trade In-Transit Valuation	Overhead	$20.00	
Overhead Absorption	Overhead		$20.00

However, if you've set the transaction type to not absorb the overhead, then the accounting distributions created are listed in this table.

Accounting Line Type	Cost Element	Debit	Credit
Trade In-Transit Valuation	Material	$100.00	
Purchase Price Variance	Material	$50.00	
Trade Clearing	Material		$150.00
Trade In-Transit Valuation	Overhead	$20.00	

Accounting Line Type	Cost Element	Debit	Credit
Purchase Price Variance	Overhead		$20.00

Example of Accounting of Trade Transactions in Internal Drop Shipments

An internal drop shipment is a trade transaction involving the movement of goods from an inventory organization directly to a customer, yet the business unit that sells the goods to the customer is different from the business unit to which the inventory organization belongs.

From the financial standpoint, the business unit to which the inventory organization belongs sells the goods to the other business unit who, in turn, sells the goods to the customer.

The following is an example of accounting performed by Oracle Cost Accounting and Oracle Receipt Accounting for an internal drop shipment. It illustrates:

- Transactions that are captured in Oracle Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the drop shipment flow from the selling organization to the customer of the buying organization.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the customer to the seller.

Scenario

China Ltd. drop ships the goods to the customer of US Inc.

Transactions from Supply Chain Financial Orchestration

The trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

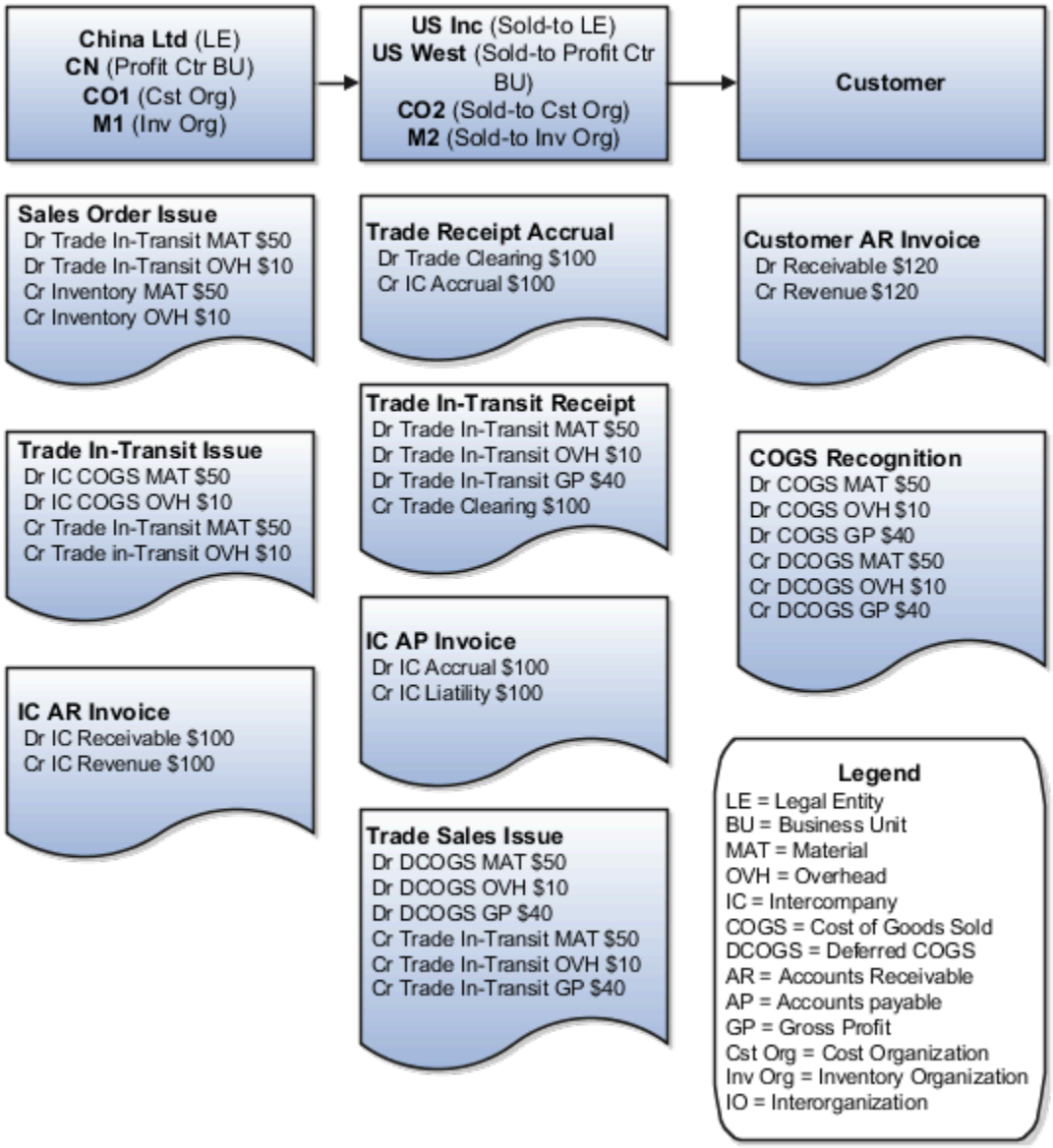
- China Ltd. acquires goods locally at the cost of USD 50, plus USD 10 overhead on the receipt of goods.
- Intercompany transfer price from China Ltd. to US Inc. is USD 100.
- Intercompany invoicing is set to Yes.
- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in Cost Organization CO1.
- US Inc. books a profit of USD 40 (USD 100 transfer price - USD 50 PO price - USD 10 overhead).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the transfer of goods.

Accounting Entries

The following figure illustrates accounting entries for the shipment from legal entity China Ltd. to legal entity US Inc.



Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes the cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Sales Order Issue	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	Sales Order Issue	Trade In-Transit	10	USD	Overhead	Current Cost

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Sales Order Issue	Inventory	-50	USD	Material	Current Cost
Cost Accounting	Sales Order Issue	Inventory	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Current Cost
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD	Not Applicable	Transfer Price

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

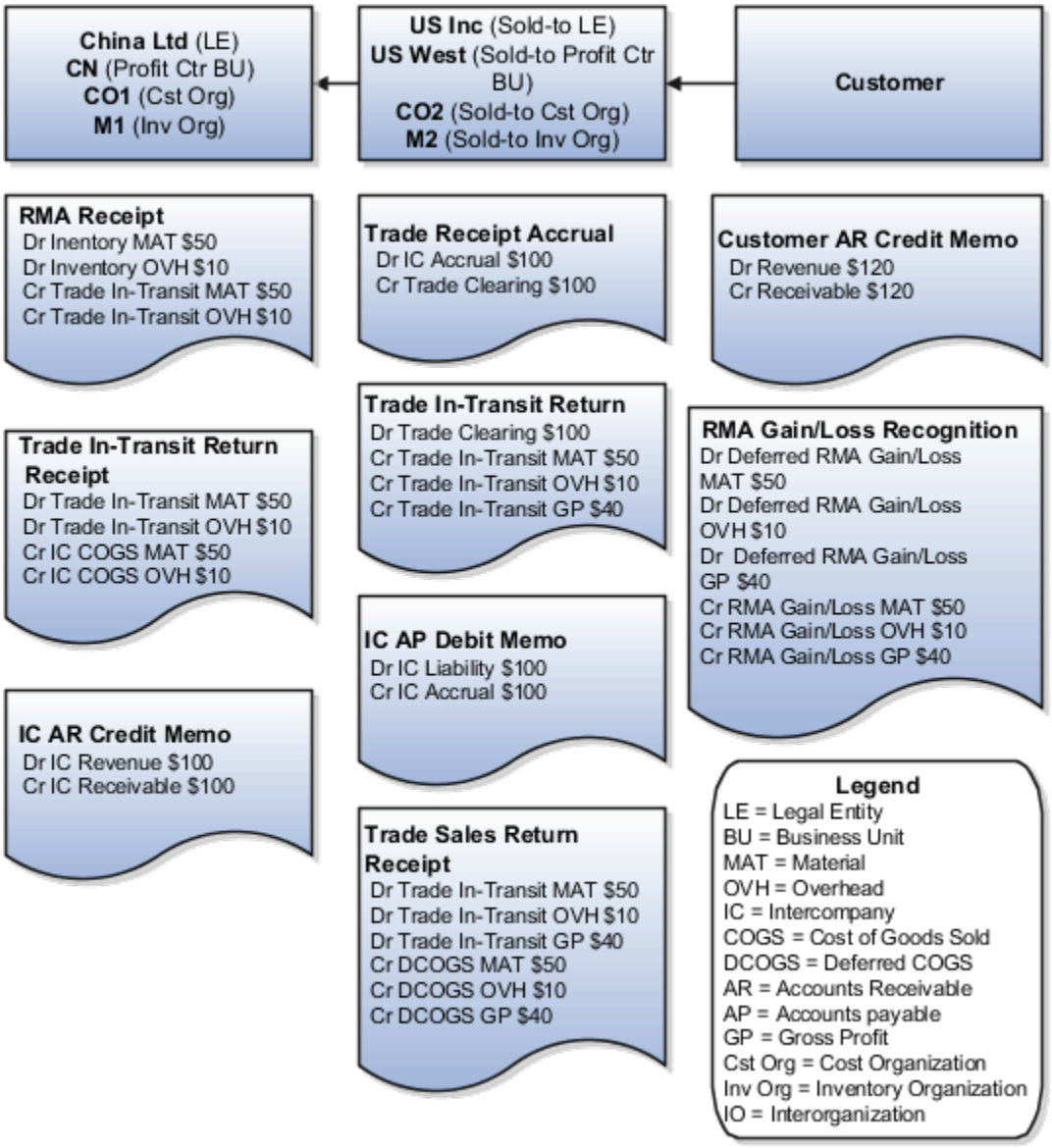
The following table describes the receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	40	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material, Overhead, and Profit in Inventory	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	40	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade Sales Issue	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade Sales Issue	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade Sales Issue	Trade In-Transit	-40	USD	Profit in Inventory	Internal Markup

The customer returns goods directly to China Ltd.

The following figure illustrates accounting entries for the return flow from US Inc (Sold-to Legal Entity) to China Ltd (Legal Entity).



Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

The following table describes those receipt and cost accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD	Not Applicable	Transfer Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD	Not Applicable	Transfer Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD	Split into three lines (Material, Overhead, and Profit in Inventory)	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-40	USD	Profit in Inventory	Internal Markup
Accounts Payable	Intercompany Accounts Payable Debit Memo	Intercompany Liability	100	USD	Not Applicable	Transfer Price
Accounts Payable	Intercompany Accounts Payable Debit Memo	Intercompany Accrual	-100	USD	Not Applicable	Transfer Price
Cost Accounting	Trade Sales Return Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade Sales Return Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade Sales Return Receipt	Trade In-Transit	40	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-40	USD	Profit in Inventory	Internal Markup

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

The following table describes those accounting entries.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	RMA Receipt	Inventory*	50	USD	Material	Current Cost
Cost Accounting	RMA Receipt	Inventory	10	USD	Overhead	Current Cost
Cost Accounting	RMA Receipt	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	RMA Receipt	Trade In-Transit	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-10	USD	Overhead	Current Cost
Accounts Receivable	Intercompany Accounts Receivable Credit Memo	Intercompany Revenue	100	USD	Not Applicable	Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Credit Memo	Intercompany Receivable	-100	USD	Not Applicable	Transfer Price

* Inventory is received at the current cost, and the difference between transfer price and cost is booked as cost variance.

Related Topics

- Overview of Global Procurement Trade Accounting
- Review Item Cost and Global Procurement Trade Transaction Accounting
- Example of Accounting of Global Procurement Trade Transactions into Inventory
- Promise Sales Orders in Your Drop Ship Flow

Example of Accounting of Acquisition Cost Adjustment for External Drop Shipments

This example illustrates the accounting of acquisition cost adjustments, performed by Oracle Receipt Accounting and Oracle Cost Accounting, for external drop shipments.

Scenario

Supplier of Vision Operations drop ships the goods to the customer of Brazil Operations.

An intercompany transfer price is established between Vision Operations and Brazil Operations. Vision Operations, the supplier-facing organization, will make the settlement to the supplier.

Transactions from Oracle Supply Chain Financial Orchestration

Trade agreements are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

- Supplier of Vision Operations sends goods directly to the customer at the cost of USD 240 per unit.
- Intercompany transfer price from Vision Operations to Brazil Operations is USD 360 per unit.
- Order is for 2 units.
- Profit tracking is set to Yes.
- Intercompany Invoicing is set to Yes.
- Vision Operations books a profit of USD 120 per unit (USD 360 transfer price - USD 240 PO price).
- Later, the supplier sends an actual invoice for USD 400, resulting in an invoice price variance of USD 160 per unit. Because the transfer price is USD 360, the revised profit for Vision Operations is USD -40.

Accounting Entries

Accounting entries are created for the shipment of goods from the legal entity Vision Operations to the other legal entity Brazil Operations.

Accounting Entries for Vision Operations

The following table describes the accounting entries for the drop shipment flow for Vision Operations, the supplier-facing organization.

Subledger	Event Type	Accounting Line Type	Cost Element/Cost Source	Debit	Credit
Receipt Accounting	Receipt Into Receiving Inspection	Receiving Inspection	PO Price	480	
Receipt Accounting	Receipt Into Receiving Inspection	Accrual	PO Price		480
Cost Accounting	Drop Ship Delivery	Drop Ship Inventory	Material	480	
Cost Accounting	Drop Ship Delivery	Receiving Inspection	Material		480

Subledger	Event Type	Accounting Line Type	Cost Element/Cost Source	Debit	Credit
Cost Accounting	Drop Ship Trade In-transit Issue	Intercompany COGS	Material	480	
Cost Accounting	Drop Ship Trade In-transit Issue	Drop Ship Inventory	Material		480

The following table describes the accounting entries created because of acquisition cost adjustments resulting from price changes.

Subledger	Event Type	Accounting Line Type	Cost Element/Cost Source	Debit	Credit
Receipt Accounting	Invoice Price Adjustment	Receiving Inspection	Invoice Price Variance	320	
Receipt Accounting	Invoice Price Adjustment	Invoice Price Adjustment	Invoice Price Variance		320
Cost Accounting	Drop Ship Delivery	Drop Ship Inventory	Material-IPV	320	
Cost Accounting	Drop Ship Delivery	Receiving Inspection	Material-IPV		320
Cost Accounting	Drop Ship Trade In-transit Issue	Intercompany COGS	Material-IPV	320	
Cost Accounting	Drop Ship Trade In-transit Issue	Drop Ship Inventory	Material-IPV		320

Accounting Entries for Brazil Operations

The following table describes the accounting entries for the drop shipment flow for Brazil Operations, the customer-facing organization:

Subledger	Event Type	Accounting Line Type	Cost Element/Cost Source	Debit	Credit
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	Transfer Price	720	
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	Transfer Price		720
Cost Accounting	Trade In-transit Receipt	Trade Clearing	Material		480
Cost Accounting	Trade In-transit Receipt	Trade In-Transit Valuation	Material	480	
Cost Accounting	Trade In-transit Receipt	Trade In-Transit Valuation	Profit in inventory - V1	240	
Cost Accounting	Trade In-transit Receipt	Trade Clearing	Profit in inventory - V1		240
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	Material	480	

Subledger	Event Type	Accounting Line Type	Cost Element/Cost Source	Debit	Credit
Cost Accounting	Trade Sales Issue	Trade In-Transit Valuation	Material		480
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	Profit in inventory - V1	240	
Cost Accounting	Trade Sales Issue	Trade In-Transit Valuation	Profit in inventory - V1		240

The following table describes the accounting entries resulting from acquisition cost adjustments, for Brazil Operations.

Subledger	Event Type	Accounting Line Type	Cost Element/Cost Source	Debit	Credit
Cost Accounting	Trade In-transit Receipt	Trade In-Transit Valuation	Material-IPV		320
Cost Accounting	Trade In-transit Receipt	Trade Clearing	Material-IPV	320	
Cost Accounting	Trade In-transit Receipt	Trade In-Transit Valuation	Profit in inventory - V1	320	
Cost Accounting	Trade In-transit Receipt	Trade Clearing	Profit in inventory - V1		320
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	Material-IPV	320	
Cost Accounting	Trade Sales Issue	Trade In-Transit Valuation	Material-IPV		320
Cost Accounting	Trade Sales Issue	Trade In-Transit Valuation	Profit in inventory - V1	320	
Cost Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	Profit in inventory - V1		320

Example of Consigned Inventory Accounting in a Simple Purchase Order

When an organization receives a shipment of goods under a consignment purchase order, the ownership of the goods remains with the supplier even after they are in the custody of the buyer. Ownership passes from the supplier to the buyer when the inventory is consumed.

When the inventory is consumed, two events occur: First there is a transfer of ownership to the buyer and the consigned goods become owned inventory for a brief period of time, then the owned inventory is depleted.

The following example illustrates:

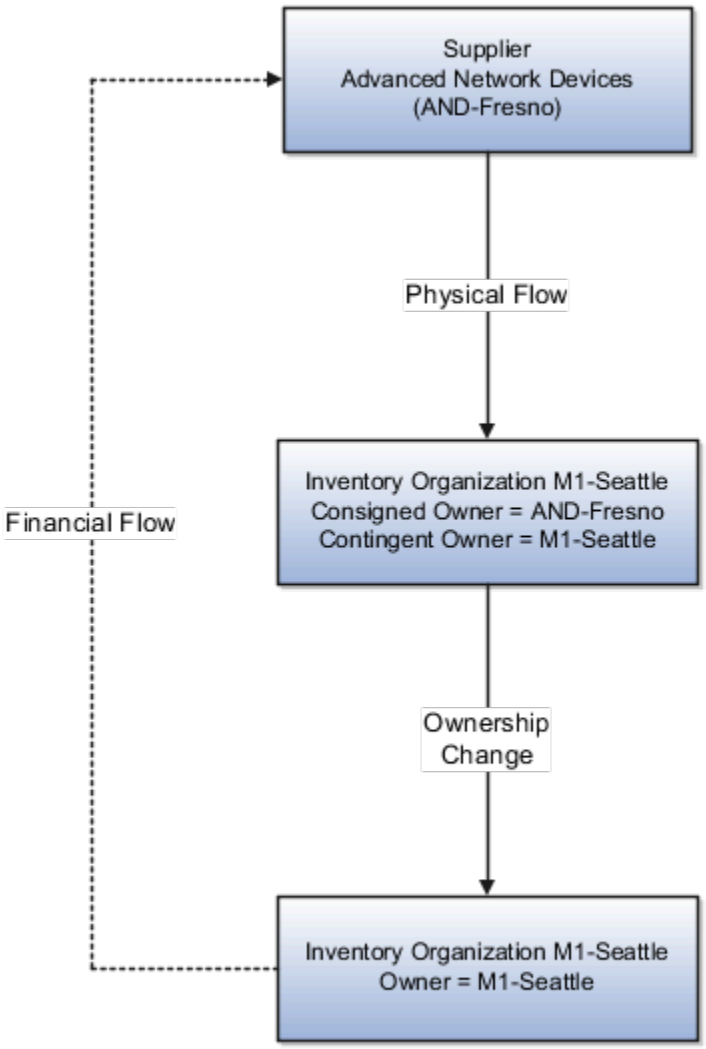
- The physical and financial flow of consigned inventory under a consigned purchase order (PO).

- The transaction that flows from Oracle Inventory Management into Oracle Cost Accounting and Oracle Receipt Accounting.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods under a consigned purchase order to inventory organization M1-Seattle.

The following diagram illustrates the flow of consigned inventory:



Transaction from Inventory Management

Cost Accounting and Receipt Accounting receive the following transaction from Inventory Management:

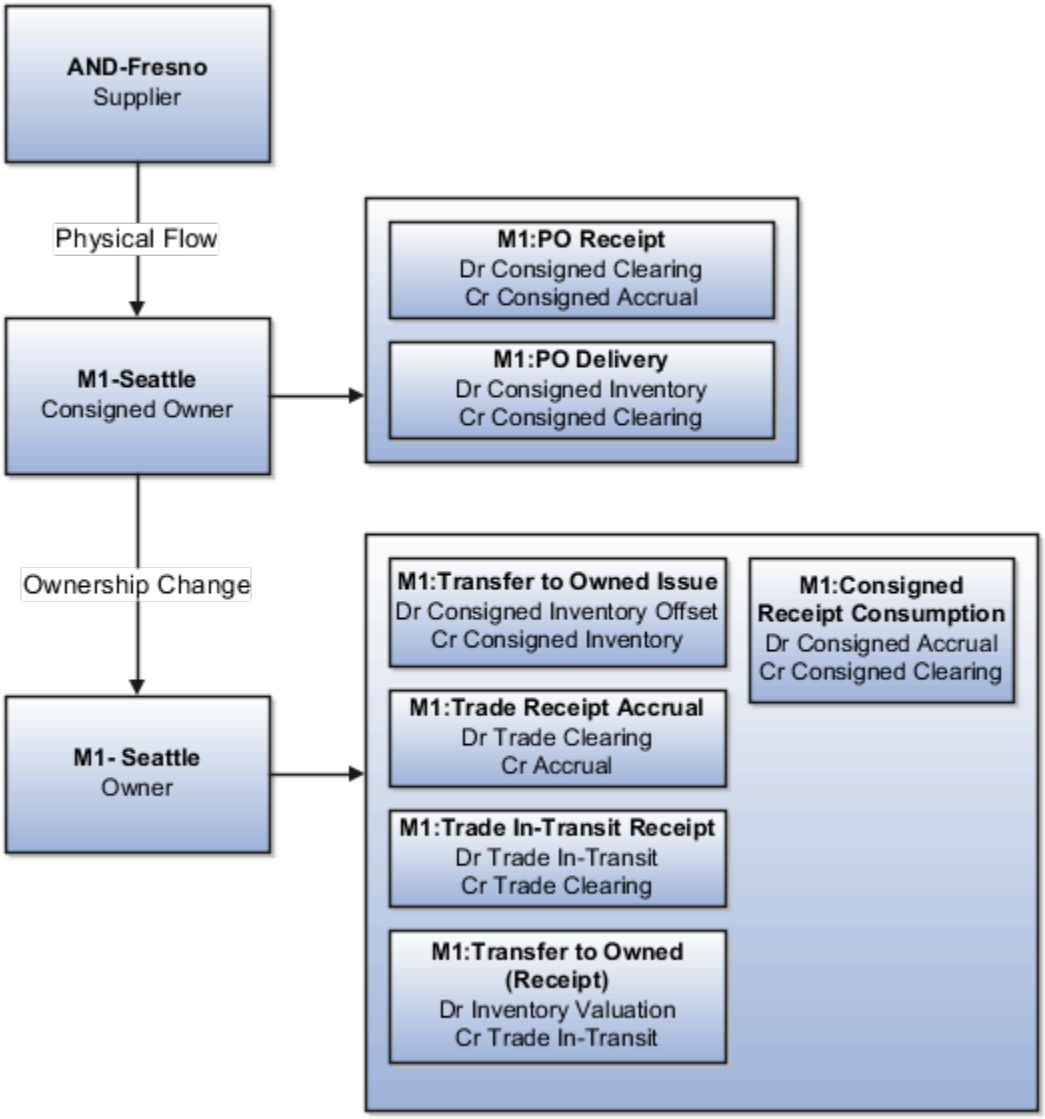
- Supplier Advanced Network Devices (AND-Fresno).
- Consignment Purchase Order #1000.
- Purchase Order price USD 100.
- Ship-to organization is M1-Seattle which is the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.
- Receipt and put away transactions performed in M1-Seattle inventory organization in consigned status.
- When the goods are consumed ownership changes from supplier AND-Fresno to inventory organization M1-Seattle.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following diagram illustrates the accounting entries for the forward flow from supplier AND-Fresno to inventory organization M1-Seattle.



Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the receipt of goods.

The following table describes those accounting entries:

Subledger	Event Type	Accounting Line Type	Transaction Type	Amount in Functional Currency	Functional Currency	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	Debit	100	USD	PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	Credit	100	USD	PO Price

Subledger	Event Type	Accounting Line Type	Transaction Type	Amount in Functional Currency	Functional Currency	Basis of Amount
Cost Accounting	PO Delivery	Consigned Inventory	Debit	100	USD	PO Price
Cost Accounting	PO Delivery	Consigned Clearing	Credit	100	USD	PO Price

Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

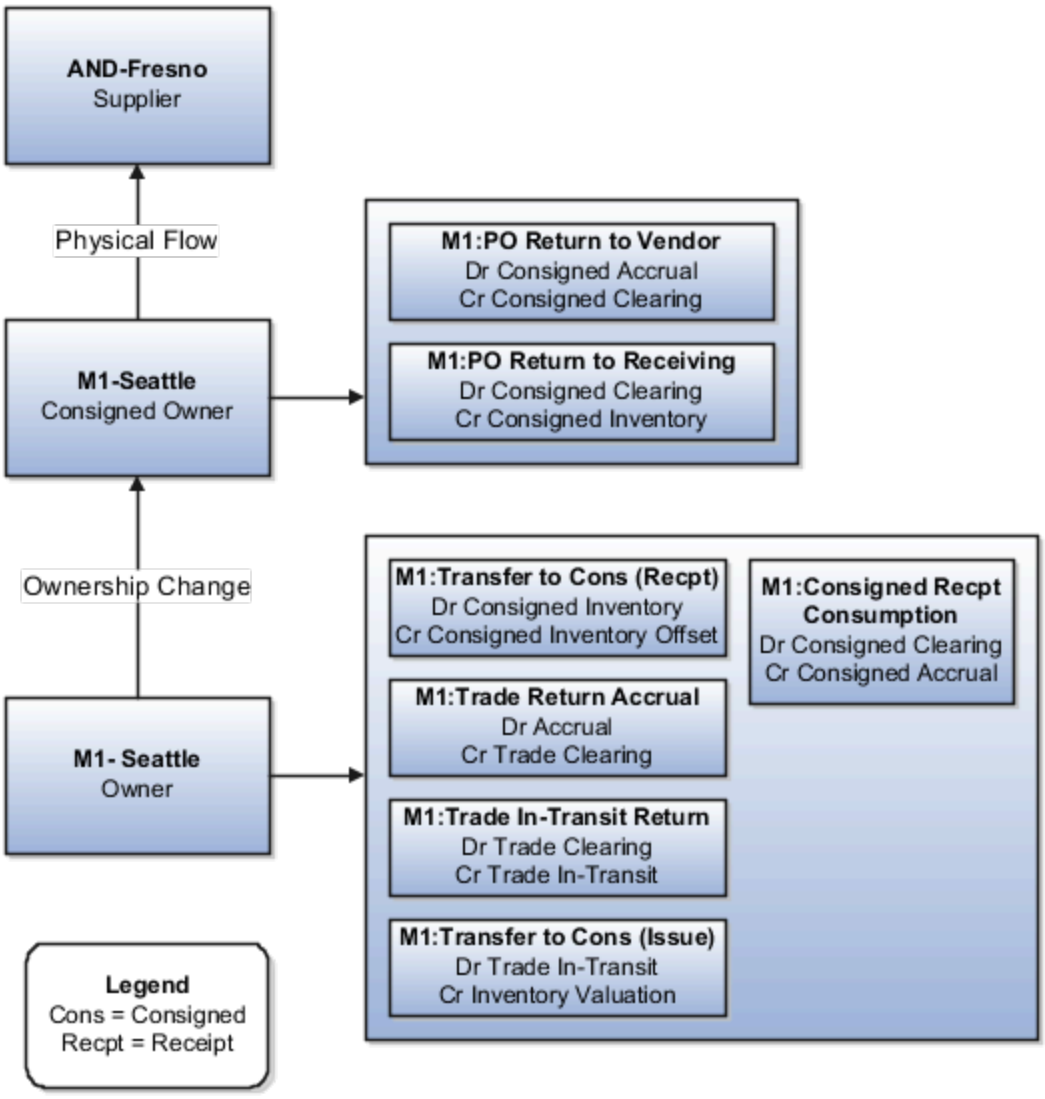
The following table describes those accounting entries:

Subledger	Event Type	Accounting Line Type	Transaction Type	Amount in Functional Currency	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	Debit	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	Credit	100	USD	Material	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	Debit	100	USD	Not applicable	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	Credit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	Debit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	Credit	100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	Debit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	Credit	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	Debit	100	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Transaction Type	Amount in Functional Currency	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	Credit	100	USD	Material	PO Price

Organization M1-Seattle returns goods to supplier AND-Fresno.

This figure illustrates the accounting entries for the return flow from M1-Seattle to AND-Fresno.



Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the change of ownership from M1-Seattle to supplier AND-Fresno.

The following table describes the accounting entries for the change in ownership.

Subledger	Event Type	Accounting Line Type	Transaction Type	Amount in Functional Currency	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned (Receipt)	Consigned Inventory	Debit	100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned (Receipt)	Consigned Inventory Offset	Credit	100	USD	Material	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	Debit	100	USD	Not applicable	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	Credit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Return Accrual	Accrual	Debit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	Credit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade In-Transit Return	Trade Clearing	Debit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade In-Transit Return	Trade In-Transit	Credit	100	USD	Not applicable	PO Price
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	Debit	100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Cost Variance*	Debit	5	USD	Not applicable	Inventory is received at the current cost, and the difference between transfer price and cost is booked as cost variance.
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	Credit	105	USD	Material	Current Cost

* Inventory is received at the current cost, and the difference between transfer price and cost is booked as cost variance.

Receipt Accounting generates accounting entries under inventory organization M1-Seattle for the return of consigned goods from M1-Seattle to AND-Fresno.

The following table describes those accounting entries:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Return to Supplier	Consigned Accrual	100	USD	PO Price
Receipt Accounting	PO Return to Supplier	Consigned Clearing	-100	USD	PO Price
Receipt Accounting	PO Return to Receiving	Consigned Clearing	100	USD	PO Price
Receipt Accounting	PO Return to Receiving	Consigned Inventory	-100	USD	PO Price

Related Topics

- What are the accounting distribution basis options for consigned inventory transactions?
- Cost Profiles, Default Cost Profiles, and Item Cost Profiles
- Consigned Inventory Lifecycle
- Consigned Inventory

Example of Consigned Inventory Accounting in a Global Purchase Order

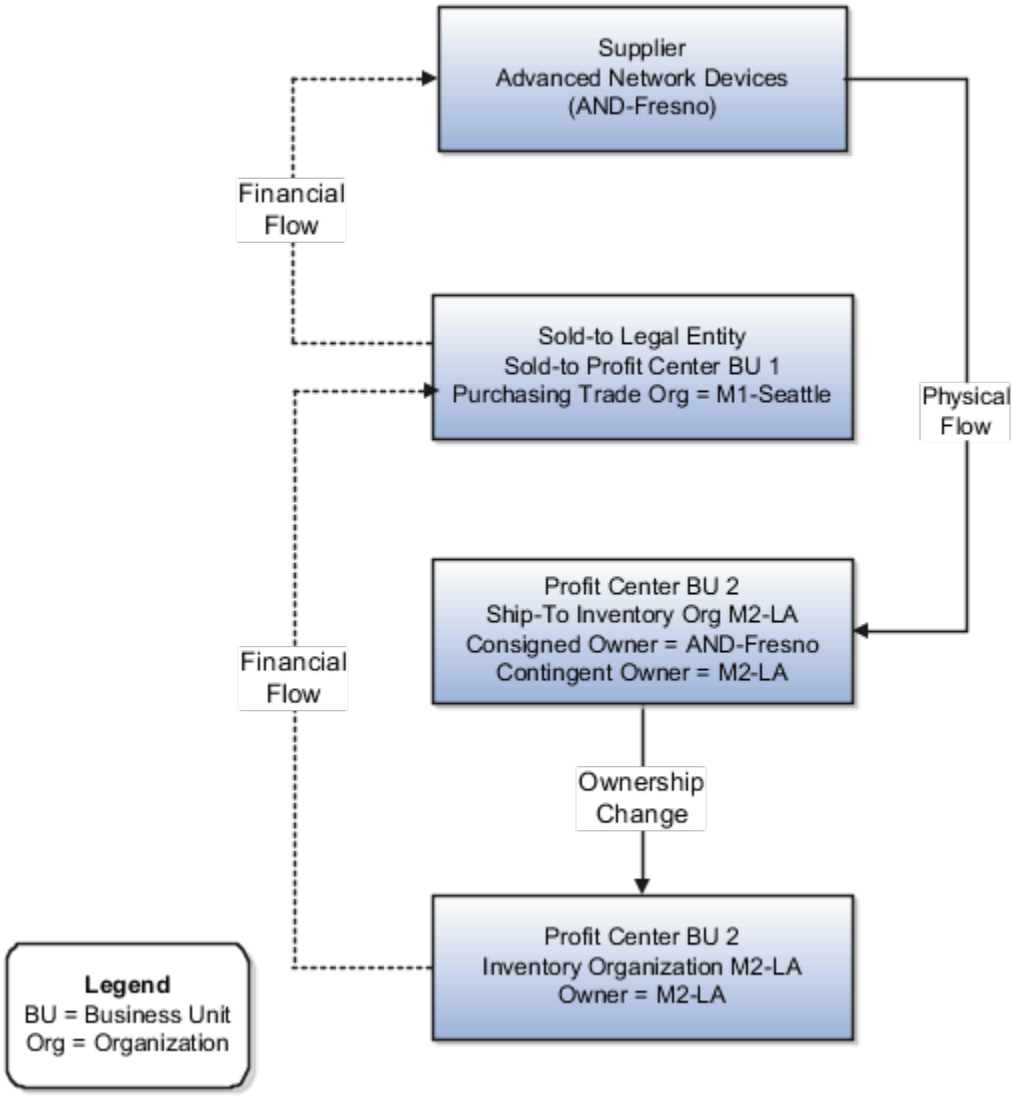
Most large enterprises use a global procurement approach to their purchasing needs, where a central buying organization buys goods from suppliers on behalf of the internal organizations. This includes trade transactions involving consigned inventory executed under a global purchase order.

Oracle Receipt Accounting and Oracle Cost Accounting process these consigned inventory transactions and generate subledger journal entries. The following example illustrates:

- The physical and financial flow of consigned inventory in a global purchase order.
- Transactions that flow from Oracle Inventory Management into Cost Accounting and Receipt Accounting.
- Transactions that flow from Oracle Supply Chain Financial Orchestration into Cost Accounting and Receipt Accounting.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

The supplier AND-Fresno ships the goods in consigned status to inventory organization M2-LA, through the purchasing trade organization M1-Seattle.



Interfaced Transactions

Cost Accounting and Receipt Accounting receive the following transaction from Inventory Management:

- Consignment Purchase Order (PO) #1000.
- Purchase Order price USD 100.
- Sold-to Legal Entity is LE1.

- Ship-to organization is M2-LA which is also the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.
- Receipt and put away transactions performed in M2-LA in consigned status.
- Ownership changes from supplier AND-Fresno to M2-LA through M1-Seattle when the goods are consumed.

The trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting. The shipment from supplier to inventory organization M2-LA is based on trade agreement GP #123 which has the following terms:

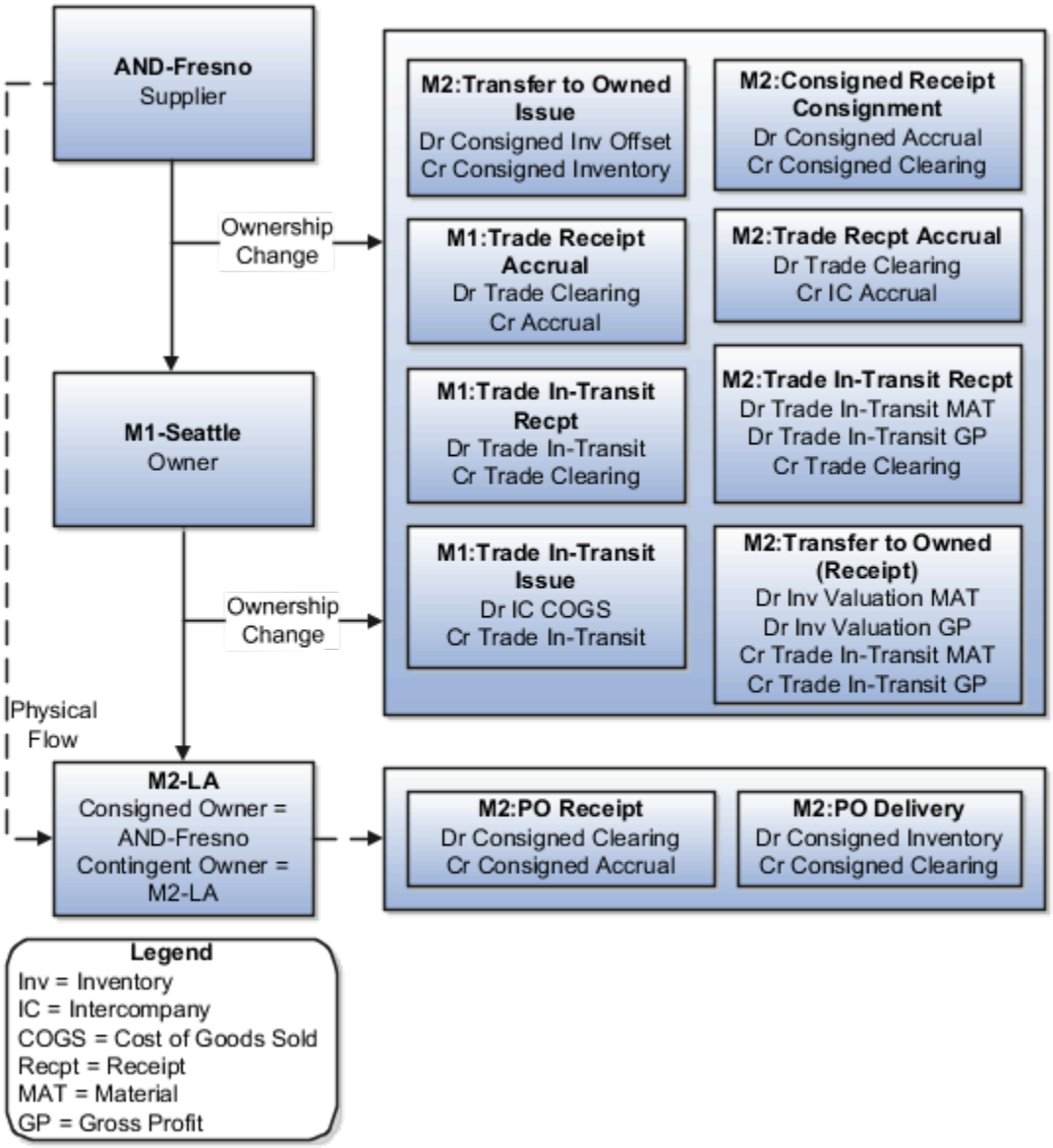
- Intercompany transfer price is USD 120.
- Intercompany invoicing is set to Yes.
- Profit tracking is set to Yes.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.



Receipt Accounting generates distributions under inventory organization M2-LA for the consigned shipment from supplier AND-Fresno to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD	PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD	PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

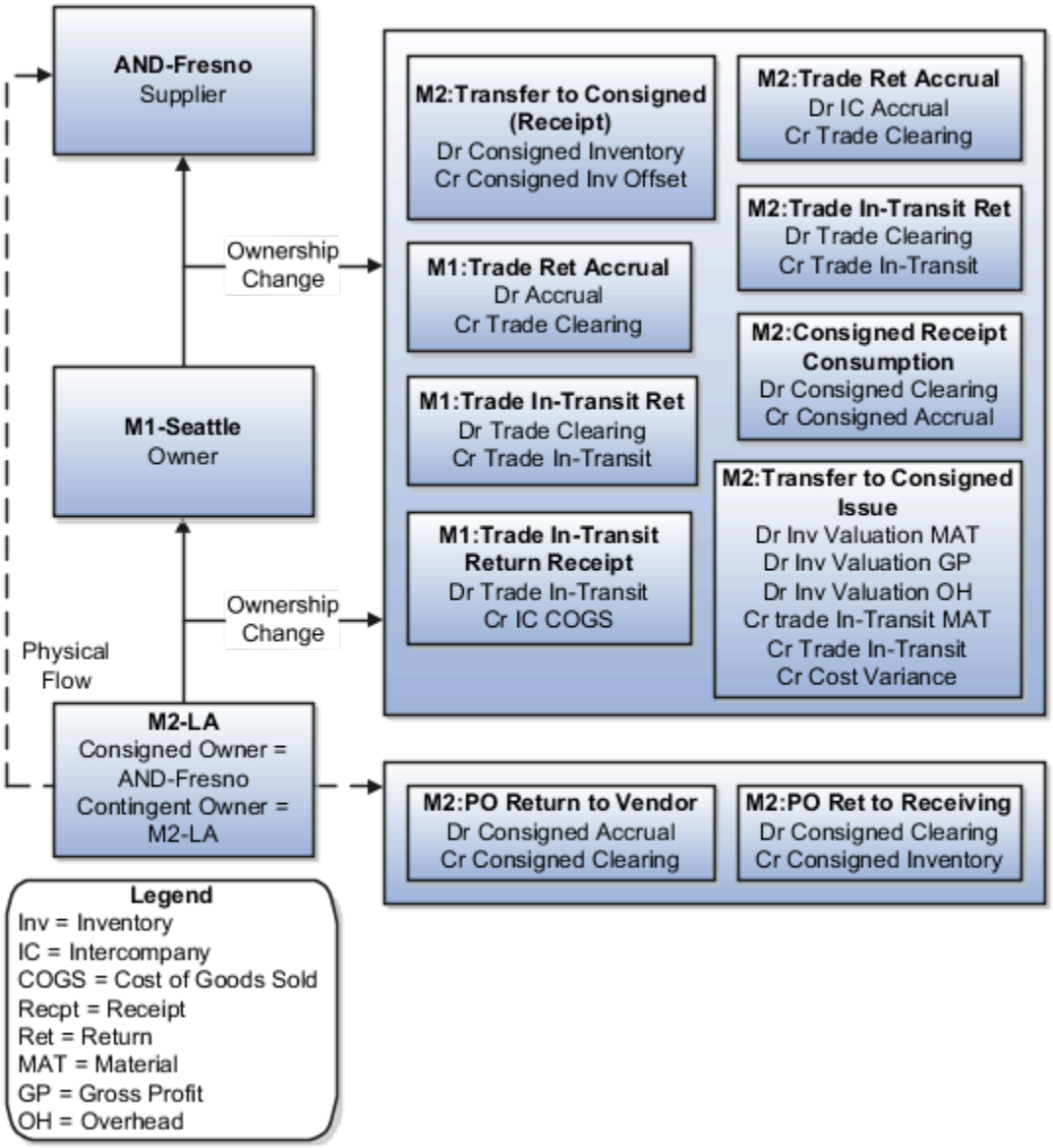
Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD	Not applicable	PO Price
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Not applicable	PO Price
Receipt Accounting	Trade In-Transit Receipt	Trade clearing	-100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD	Material	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	100	USD	Not applicable	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	-100	USD	Not applicable	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	120	USD	Not applicable	Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-120	USD	Not applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-120	USD	Material	Transfer Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-20	USD	Profit in Inventory	Internal Markup

Organization M2-LA returns goods to supplier AND-Fresno. The following are accounting entries for the return flow.



Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M2-LA to M1-Seattle:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned Receipt	Consigned Inventory	100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Receipt	Consigned Inventory Offset	-100	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	120	USD	Not applicable	Transfer Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-120	USD	Not applicable	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	120	USD	Material	Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Consigned Receipt Consumption	Consigned Clearing	100	USD	Material	PO Price
Cost Accounting	Consigned Receipt Consumption	Consigned Accrual	-100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	10	USD	Overhead	Not applicable
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	-20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Transfer to Consigned Issue	Cost Variance*	-10	USD	Material	Not applicable

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-LA for the change of ownership from M1-LA to supplier AND-Fresno:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Accrual	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-100	USD	Material	PO Price

Receipt Accounting generates distributions under inventory organization M2-LA for the return shipment from M2-LA to supplier AND-Fresno:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Return to Supplier	Consigned Accrual	100	USD	PO Price
Receipt Accounting	PO Return to Supplier	Consigned Clearing	-100	USD	PO Price
Receipt Accounting	PO Return to Receiving	Consigned Clearing	100	USD	PO Price
Receipt Accounting	PO Return to Receiving	Consigned Inventory	-100	USD	PO Price

Related Topics

- Overview of Global Procurement Trade Accounting
- What are the accounting distribution basis options for consigned inventory transactions?
- Consigned Inventory Lifecycle
- Consigned Inventory

Example of Consigned Inventory Accounting of an Interorganization Transfer Across Business Units

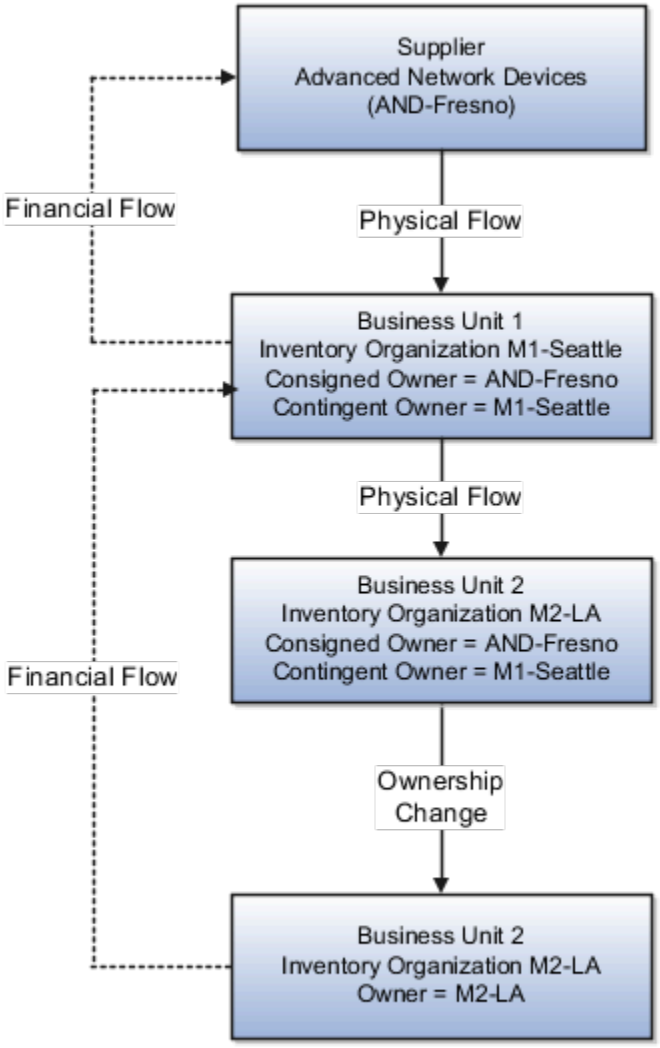
An interorganization transfer is a trade transaction involving the movement of goods or services between organizations in the supply chain.

The following is an example of accounting performed by Oracle Cost Accounting and Oracle Receipt Accounting in a simple purchase order with an interorganization transfer of goods across profit center business units. The goods remain in consigned status until ownership changes in the receiving organization. This example illustrates:

- Transactions captured in Oracle Inventory Management and interfaced to Cost Accounting and Receipt Accounting.
- Transactions captured in Oracle Supply Chain Financial Orchestration and interfaced to Cost Accounting and Receipt Accounting.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods in consigned status to inventory organization M1-Seattle, who in turn transfers the consigned goods to inventory organization M2-LA. Inventory organizations, M1-Seattle and M2-LA, are in different business units.



Interfaced Transactions

Inventory Management sends the following transactions to Receipt Accounting and Cost Accounting:

- Supplier Advanced Network Devices (AND-Fresno).
- Consignment Purchase Order #1000.
- Purchase Order price USD 100.
- Ship-to organization is M1-Seattle which is the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.
- Receipt and put away transactions performed in M1-Seattle inventory organization in consigned status.
- Goods transferred in consigned status from inventory organization M1-Seattle to M2-LA.

- When the goods are consumed ownership changes from supplier AND-Fresno to inventory organization M2-LA through M1-Seattle.

Supply Chain Financial Orchestration sets up the trade agreement, accounting rule sets, and associated purchase orders, and the information flows into Receipt Accounting and Cost Accounting. The transfer from M1-Seattle to M2-LA is based on trade agreement SFO #123 which has the following terms:

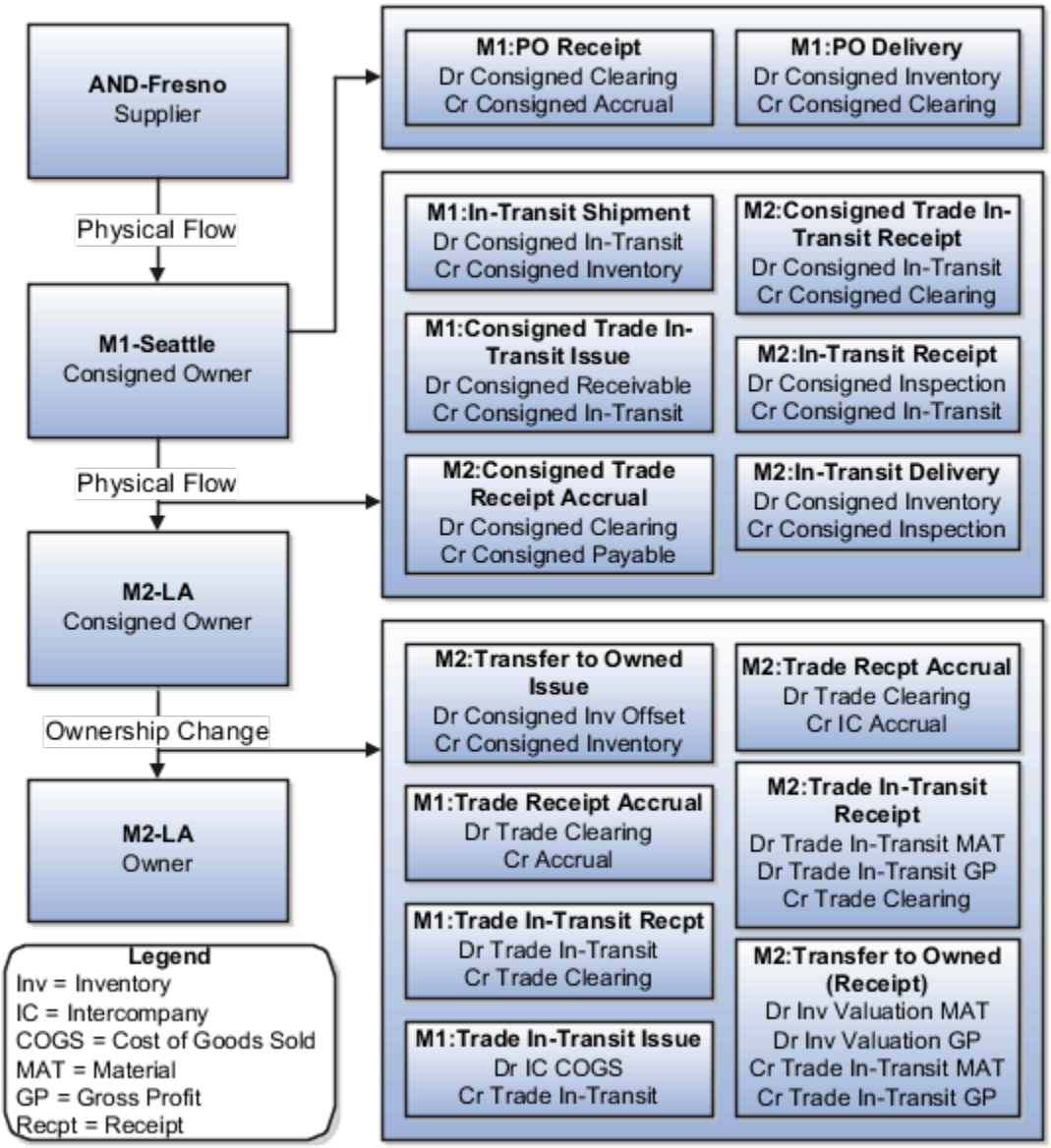
- Intercompany transfer price is USD 120.
- Intercompany invoicing is set to Yes.
- Profit tracking is set to Yes.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.



Receipt Accounting generates distributions under inventory organization M1-Seattle for the shipment from supplier AND-Fresno to M1-Seattle.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD	PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD	PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD	PO Price

Cost Accounting generates distributions under inventory organization M1-Seattle for the interorganization transfer from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Cost Accounting	In-Transit Shipment	Consigned In-Transit	100	USD	PO Price
Cost Accounting	In-Transit Shipment	Consigned Inventory	-100	USD	PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned Receivable	100	USD	PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned In-Transit	-100	USD	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the interorganization transfer from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	Consigned Trade Receipt Accrual	Trade Clearing	100	USD	PO Price
Receipt Accounting	Consigned Trade Receipt Accrual	Consigned In-Transit	-100	USD	PO Price
Receipt Accounting	Consigned Trade In-Transit Receipt	Consigned Clearing	100	USD	PO Price
Receipt Accounting	Consigned Receipt Consumption	Trade Clearing	-100	USD	PO Price
Cost Accounting	In-Transit Receipt	Consigned Inspection	100	USD	PO Price
Cost Accounting	In-Transit Receipt	Consigned In-Transit	-100	USD	PO Price
Cost Accounting	In-Transit Delivery	Consigned Inventory	100	USD	PO Price
Cost Accounting	In-Transit Delivery	Consigned Inspection	-100	USD	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD	Material	PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	120	USD	Not applicable	Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-120	USD	Not applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-120	USD	Material	Transfer Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	20	USD	Profit in Inventory	Internal Markup
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-20	USD	Profit in Inventory	Internal Markup

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount

Inventory organization M2-LA returns the goods to supplier AND-Fresno. The return of the consignment is executed in two parts:

- An interorganization transfer from M2-LA to M1-Seattle. The accounting is the same as simple purchase order return transactions.
- A consignment return from M1-Seattle to the supplier. The accounting is the same as regular return to supplier transactions.

Related Topics

- Example of Consigned Inventory Accounting in a Simple Purchase Order
- Example of Consigned Inventory Accounting of an Interorganization Transfer Within the Same Business Unit
- What are the accounting distribution basis options for consigned inventory transactions?
- Consigned Inventory Lifecycle
- Consigned Inventory

Example of Consigned Inventory Accounting of an Interorganization Transfer Within the Same Business Unit

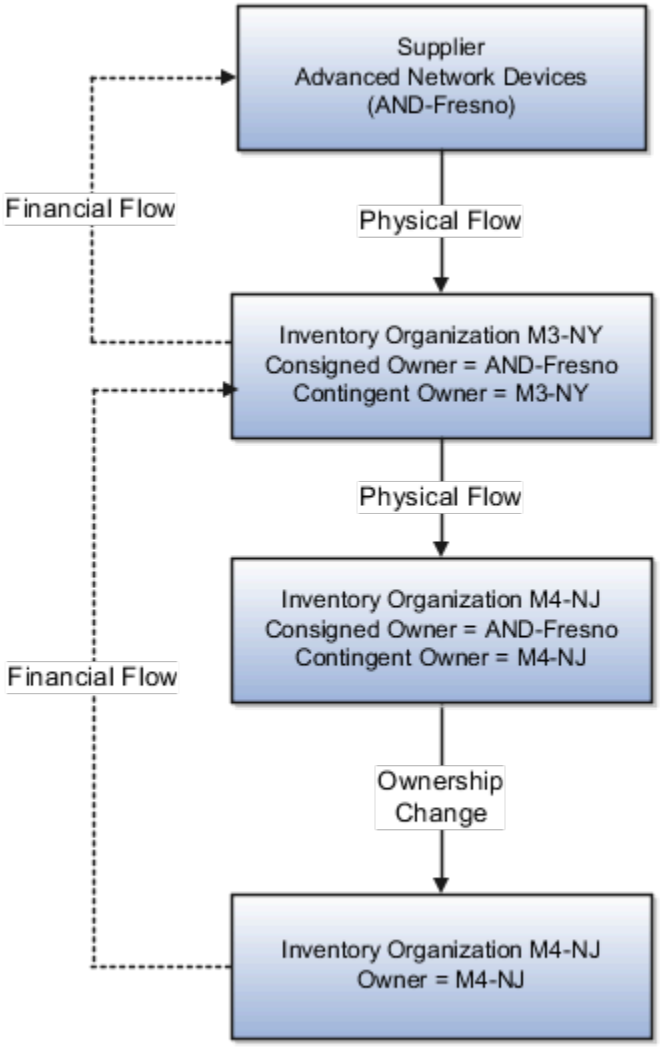
An intraorganization transfer is a trade transaction involving the movement of goods or services between organizations in the supply chain. The following is an example of accounting performed by Oracle Cost Accounting and Oracle Receipt Accounting for an interorganization transfer of goods within the same profit center business unit.

This example illustrates:

- Transactions captured in Oracle Inventory Management and interfaced to Cost Accounting and Receipt Accounting.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods in consigned status to inventory organization M3-NY, who in turn transfers the goods to inventory organization M4-NJ. Inventory organizations, M3-NY and M4-NJ, are within the same business unit.



Interfaced Transactions

Cost Accounting and Receipt Accounting receive the following transaction from Inventory Management:

- Consignment Purchase Order (PO) #1000.
- Purchase Order price USD 100.
- Ship-to organization is M3-NY which is also the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.
- Receipt and put away transactions are performed in M3-NY in consigned status.
- Goods are transferred in consigned status from M3-NY to M4-NJ.
- Ownership changes from supplier to M4-NJ through M3-NY when the goods are consumed.

Cost Accounting generates transactions for:

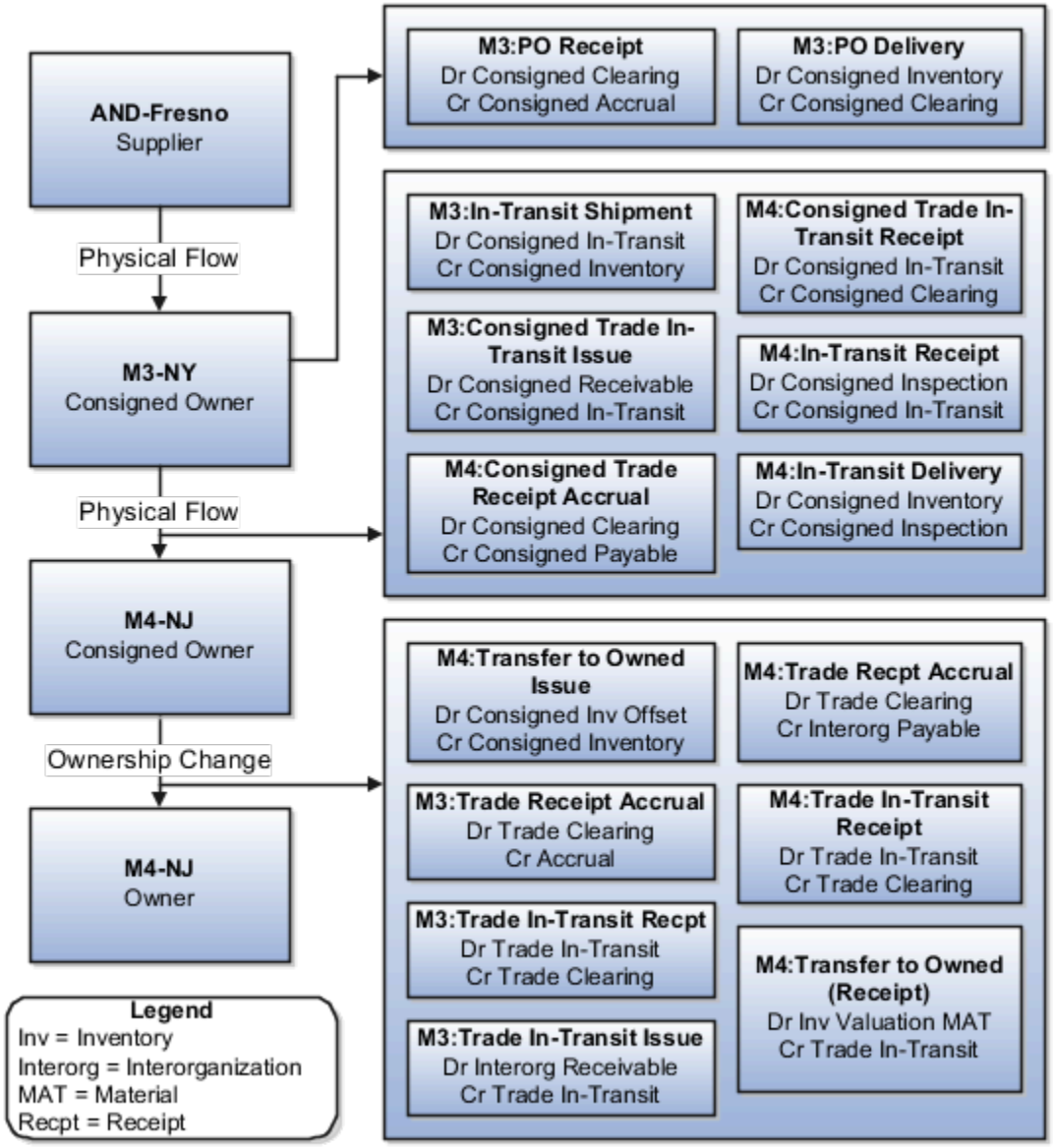
- Ownership changes from supplier AND-Fresno to inventory organization M3-NY and from M3-NY to M4-NJ.
- Transfer of goods from M3-NY to M4-NJ. The transfer is at cost because the organizations are within the same profit center business unit.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.



The following table lists the distributions that Receipt Accounting generates under inventory organization M3-NY for the shipment from supplier AND-Fresno to M3-NY.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD	PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD	PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD	PO Price
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD	PO Price

The following table lists the distributions generated by Cost Accounting under inventory organization M3-NY for the interorganization transfer from M3-NY to organization M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Cost Accounting	In-Transit Shipment	Consigned In-Transit	100	USD	PO Price
Cost Accounting	In-Transit Shipment	Consigned Inventory	-100	USD	PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned Receivable	100	USD	PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned In-Transit	-100	USD	PO Price

Cost Accounting generates distributions under inventory organization M4-NJ for the interorganization transfer from M3-NY to M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Cost Accounting	Consigned Trade Receipt Accrual	Consigned Clearing	100	USD	PO Price
Cost Accounting	Consigned Trade Receipt Accrual	Consigned Payable	-100	USD	PO Price
Cost Accounting	Consigned Trade In-Transit Receipt	Consigned In-Transit	100	USD	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Cost Accounting	Consigned Trade In-Transit Receipt	Consigned Clearing	-100	USD	PO Price
Cost Accounting	In-Transit Receipt	Consigned Inspection	100	USD	PO Price
Cost Accounting	In-Transit Receipt	Consigned In-Transit	-100	USD	PO Price
Cost Accounting	In-Transit Delivery	Consigned Inventory	100	USD	PO Price
Cost Accounting	In-Transit Delivery	Consigned Inspection	-100	USD	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M3-NY for the change of ownership from supplier AND-Fresno to M3-NY.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Interorganization Receivable	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M4-NJ for the change of ownership from M3-NY to M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD	Material	PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD	Not applicable	Transfer Price
Receipt Accounting	Trade Receipt Accrual	Interorganization Payable	-100	USD	Not applicable	Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price

Inventory organization M4-NJ returns goods to supplier AND-Fresno. The return of the consignment is executed in two parts:

- An interorganization transfer from M4-NJ to M3-NY. The accounting is the same as simple purchase order return transactions.
- A consignment return from M3-NY to the supplier. The accounting is the same as regular return to supplier transactions.

Related Topics

- Example of Consigned Inventory Accounting of an Interorganization Transfer Across Business Units
- What are the accounting distribution basis options for consigned inventory transactions?
- Consigned Inventory Lifecycle
- Consigned Inventory

Tax Accounting for Receipt Transactions

To comply with tax regulations, calculate taxes and generate tax distributions for all receipt transactions. You can capture item prices, inclusive and exclusive taxes on your purchases. Receipt costs are adjusted to account inclusive taxes that were included in the item purchase price. Inclusive taxes are booked to a tax liability or recovery account.

You configure the tax point basis and tax point date in Oracle Fusion Cloud Financials. Based on this configuration, taxes are calculated either on delivery or invoice generation. For more information about configuring and calculating taxes, see the Oracle Fusion Cloud Financials Using Tax guide available on the Oracle Help Center.

Prerequisites

You must assigned a role with the privileges listed here:

- Create Tax Processing Options (ZX_CREATE_TAX_PROCESSING_OPTIONS_PRIV)

  This allows creation of configuration owner tax options to differentiate setup from the predefined event class setup.
- Update Tax Processing Options (ZX_UPDATE_TAX_PROCESSING_OPTIONS_PRIV)

  This allows update of configuration owner tax options to differentiate setup from the predefined event class setup.
- Verify Tax Configuration (ZX_VERIFY_TAX_CONFIGURATION_PRIV)

  This allows verification of tax configuration for taxes that are enabled for transactions or for simulation by simulating real-time transactions.

Configure the following to automatically calculate and account taxes.

- In the Offerings work area, enable the Tax Calculation on Receipt Accounting Distributions feature at the Financials offering level.
- Enable delivery-based tax calculation for invoices:
  a. In the Setup and Maintenance work area, go to the following:
     - Offering: Financials
     - Functional Area: Transaction Tax
     - Task: Manage Configuration Owner Tax
  b. From the **Configuration Owner** drop-down list, select the relevant business unit.
  c. From the **Application Name** drop-down list, select Payables.
  d. From the **Event Class** drop-down list, select Standard Invoices.
  e. From the **Tax Point Basis** drop-down list, select Invoice.
  f. From the **Tax Point Date** drop-down list, select Receipt Date.

  For more information about configuring and calculating taxes, see the Oracle Fusion Cloud Financials Using Tax guide available on the Oracle Help Center.
- Configure the application to automatically calculate taxes for trade receipt accrual:
  a. In the Setup and Maintenance work area, go to the following:
     - Offering: Manufacturing and Supply Chain Materials Management

- Functional Area: Supply Chain Financial Flows
- Task: Manage Supply Chain Financial Orchestration System Options

b. Select **Calculate tax for trade receipt accrual**.

- Configure the application to automatically calculate and account nonrecoverable taxes on intercompany invoices:

a. Navigate to the Financial Orchestration work area.
b. In the Tasks pane, click **Manage Documentation and Accounting Rules**.
c. Click the required documentation and accounting rule.
d. Under Required Tasks, select **Intercompany Invoices**.

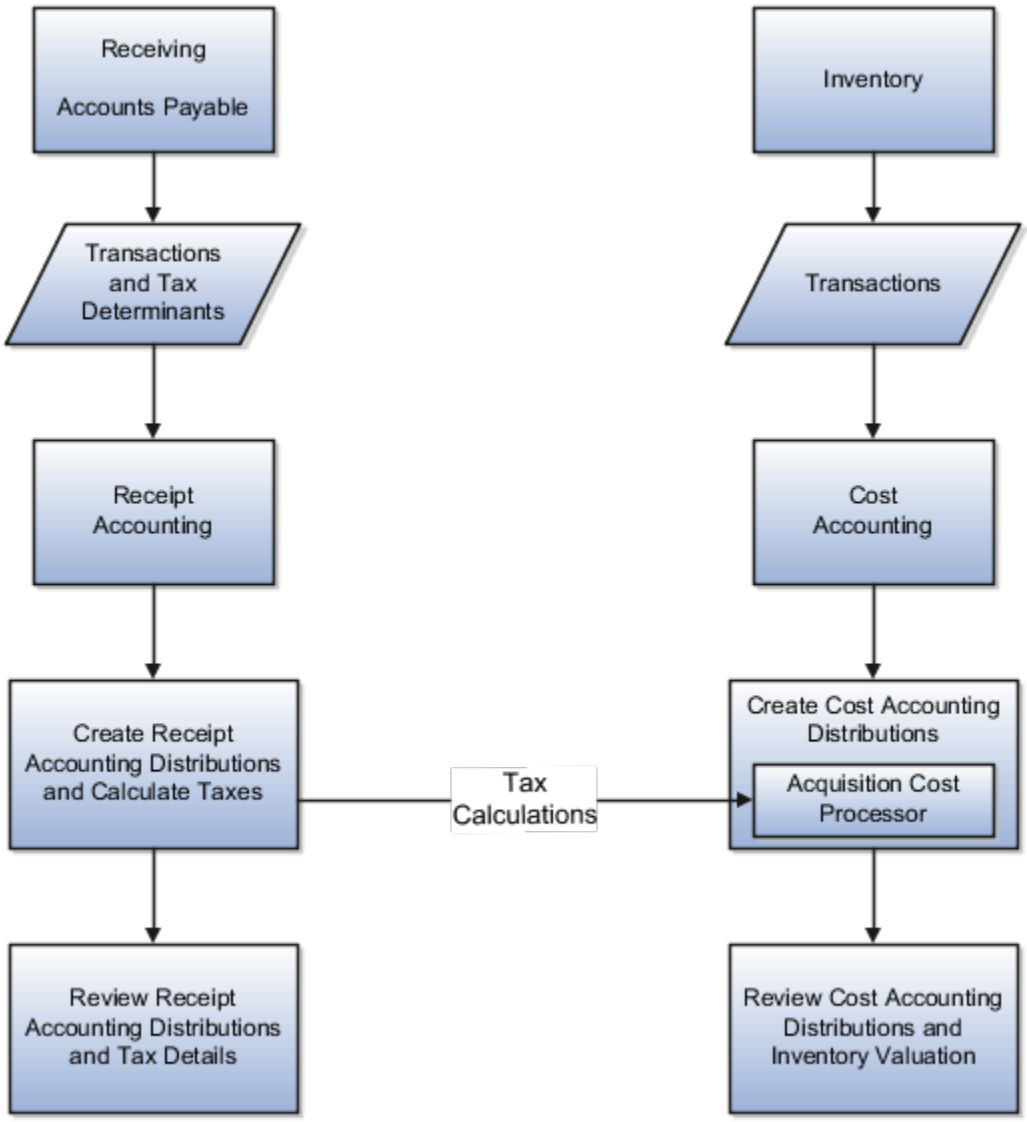
How Taxes are Calculated and Accounted

Here's how taxes are calculated and accounted for different combinations of tax point basis and tax point dates:

Tax Point Basis	Tax Point Date	Tax Calculation	Tax Accounting	Variance Calculation and Accounting
Delivery	Receipt Date	Taxes are calculated on goods receipt	Recoverable and nonrecoverable taxes are accounted on goods receipt	Not Applicable
Invoice	Receipt Date	Taxes are calculated on goods receipt	• Nonrecoverable taxes are accounted on goods receipt • Recoverable taxes are accounted on invoice generation	Not Applicable
Invoice	Invoice Date	Taxes are calculated on invoice generation	Recoverable and nonrecoverable taxes are accounted on invoice generation	Tax variance is calculated and accounted for difference in the taxes estimated on purchase order and final tax calculated on invoice

Oracle Receipt Accounting receives transactions and related tax determinants from outside sources such as Oracle Receiving, Oracle Inventory Inventory, and Oracle Accounts Payable. The following discusses:

- Import of tax determinants into Receipt Accounting
- Tax distributions created by Receipt Accounting
- Tax distributions by Oracle Cost Accounting
- Review of tax distributions



Import Tax Determinants

Here's how you can import transactions and related tax determinants from outside sources on the Scheduled Processes page in the Scheduled Processes work area.

- Select the Transfer Transactions from Receiving to Receipt Accounting process to import receipt transactions into Receipt Accounting.
- Select the Transfer Costs to Cost Management process to import accounts payable transactions into Receipt Accounting and Cost Accounting.

Tax Distributions by Receipt Accounting

The Receipt Accounting Processor calls the Tax Application Programming Interface to calculate transaction taxes based on imported tax determinants. The processor also generates tax distributions for receipt transactions.

Run the Receipt Accounting Processor on the Create Receipt Accounting Distributions page in the Receipt Accounting work area.

Tax Distributions by Cost Accounting

The Cost Accounting Processor uses tax results generated by Receipt Accounting to calculate inventory acquisition costs including nonrecoverable taxes.

Run the Cost Accounting Processor on the Create Cost Accounting Distributions page in the Cost Accounting work area.

Review Tax Distributions

On the Review Receipt Accounting Distributions page in the Receipt Accounting work area view results of the Receipt Accounting Processor:

- Distributions and journal entries for receipt transactions
- Tax determinants accessed by clicking the links in the Tax Determinants column
- Transaction taxes accessed by clicking the Transaction Unit Cost links in the Cost Information tab

On the Review Cost Accounting Distributions page in the Cost Accounting work area view results of the Cost Accounting Processor:

- Distributions and journal entries for inventory transactions
- Inventory unit costs including taxes in the Cost Information tab

Related Topics

- Example of Tax Accounting for a Simple Procurement Transaction
- Example of Tax Accounting for a Consigned Inventory Transaction
- Example of Tax Accounting for a Purchase Order Retroactive Price Change
- Example of Tax Accounting for Interorganization Transfers Across Business Units
- Example of Tax Accounting for Internal Drop Shipments

Example of Tax Accounting for a Simple Procurement Transaction

This example illustrates tax accounting performed by Oracle Receipt Accounting and Oracle Cost Accounting for a simple procurement transaction that uses a tax point basis of delivery, that is, taxes are accounted at receipt of the goods.

Scenario

The supplier makes a shipment to the inventory organization based on a purchase order (PO) for USD 1,000, with the following tax details:

- Tax A delivery basis = 10%. Recoverable and nonrecoverable portions are both 50%
- Tax B invoice basis = 20%. Recoverable and nonrecoverable portions are both 50%

Tax Details at Receipt and Invoice

Tax details at the time of receipt of goods are:

- Tax A delivery basis = 15%, which is changed from 10% estimated at the time of purchase order. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 75 (that is, USD 1,000 * 15% * 50%).
- Tax B invoice basis = 25%, which is changed from 20% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 125 (that is, USD 1,000 * 25% * 50%).

Tax details at the time of invoice are:

- Tax A delivery basis = 20%, which is changed from 15% reported and accounted on receipt. Recoverable and nonrecoverable portions are both 50%, however taxes are not recalculated because this transaction uses a tax point basis of delivery.
- Tax B invoice basis = 30%, which is changed from 25% estimated on receipt. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 150.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions when the goods are received and when the invoice is accounted.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Receiving Inspection	1,000	USD	Material	PO Price
Receipt Accounting	PO Receipt	Receiving Inspection	75	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	PO Receipt	Tax Recoverable	75	USD	Tax	Tax A Delivery-Based Recoverable: USD 1,000 * 15% * 50%

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Receiving Inspection	125	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 25% * 50%
Receipt Accounting	PO Receipt	Supplier Accrual	-1,275	USD	Not applicable	Not applicable
Cost Accounting	PO Delivery	Inventory Valuation	1,200*	USD	Not applicable	Not applicable
Cost Accounting	PO Delivery	Receiving Inspection	-1,200*	USD	Not applicable	Not applicable

*PO price plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the supplier when invoice is created:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	1,275	USD	Not applicable	Not applicable
Accounts Payable	Invoice	Tax Recoverable	150	USD	Tax	Tax B Invoice-Based Recoverable: USD 1,000 * 30% * 50%
Accounts Payable	Invoice	Tax B Rate Variance*	25	USD	Not applicable	Difference between tax estimated at 25% and actual calculated at 30%
Accounts Payable	Invoice	Supplier Liability	-1,450	USD	Not applicable	Not applicable

*Tax variance due to the difference between rates at time of delivery versus invoice.

Receipt Accounting and Cost Accounting generate the following accounting entries when invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency
Receipt Accounting	Invoice Price	Receiving Inspection	25	USD
Receipt Accounting	Invoice Price Adjustment	Tax B Rate Variance*	-25	USD

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation**	25	USD
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-25	USD

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

**Inventory acquisition cost adjustment for nonrecoverable tax B.

Related Topics

- Tax Accounting for Receipt Transactions
- What's a tax point basis?
- What's a tax point date?
- When are nonrecoverable taxes calculated on Intercompany transactions?

Example of Tax Accounting for a Consigned Inventory Transaction

This example illustrates tax accounting performed by Oracle Receipt Accounting and Oracle Cost Accounting for a consigned inventory transaction in the supply chain. This transaction uses a tax point basis of delivery, that is, taxes are accounted at receipt of the goods.

Scenario

The supplier makes a consigned shipment to the inventory organization based on a consigned purchase order (PO) for USD 1,000 with the following tax details:

- Tax A delivery basis = 10%. Recoverable and nonrecoverable portions are both 50%
- Tax B invoice basis = 20%. Recoverable and nonrecoverable portions are both 50%

Tax Details at Receipt and Invoice

Tax details at the consigned receipt of goods are:

- Item value = USD 1,000
- Tax A delivery basis = 15%, which is changed from 10% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, or USD 75, that is, USD 1,000 * 15% * 50%.
- Tax B invoice basis = 25%, which is changed from 20% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, or USD 125, that is, USD 1,000 * 25% * 50%.

Tax details at the time of invoice are:

- Item value = USD 1,000
- Tax A delivery basis = 20%. Recoverable and nonrecoverable portions are both both 50%, however taxes are not recalculated because this transaction uses a tax point basis of delivery.
- Tax B invoice basis = 30%, which is changed from 25% estimated at the time of receipt. Recoverable and nonrecoverable portions are both 50%, or USD 150.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions when the consigned good are received, when the status changes from consigned to owned, and when the invoice is accounted.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt of consigned goods:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	1,000	USD	Material	PO Price
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	75	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	125	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 25% * 50%
Receipt Accounting	Consigned PO Receipt	Consigned Accrual	-1,200	USD	Not applicable	Not applicable
Cost Accounting	Consigned PO Delivery	Consigned Inventory*	1,200	USD	Not applicable	Not applicable
Receipt Accounting	Consigned PO Delivery	Consigned Clearing	-1,200	USD	Not applicable	Not applicable

*PO price plus nonrecoverable taxes A and B.

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of change of status from consigned to owned stock:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	1,000	USD	Material	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	75	USD	Not applicable	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	125	USD	Not applicable	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	-1,200	USD	Not applicable	Not applicable
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	1,000	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	75	USD	Nonrecoverable Tax	Tax A Delivery-Based Nonrecoverable
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	125	USD	Nonrecoverable Tax	Tax B Invoice-Based Nonrecoverable
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-1,200	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	1,000	USD	Not applicable	PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	75	USD	Not applicable	Tax A Delivery-Based Nonrecoverable
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	125	USD	Not applicable	Tax B Invoice-Based Nonrecoverable
Receipt Accounting	Trade Receipt Accrual	Tax Recoverable*	75	USD	Not applicable	Tax A Delivery-Based Recoverable
Receipt Accounting	Trade Receipt Accrual	Supplier Accrual	-1,275	USD	Not applicable	Not applicable

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	1,000	USD	Not applicable	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	75	USD	Not applicable	Tax A Delivery-Based Nonrecoverable
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	125	USD	Not applicable	Tax B Invoice-Based Nonrecoverable
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-1,200	USD	Not applicable	Not applicable
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	1,000	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	75	USD	Nonrecoverable Tax	Tax A Delivery-Based Nonrecoverable
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	125	USD	Nonrecoverable Tax	Tax B Invoice-Based Nonrecoverable
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-1,200	USD	Not applicable	Not applicable

*Delivery-based recoverable tax A is calculated on consigned receipt but will be accounted after ownership change event.

Accounts Payable generates the following accounting entries when the invoice is created:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	1,275	USD	Not applicable
Accounts Payable	Invoice	Tax B Recovery	150	USD	Tax B Invoice-Based Recoverable
Accounts Payable	Invoice	Tax B Rate Variance*	25	USD	Not applicable
Accounts payable	Invoice	Supplier Liability	-1,450	USD	Not applicable

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

Receipt Accounting and Cost Accounting generate the following accounting entries when invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency
Receipt Accounting	Invoice Price Adjustment	Trade Clearing	25	USD
Receipt Accounting	Invoice Price Adjustment	Tax B Rate Variance*	-25	USD
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation**	25	USD
Cost Accounting	Acquisition Cost Adjustment	Trade Clearing	-25	USD

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

**Inventory acquisition cost adjustment for nonrecoverable tax B.

Related Topics

- Tax Accounting for Receipt Transactions
- What's a tax point basis?
- What's a tax point date?

Example of Tax Accounting for a Purchase Order Retroactive Price Change

This example illustrates tax accounting performed by Oracle Receipt Accounting and Oracle Cost Accounting for a retroactive price change on a purchase order (PO) receipt that is partially invoiced.

Scenario

The supplier makes a shipment to the inventory organization based on a purchase order for 10 units, at a per unit price of USD 100. After receipt of the goods, a partial invoice is created for 2 units at USD 100 per unit.

The purchase order price changes retroactively from USD 100 to USD 120. The remaining balance of 8 units is invoiced at USD 120 per unit.

Tax Details

This transaction uses a tax point basis of delivery, that is, taxes are accounted at the time of receipt of goods.

Taxes details are the same after the retroactive price change on the PO:

- Tax A delivery basis = 20%. Recoverable and nonrecoverable portions are both 50%.
- Tax B invoice basis = 30%. Recoverable and nonrecoverable portions are both 50%.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions at the time of receipt of goods, after the retroactive purchase order price change, and for the differential invoice.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt of goods:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Receiving Inspection	1,000	USD	Material	PO Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 20% * 50%
Receipt Accounting	PO Receipt	Tax Recoverable (Tax A)	100	USD	Tax	Tax A Delivery-Based Recoverable: USD 1,000 * 20% * 50%
Receipt Accounting	PO Receipt	Receiving Inspection	150	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 30% * 50%
Receipt Accounting	PO Receipt	Supplier Accrual	-1,350	USD	Material	Not applicable
Cost Accounting	PO Delivery	Inventory Valuation	1,250*	USD	Not applicable	Not applicable
Cost Accounting	PO Delivery	Receiving Inspection	-1,250*	USD	Not applicable	Not applicable

*PO price plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the supplier when partial invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	270*	USD	Not applicable	Item Price plus Nonrecoverable Taxes A and B for 2 units = USD 1, 350/10 * 2
Accounts Payable	Invoice	Tax Recoverable	30	USD	Tax	Tax B Invoice-Based Recoverable: USD 200 * 30% * 50%
Accounts Payable	Invoice	Supplier Liability	-300	USD	Not applicable	Not applicable

*Accrual is debited to the extent quantity is invoiced, which is 2 units.

Receipt Accounting and Cost Accounting generate the following accounting entries after the retroactive purchase order price change:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	160*	USD	Material	USD 120 - USD 100 * uninvoiced quantity of 8 units
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	16	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Tax Recoverable (Tax A)	16	USD	Tax	Tax A Delivery-Based Recoverable: USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	24	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Supplier Accrual	-216	USD	Material	Not applicable

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation	200**	USD	Not applicable	Not applicable
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-200	USD	Not applicable	Not applicable

*Retroactive price adjustment accounted only for the uninvoiced quantity, that is, 10 units received minus 2 units invoiced = 8 units uninvoiced.

** Retroactive PO price change plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the balance of 8 units:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	960	USD	Item Price USD 120 * 8
Accounts Payable	Invoice	Supplier Accrual	96	USD	Tax A Delivery-Based Nonrecoverable: USD 120 * 8 * 20% * 50%
Accounts Payable	Invoice	Supplier Accrual	96	USD	Tax A Delivery-Based Recoverable: USD 120 * 8 * 20% * 50%
Accounts Payable	Invoice	Supplier Accrual	144	USD	Tax B Invoice-Based Nonrecoverable: USD 120 * 8 * 30% * 50%
Accounts Payable	Invoice	Recoverable Tax B	144	USD	Tax B Invoice-Based Recoverable: USD 120 * 8 * 30% * 50%
Accounts Payable	Invoice	Supplier Liability	-1,440	USD	Not applicable

Accounts Payable generates the following accounting entries for the original invoice quantity of 2 units at the revised PO price:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Accounts Payable	Invoice	Invoice Price Variance	40	USD	Difference in PO Item Price USD 20 * 2

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Basis of Amount
Accounts Payable	Invoice	Tax Invoice Price Variance Tax A	4	USD	Tax A Delivery-Based Nonrecoverable
Accounts Payable	Invoice	Tax Invoice Price Variance Tax B	6	USD	Tax B Invoice-Based Nonrecoverable
Accounts Payable	Invoice	Recoverable Tax A	4	USD	Tax A Delivery-Based Recoverable
Accounts Payable	Invoice	Recoverable Tax B	6	USD	Tax B Invoice-Based Recoverable
Accounts Payable	Invoice	Supplier Liability	-60	USD	Not applicable

Cost Accounting and Receipt Accounting generate the following accounting entries for the differential invoice:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency
Receipt Accounting	Invoice Price Adjustment	Receiving Inspection	50	USD
Receipt Accounting	Invoice Price Adjustment	Invoice Price Adjustment	-40	USD
Receipt Accounting	Invoice Price Adjustment	Tax Invoice Price Adjustment	-10*	USD
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation	50**	USD
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-50	USD

*Nonrecoverable taxes A and B on the differential invoice price.

**Difference between invoice price and nonrecoverable taxes A and B.

Related Topics

- Tax Accounting for Receipt Transactions
- What's a tax point basis?
- What's a tax point date?

Cost Management for Project Driven Supply Chain

Overview of Project-Driven Supply Chain Management

Project-Driven Supply Chain is an end-to-end, integrated solution across the Oracle Supply Chain and Project Management Cloud applications. This solution is designed to support various business processes of manufacturing and asset-intensive companies.

You can use the Project-Driven Supply Chain solution to manage your supply chain processes in the context of projects without creating separate organizations for each project. You can also capture supply chain costs as project expenditures.

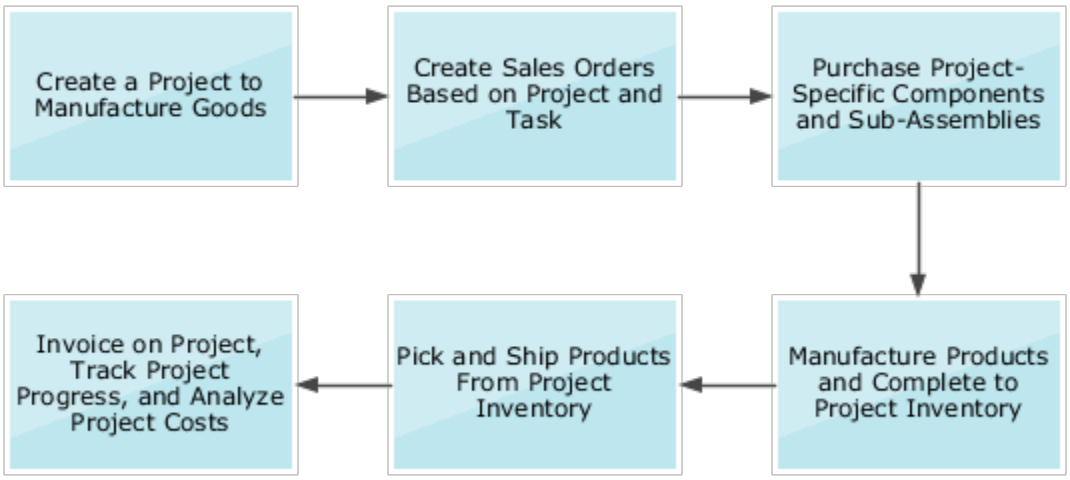
The integrated supply chain and project management cloud solution enables you to:

- Plan project-specific supply
- Segregate and manage project-specific inventory
- Receive project-specific supply
- Pick project-specific inventory
- Ship project-specific inventory
- Transfer project-specific inventory
- Purchase project-specific inventory
- Accept project-specific customer returns
- Execute project-specific manufacturing
- Perform project-specific maintenance
- Execute project-striped supply chain without Oracle Project Financials

Project-Driven Supply Chain for Manufacturing Companies

Manufacturing companies use project-driven processes to provide turn-key solutions, or bundle sale of products with an on-going service, or execute contract manufacturing services on multiple contracts from one plant. In turn-key and service-based supply chain, one or more services such as product design and development, installation, and ongoing service are bundled with the sale of a product.

Here is an illustration that explains the project-driven supply chain process for manufacturing companies.

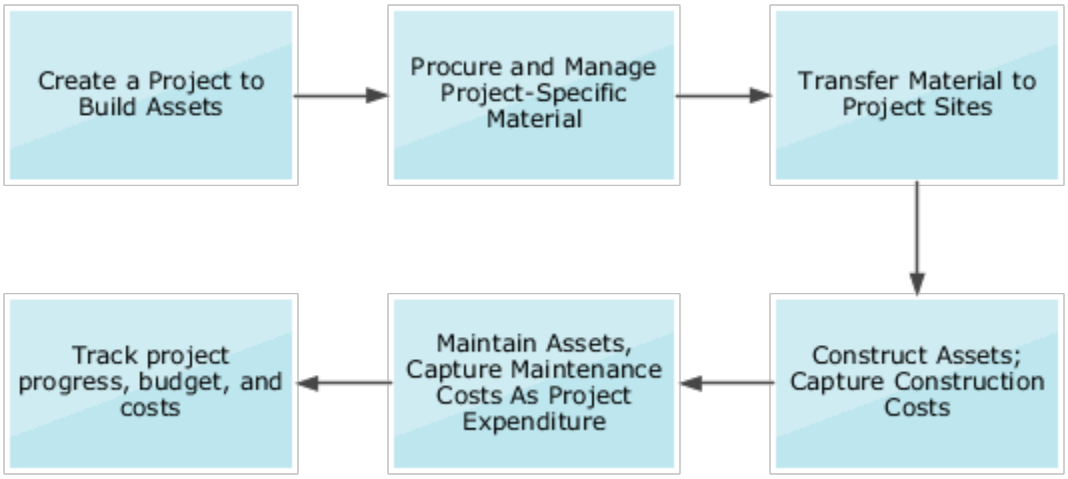


Project-Driven Supply Chain for Asset-Intensive Companies

Asset-intensive companies build assets for internal use. These assets are typically capitalized when put in service.

Projects to build assets usually start with a corporate plan that outlines what assets will be built, their location and schedule, and a budget. The corporate plan is converted into an engineering and construction plan that contains a bill of materials. Based on these plans, project tasks and their budgets are defined. Materials and services are procured and the asset is constructed. Upon construction, the asset is capitalized for financial management and also interfaced with the installed base for maintenance.

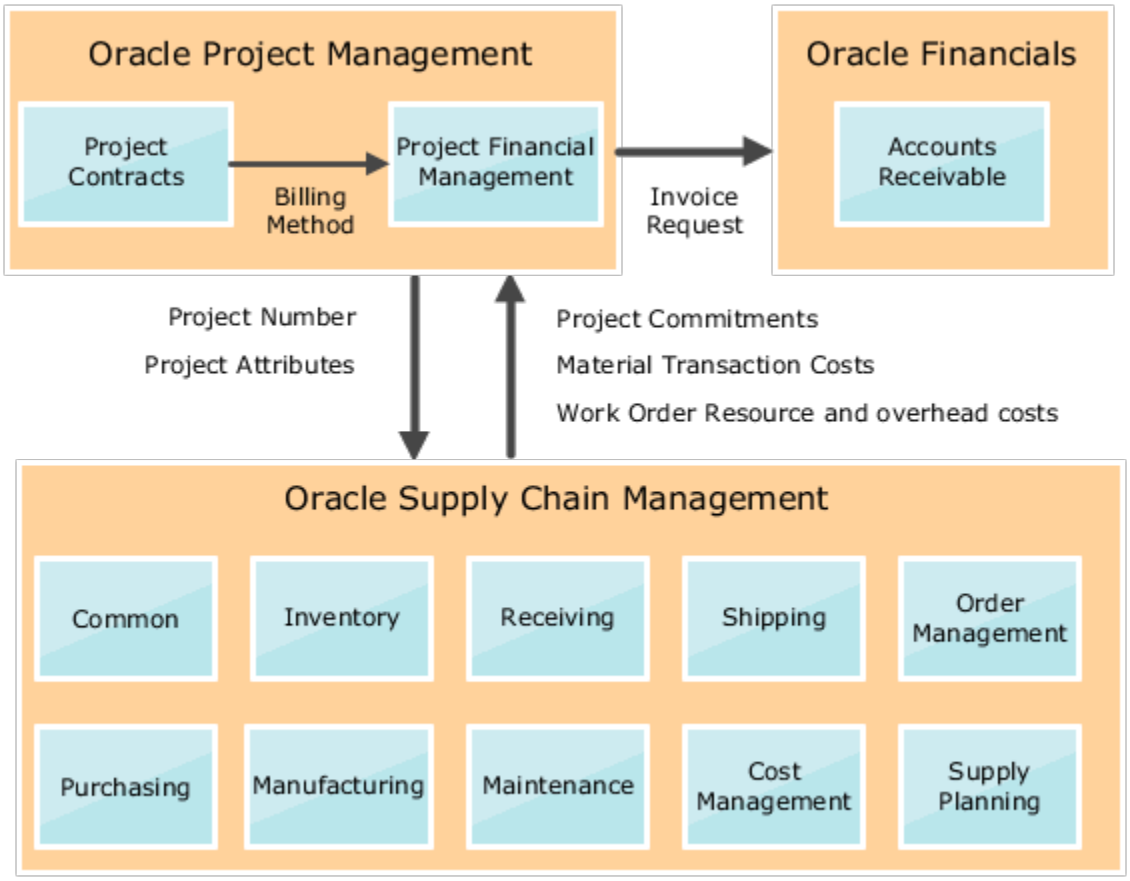
Here is an illustration that explains the project-driven supply chain process for asset-intensive companies, such as utilities and communications.



Project Costs in Supply Chain Flows

The Project-Driven Supply Chain solution integrates several products of Oracle Supply Chain and Oracle Project Management.

Here is an illustration that explains how the project-driven supply chain solution works.



Project-Driven Supply Chain begins with the creation of a project in Oracle Project Management. The integration of Oracle Project Management and Oracle Supply Chain enables supply chain products to support project attributes. Information such as project numbers and project cost attributes are available in the supply chain products to execute activities in the context of a project.

Project Number and Task Number are added as inventory attributes. These are used to segregate and value the inventory, and support project-specific transactions that are based on rules in the Inventory, Shipping, and Receiving applications.

Project attributes are also added to supply chain execution documents such as purchase requisition, purchase order, sales order, manufacturing work order, and maintenance order. The processes driven by these execution documents are also enhanced with project-specific business rules. Life cycle of these project-specific execution documents follows the business rules that are defined for the project. Any transactions associated with these documents that create a commitment or actual cost to the project are captured with project attributes to ensure that these costs are posted as expenditures to the project.

Oracle Project Portfolio Management Cloud Integration

Oracle Cost Management integrates with Oracle Project Management to capture and send expenditure information across various supply chain flows.

You can view the integration attributes on the Review Cost Accounting Distributions page. These are examples of the project attributes that are captured:

- Project name
- Task name
- Expenditure type
- Expenditure item date
- Expenditure organization

Note: You must define the project setup for management business unit of the inventory organization to send costs from Cost Accounting to Project Management. Similarly, you must define the project setup for the bill to business unit to send costs from Receipt Accounting to Project Management. You must also have the necessary access to these business units. This will ensure that when the Import Costs scheduled process in run from Project Management, all the relevant transactions are interfaced.

Project Financial Management maintains the financial work breakdown structure, budgets, commitments, and actual costs. Finally, the invoicing is done based on your settings in Project Contracts.

Capture Expenditure Information in Project Costing for Sales Order Shipments

You can capture expenditure information in Project Costing for shipments of material from Inventory. You will continue to bill your customers from Oracle Project Management. The Sales Order Issue Inventory transaction is processed and accounted in Costing. The costs are then interfaced to Oracle Project Portfolio Management (PPM).

Sales Order Shipments from Common Inventory

Let's see how the sales orders are accounted for shipments from a common inventory.

In the case of an intracompany shipment (the shipping organization and the selling organization are same), these accounting distributions are created for Sales Order Issue.

Event Type	Accounting Line Type	Transaction Type	Project Expenditure
Sales Order Issue	Project Clearing	Debit	Yes (positive)
Sales Order Issue	Inventory	Credit	Yes

In the case of an intercompany shipment (the shipping organization and the selling organization are different), these accounting distributions are created for Sales Order Issue.

Event Type	Organization	Accounting Line Type	Transaction Type	Project Expenditure
Sales Order Issue	Shipping Organization	Trade in Transit	Debit	No
Sales Order Issue	Shipping Organization	Inventory	Credit	No
Trade Sale Issue	Selling Organization	Project Clearing	Debit	Yes (positive)
Trade Sale Issue	Selling Organization	Trade in Transit	Credit	Yes

If the costs aren't interfaced to PPM, then these accounting distribution are created for intracompany shipment.

Event Type	Accounting Line Type	Transaction Type
Sales Order Issue	Deferred Cost of Goods Sold	Debit
Sales Order Issue	Inventory	Credit

If the costs aren't interfaced to PPM, then these accounting distribution are created for intercompany shipment.

Event Type	Organization	Accounting Line Type	Transaction Type
Sales Order Issue	Shipping Organization	Trade in Transit	Debit
Sales Order Issue	Shipping Organization	Inventory	Credit
Trade Sale Issue	Selling Organization	Deferred Cost of Goods Sold	Debit
Trade Sale Issue	Selling Organization	Trade in Transit	Credit

Sales Order Shipments from Project Striped Inventory

Let's see how the sales orders are accounted for shipments from a project striped inventory.

In the case of an intracompany shipment, these accounting distributions are created for Sales Order Issue.

Event Type	Accounting Line Type	Transaction Type	Project Expenditure
Sales Order Issue	Project Clearing	Debit	No

Event Type	Accounting Line Type	Transaction Type	Project Expenditure
Sales Order Issue	Inventory	Credit	No

In the case of an intercompany shipment, these accounting distributions are created for Sales Order Issue.

Event Type	Organization	Accounting Line Type	Transaction Type	Project Expenditure
Sales Order Issue	Shipping Organization	Trade in Transit	Debit	Yes
Sales Order Issue	Shipping Organization	Inventory	Credit	Yes (negative)
Trade Sale Issue	Selling Organization	Project Clearing	Debit	Yes (negative)
Trade Sale Issue	Selling Organization	Trade in Transit	Credit	Yes

If the costs aren't interfaced to PPM, then the accounting distribution for intracompany and intercompany shipment are same as that created for shipments from common inventory.

Drop Ship Sales Orders

In the case of drop ship, we can have two scenarios, one where the customer-facing organization and supplier-facing organization are same and another where they're different.

These accounting distributions are created in the case where the customer-facing organization and supplier-facing organization are same.

Event Type	Accounting Line Type	Transaction Type	Project Expenditure
Trade Sale Issue	Project Clearing	Debit	Yes (positive)
Trade Sale Issue	Drop Ship Inventory	Credit	Yes

In the case where the customer-facing organization and supplier-facing organization are different these accounting distributions are created.

Event Type	Organization	Accounting Line Type	Transaction Type	Project Expenditure
Trade in Transit Issue	Customer Facing Organization	Intercompany Cost of Goods Sold	Debit	No
Trade in Transit Issue	Customer Facing Organization	Drop Ship Inventory	Credit	No

Event Type	Organization	Accounting Line Type	Transaction Type	Project Expenditure
Trade Sale Issue	Supplier Facing Organization	Project Clearing	Debit	Yes (positive)
Trade Sale Issue	Supplier Facing Organization	Trade in Transit	Credit	Yes

If the costs aren't interfaced to PPM, then these accounting distribution are created when the customer-facing organization and supplier-facing organization are same.

Event Type	Accounting Line Type	Transaction Type
Trade Sales Issue	Deferred Cost of Goods Sold	Debit
Trade Sale Issue	Drop Ship Inventory	Credit

If the costs aren't interfaced to PPM, then these accounting distribution are created when the organizations are different.

Event Type	Organization	Accounting Line Type	Transaction Type
Trade in Transit Issue	Customer Facing Organization	Intercompany Cost of Goods Sold	Debit
Trade in Transit Issue	Customer Facing Organization	Drop Ship Inventory	Credit
Trade Sale Issue	Supplier Facing Organization	Deferred Cost of Goods Sold	Debit
Trade Sale Issue	Supplier Facing Organization	Trade in Transit	Credit

Note: When the Sales Order Issue event is accounted with the Project Clearing line type, reconciliation of COGS gets booked in PPM. Project Costing doesn't create COGS recognition because billing is handled by the project application in Oracle Project Management. Cost Management just creates the Project Clearing accounting entry, and this entry is moved to PPM for further processing. Accounting entries that capture the move from inventory to COGS can be created by using a process configurator assigned to a progress- or percent complete-based revenue method of a project contract. This approach results in netting pair of project billing events created during the project contract revenue recognition, whose amounts are based on the same proportion of the planned cost amounts to the revenue recognized. For more information, refer to *Record Cost Accrual Using Billing Events*.

Capture Expenditure Information in Project Costing for Sales Returns

You can capture expenditure information in Project Costing for sales returns. You will continue to bill your customers from Oracle Project Management. The RMA Receipt transactions are processed and accounted in Costing. The costs are then interfaced to Oracle Project Portfolio Management (PPM).

Sales returns can be referenced RMA or unreferenced RMA. Referenced RMA is costed using the original sales order issue cost. Unreferenced RMA is costed based on the value set for the Unreferenced RMA Receipt Cost option set in the cost profile associated with the item cost profile.

Original Sales Order Shipments from Common Inventory

Let's see how the sales returns into a project striped inventory are accounted where the original shipments are from a common inventory.

In the case of an intracompany shipment (the shipping organization and the selling organization are same), these accounting distributions are created for RMA Receipt.

Event Type	Account Line Type	Transaction Type	Project Expenditure
RMA Receipt	Inventory	Debit	No
RMA Receipt	Project Clearing	Credit	No

In the case of an intercompany shipment (the shipping organization and the selling organization are different), these accounting distributions are created for RMA Receipt.

Event Type	Organization	Account Line Type	Transaction Type	Project Expenditure
RMA Receipt	Original Shipping Organization	Inventory	Debit	No (positive)
RMA Receipt	Original Shipping Organization	Trade In Transit	Credit	No
Trade Sales Return	Original Selling Organization	Trade In Transit	Debit	Yes
Trade Sales Return	Original Selling Organization	Project Clearing	Credit	Yes (negative)

However, in both cases, overheads on the RMA Receipt event and the Trade Sales Return event are sent as additional cost to PPM.

If the costs aren't interfaced to PPM, then these accounting distribution are created for RMA Receipt from intracompany shipment.

Event Type	Account Line Type	Transaction Type
RMA Receipt	Inventory	Debit
RMA Receipt	Deferred RMA Gain/Loss	Credit

If the costs aren't interfaced to PPM, then these accounting distribution are created for RMA Receipt from intercompany shipment.

Event Type	Organization	Account Line Type	Transaction Type
RMA Receipt	Original Shipping Organization	Inventory	Debit
RMA Receipt	Original Shipping Organization	Trade In Transit	Credit
Trade Sales Return	Original Selling Organization	Trade In Transit	Debit
Trade Sales Return	Original Selling Organization	Deferred RMA Gain/Loss	Credit

Also, in both cases, overheads aren't sent to PPM.

Original Sales Order Shipments from Project Inventory

Let's see how the sales returns into a project striped inventory are accounted where the original shipments are from a project inventory.

In the case of an intracompany shipment, these accounting distributions are created for RMA Receipt.

Event Type	Account Line Type	Transaction Type	Project Expenditure
RMA Receipt	Inventory	Debit	No
RMA Receipt	Project Clearing	Credit	No

In the case of an intercompany shipment, these accounting distributions are created for RMA Receipt.

Event Type	Organization	Account Line Type	Transaction Type	Project Expenditure
RMA Receipt	Original Shipping Organization	Inventory	Debit	Yes (positive)

Event Type	Organization	Account Line Type	Transaction Type	Project Expenditure
RMA Receipt	Original Shipping Organization	Trade In Transit	Credit	Yes
Trade Sales Return	Original Selling Organization	Trade In Transit	Debit	Yes
Trade Sales Return	Original Selling Organization	Project Clearing	Credit	Yes (negative)

However, in both cases, overheads on the RMA Receipt event and the Trade Sales Return event are sent as additional cost to PPM.

If the costs aren't interfaced to PPM, then these accounting distribution are created for RMA Receipt from intracompany shipment.

Event Type	Account Line Type	Transaction Type
RMA Receipt	Inventory	Debit
RMA Receipt	Deferred RMA Gain/Loss	Credit

If the costs aren't interfaced to PPM, then these accounting distribution are created for RMA Receipt from intercompany shipment.

Event Type	Organization	Account Line Type	Transaction Type
RMA Receipt	Original Shipping Organization	Inventory	Debit
RMA Receipt	Original Shipping Organization	Trade In Transit	Credit
Trade Sales Return	Original Selling Organization	Trade In Transit	Debit
Trade Sales Return	Original Selling Organization	Deferred RMA Gain/Loss	Credit

Also, in both cases, overheads aren't sent to PPM.

Sales Return of Drop Ship Sales Order

In the case of drop ship, we can have two scenarios, one where the customer-facing organization and supplier-facing organization are same and another where they're different.

These accounting distributions are created in the case of a sales return into a project striped inventory where the customer-facing organization and supplier-facing organization are same.

Event Type	Account Line Type	Transaction Type	Project Expenditure
RMA Receipt	Inventory	Debit	No
RMA Receipt	Project Clearing	Credit	No

In the case where the customer-facing organization and supplier-facing organization are different these accounting distributions are created for a sales return into a project striped inventory.

Event Type	Organization	Account Line Type	Transaction Type	Project Expenditure
RMA Receipt	Original Shipping Organization	Inventory	Debit	Yes (positive)
RMA Receipt	Original Shipping Organization	Trade In Transit	Credit	Yes
Trade Sales Return	Original Selling Organization	Trade In Transit	Debit	Yes
Trade Sales Return	Original Selling Organization	Project Clearing	Credit	Yes (negative)

However, in both cases, overheads on the RMA Receipt event and the Trade Sales Return event are sent as additional cost to PPM.

If the costs aren't interfaced to PPM, then these accounting distribution are created when the customer-facing organization and supplier-facing organization are same.

Event Type	Account Line Type	Transaction Type
RMA Receipt	Inventory	Debit
RMA Receipt	Deferred RMA Gain/Loss	Credit

If the costs aren't interfaced to PPM, then these accounting distribution are created when the organizations are different.

Event Type	Organization	Account Line Type	Transaction Type
RMA Receipt	Original Shipping Organization	Inventory	Debit
RMA Receipt	Original Shipping Organization	Trade In Transit	Credit
Trade Sales Return	Original Selling Organization	Trade In Transit	Debit

Event Type	Organization	Account Line Type	Transaction Type
Trade Sales Return	Original Selling Organization	Deferred RMA Gain/Loss	Credit

Also, in both cases, overheads aren't sent to PPM.

Sales Returns not Interfaced to PPM

Sales returns aren't interfaced to PPM for the cases listed here:

- Sales returns are received into a common inventory instead of a project striped inventory. These returns aren't considered as part of the project and, therefore, not interfaced to PPM.
- Sales returns are received into an organization that's different from the original shipping organization and the receiving organization isn't PDSC enabled.
- Sales returns are received into an organization that's different from the original shipping organization and the project isn't valid in the receiving organization.

Related Topics

- Purchase Order Return and Sales Return Flows
- Set Up a Cost Profile

Capture Expenditure Information in Project Costing for Work Order Transactions

You can capture the expenditure information for work order transactions in Project Costing. The Work in Process transactions are processed and accounted in Costing and then interfaced to Oracle Project Portfolio Management (PPM).

For work order material transactions, these costs are interfaced to PPM:

- Cost of the materials issued from and returned to the common inventory.
- Cost variance for the material issues and returns.
- All overheads attached to the product.

Difference, if any, between the estimated overheads at product completion and work order close.

Work Order Material Transaction

This table summarizes the accounting distribution that are created and interfaced to PPM for work order material transactions.

Event Type	Accounting Line Type	Transaction Type
Material Issue	WIP Valuation	Debit

Event Type	Accounting Line Type	Transaction Type
Material Return	WIP Valuation	Credit
Product Completion	Material Overhead Absorption	Credit
Scrap	WIP Valuation	Credit
Scrap Return	WIP Valuation	Debit
Maintenance Material Issue	Maintenance Expense	Debit
Maintenance Material Return	Maintenance Expense	Credit
WIP Negative Material Issue	WIP Valuation	Credit
WIP Negative Material Return	Material Overhead Account	Debit

Work Order Resource Transaction

This table summarizes the accounting distribution that are created and interfaced to PPM for work order resource transactions.

Event Type	Accounting Line Type	Transaction Type
Resource Charging	WIP Valuation	Debit
Resource Charge Reversal	WIP Valuation	Credit
Maintenance Resource Absorption	Maintenance Expense	Debit
Maintenance Resource Reversal	Maintenance Expense	Credit

Capture Expenditure Information in Project Costing for Interorganization Transactions

You can capture project attributes on transfer orders, and fulfill these transfer orders from a common or pooled inventory to track costs against a project.

You can capture expenditure information for these material shipment.

- From common inventory to a project striped inventory

- From common inventory to a project location (expense destination)
- Interorganization transfers within a project

The project details associated with the transfer order are listed on the Review Cost Accounting Distributions page.

Interorganization and Intraorganization Transfers

For an interorganization transfer, the shipping organization and receiving organization must be project enabled. In this case, transfer from a project striped inventory to a project striped inventory is supported and the costs are interfaced to PPM.

In the case of an intraorganization transfer, transfer from a common inventory to a project-striped inventory or from a project-striped inventory to a common inventory is supported.

A negative charge is sent for the source or sending organization and a positive charge is sent for the destination organization.

This table lists the accounting events interfaced to PPM for the source and destination organizations.

Source Organization	Destination Organization
Transfer Order Issue	Transfer Order Receipt from In-Transit
Transfer Order Issue to Expense with Receipt	Receipt from In-Transit
Transfer Order Issue to Expense without Receipt	Transfer Order Direct Transfer Receipt
Transfer Order Shipment to In-Transit	Transfer Order Return Shipment
Shipment to In-Transit	Transfer Order Return with Scrap
Transfer Order Direct Transfer Shipment	Direct Transfer Receipt
Transfer Order Return Receipt	Transfer Order Intraorganization Receipt
Direct Transfer Shipment	
Transfer Order Subinventory Transfer	
Transfer Order Intraorganization Shipment	

The corresponding accounting lines that are interfaced to PPM are listed here:

- Cost Variance
- Expense
- Freight Expense

- Inventory Valuation
- Inventory Write Off
- Transfer Price Variance
- Valuation Unit Transfer Variance

Return of Project-Based Transfer Orders from Expense Destination and Selected Inventory Destination Receipts

When tracking your on-hand quantities by project and task, it's common to use an internal material transfer, or transfer order, to an expense destination or an inventory destination to a subinventory that isn't tracking on-hand quantity when you're physically issuing material to a project site. As a cost accountant, you can cost and properly account transfer order returns of project-based goods from nonquantity tracked subinventories and expense destinations back to the stockroom, ensuring correct project-specific inventory valuation.

The table here lists the different business scenarios and transaction types where the costs are sent to project in case of transfer scenarios.

Project enabled in both sending and receiving organization	Shipping from	Receiving into	Costs sent to Projects
Yes	Project Striped Inventory	Project Striped Inventory	As a Negative Charge in Shipping Organization As a Positive Charge in Receiving Organization
Yes	Common Inventory	Project Striped Inventory	As a Positive Charge in Receiving Organization
Yes	Common Inventory	Common Inventory	No costs will be send to projects because the inventory isn't striped by project.
Yes	Project Striped Inventory	Project Expense Destination	As a Negative Charge in Shipping Organization As a Positive Charge in Receiving Organization
Yes	Common Inventory	Project Expense Destination	As a Positive Charge in Receiving Organization

For project striped inventory issue or receipt = Inventory project details will be available on transaction

For common inventory issue or receipt event = Inventory project details won't available on transaction

The table here summarizes the transaction types for the business flow: Intraorganization, In-transit Shipment Inventory Destination, Nonquantity tracked subinventories.

Flow	Applicable Transaction Type	Subledger
Forward	Transfer Order Intraorganization Shipment	Cost Accounting
Forward	Transfer Order Intraorganization Receipt	Cost Accounting
Return	Transfer Order Return Intraorganization Shipment	Cost Accounting
Return	Transfer Order Return Intraorganization Receipt	Cost Accounting

The table here summarizes the transaction types for the business flow: Intraorganization, Expense Destination Transfers with Receipt.

Flow	Applicable Transaction Type	Subledger
Forward	Transfer Order Issue	Cost Accounting
Forward	Transfer Order Delivery to Expense	Receipt Accounting
Return	Transfer Order Expense Return to Receiving	Receipt Accounting
Return	Transfer Order Return Intraorganization Receipt from Expense	Cost Accounting

The table here summarizes the transaction types for the business flow: Interorganization, In-transit Shipment Inventory Destination, Nonquantity tracked subinventories.

Flow	Applicable Transaction Type	Subledger
Forward	Transfer Order Interorganization Shipment	Cost Accounting
Forward	Transfer Order Interorganization Receipt	Cost Accounting
Return	Transfer Order Return Interorganization Shipment	Cost Accounting
Return	Transfer Order Return Interorganization Receipt	Cost Accounting

The table here summarizes the transaction types for the business flow: Interorganization, Direct Transfers Inventory Destination, Nonquantity tracked subinventories.

Flow	Applicable Transaction Type	Subledger
Forward	Transfer Order Interorganization Transfer	Cost Accounting
Return	Transfer Order Return Transfer	Cost Accounting

The table here summarizes the transaction types for the business flow: Interorganization, Expense Destination Transfers with Receipt.

Flow	Applicable Transaction Type	Subledger
Forward	Transfer Order Issue	Cost Accounting
Forward	Transfer Order Delivery to Expense	Receipt Accounting
Return	Transfer Order Expense Return to Receiving	Receipt Accounting
Return	Transfer Order Return Receipt from Expense	Cost Accounting

Note: Direct intraorganization transfers are excluded for sending costs to project because the transaction costs get nullified in the same period and in the same expenditure organization.

Capture Expenditure Information in Project Costing for Miscellaneous Inventory Transactions

You can capture the information for miscellaneous inventory transactions in Project Costing. The miscellaneous inventory transactions are processed and accounted in Costing and then interfaced to Oracle Project Portfolio Management (PPM).

For miscellaneous inventory transactions, the accounting line type Offset is sent to projects.

This table lists the accounting events and the corresponding conditions when they're interfaced to PPM.

Event Type	Flow	Project Striped Inventory	Capture Project Details on Transactions	Project Expenditure
Miscellaneous Receipt	Receipt into common inventory from project	Yes	No	Yes (Credit)
Miscellaneous Receipt	Receipt into project from common inventory	No	Yes	Yes (Debit)
Miscellaneous Issue	Issue from common inventory to project	No	Yes	Yes (Debit)
Miscellaneous Issue	Issue from project to common inventory	Yes	No	Yes (Credit)

Note: When you run the Import Costs process, you must use the management business unit of the inventory organization to interface the project-related transaction to PPM. Ensure that you have necessary privileges to access the data in the management business unit.

Let's consider a simple example to see how the project cost changes as the transactions are costed and sent to PPM. The values for Project Striped Inventory and Capture Project Details on Transactions are same as listed in the previous table.

Transaction #	Event Type	Flow	Project Expenditure	Project Cost	Transaction Cost	Updated Project Cost
1	Miscellaneous Receipt	Receipt into common inventory from project	Yes (Credit)	$10	($10)	$0
2	Miscellaneous Receipt	Receipt into project from common inventory	Yes (Debit)	$0	$10	$10
3	Miscellaneous Issue	Issue from common inventory to project	Yes (Debit)	$10	$10	$20
4	Miscellaneous Issue	Issue from project to common inventory	Yes (Credit)	$20	($10)	$10

Execute Project-Striped Supply Chain Without Project Financials

When you perform supply chain operations across multiple contracts, you might need to segregate your supply chain inventory and activities by project simply to avoid commingling of materials and other costs.

In these cases, you don't need to maintain budgets, commitments, costs, and revenue in a project entity. You manage your supply chain cost within supply chain and invoice from order management upon shipment.

You get these benefits:

- Segregate and value inventory by project and task.
- Perform inventory and warehouse operations by project and task.
- Procure material by project and task.
- Manufacture by project and task.
- Maintain assets by project and task.
- Manage all supply chain costs in supply chain without sending them to projects.
- Generate invoices from supply chain.

You can compartmentalize your supply chain operations to serve multiple projects from a common set of resources in an organization. Also, you can set up project types for exclusion from cost collection. By using project types that are excluded from cost collection, you can ensure that:

- Project expenditure isn't interfaced to Oracle Project Management Cloud from Oracle Cost Management Cloud.
- Commitment isn't recorded in Oracle Project Management Cloud.
- Accounting of cost of goods sold happens within Cost Management and isn't issued to the project.

Note: For expense destination transactions accounted in Receipt Accounting, Cost Management doesn't consider project types exclusion and these transactions must be interfaced to Oracle Project Management Cloud by running the Import Cost process.

Reports and Analytics for Cost Accounting

You can use the Reports and Analytics work area to access predefined reports and analytics that are related to your role.

The reports available for Oracle Cost Accounting are listed here. You can generate these reports for a cost organization and cost book combination. You can optionally specify an item range or item category range to filter the information in the reports.

- Costing Account Balances Report

  The Costing Account Balances Report provides information for reviewing and reconciling account balances, typically at period end. You can review the outstanding balances for the accounts by specifying the account type and the starting and ending periods for which you want to generate this report.

- Period Costing Account Balances by Supporting References Report

  The Period Costing Account Balances by Supporting References Report provides information about cost accounting balances in summary and detail mode and helps you reconcile the Cost Accounting subledger with the General Ledger.

  This report serves as a Trial Balance for the Cost Accounting subledger. You can view and reconcile account balances in the context of the Cost Accounting subledger, which can be especially useful during reconciliation if you use same accounts for multiple journal sources.

  You can also view and reconcile summary and detail balances for a period at the ledger level or for each cost organization and cost book depending upon your enterprise structure and the level at which you reconcile accounts. You can reconcile the account balances at the levels listed here:

  - Accounting Line Type: View summary opening balance, period activity (debits and credits), and closing balance for each cost accounting type.
  - Accounting Line Type and Account: View summary opening balance, period activity (debits and credits), and closing balance for each cost accounting line type and account. You can review balances at account level for an accounting line type. Pay attention to same account being used for multiple accounting line types and confirm whether it's as per expectation. You can drill down to Period Activity Details to view transaction information and ensure transactions are correctly classified.
  - The Period Activity Details view provides a clear link between Inventory and Costing transaction attributes, cost distribution and General Ledger accounting information distributions to help in reconciliation. View Period Activity Details to understand the change to account balance during the period to substantiate account balances. Review transaction information to ensure transactions are classified correctly from an accounting perspective and flag any reconciliation issues.

- Period In-transit Valuation Report

  The Period In-transit Valuation Report provides information to reconcile end of period in-transit inventory balances. You can use this report to review the costed or accounted inventory balance in transit for a prior period or for the most current value of in-transit inventory in the current period.

  You must specify the valuation type as Asset, Expense, Consigned, or Asset and Expense. Also, you must specify whether to include zero cost items in the report and whether to summarize the total cost or show costs at the cost element level in the report.

  You can optionally specify the flow type for which the report must be generated.

- In-transit Interorganization transfer
- Transfer Order In-transit Interorganization transfer
- Transfer Order In-transit Intraorganization transfer
- Interorganization Transfer Order Issue to Expense with Receipt
- All

This report uses the data generated by the Cost Reports Processor. You can download the report to a spreadsheet for a flattened view of the data and leverage native spreadsheet capabilities.

You can summarize the information in the report by selecting the required layout from the advanced options when generating the report. The layout options available for this report are listed here:

- By Inventory Organization, Category, Item, Shipment Detailed
- By Inventory Organization, Item Summary
- No Summarization

- Period Inventory Valuation Report

  The Period Inventory Valuation Report provides information for reviewing and reconciling inventory value at the item level for a combination of cost organization and cost book.

  This report can be generated at the different levels listed here:

  - Item valuation level
  - Inventory Organization, Subinventory
  - Item Category, Inventory Organization, Subinventory.

  This report is based on the cost reports processor data model and you must run the cost reports processor using the Create Cost Accounting Distributions process on a frequent basis to view latest inventory valuation information.

  You can review the inventory value and the costed or accounted value for a prior period or for the current period. This report is useful for reporting inventory balances when you have a high volume of transactions.

  You must specify the valuation type as Asset, Expense, or Consigned. Additionally, you can specify whether to include zero cost items and negative inventory quantity in the report. You can also generate the report to

display inventory value only for transactions that are yet to be accounted. Lastly, you can specify whether to summarize the total cost or show costs at the cost element level in the report.

You can summarize the information in the report by selecting the required layout from the advanced options when generating the report. The layout options available for this report are listed here:

- By Valuation Unit, Item
- By Inventory Organization, Subinventory - Costed and Accounted Value
- By Item Category, Inventory Organization, Subinventory - Costed and Accounted Value
- By Item Category, Inventory Organization, Subinventory - Inventory Value

The inventory organization and subinventory parameters will be considered only if you select a layout with inventory organization and subinventory. If you are running this report from the Scheduled Processes work area, you must select the layout option in the Output tab in Advanced options.

- Period Layer Inventory Valuation Report

  The Period Layer Inventory Valuation Report provides information to review end of period and current inventory FIFO layer values. The report considers all receipt layers with quantity remaining that make up the inventory balance.

  You must specify the valuation type as Asset, Expense, or Consigned. Additionally, you can specify whether to include zero cost items and negative inventory quantity in the report. Lastly, you can specify whether to summarize the total cost or show costs at the cost element level in the report.

  This report uses the data generated by the Cost Reports Processor. You can download the report to a spreadsheet for a flattened view of the data and leverage native spreadsheet capabilities.

  You can summarize the information in the report by selecting the required layout from the advanced options when generating the report. The layout options available for this report are listed here:

  - By Item, Valuation Unit, Deliveries
  - No Summarization

- Periodic Average Cost Details Report

  The report provides transaction details for periodic average costed items in a given period. You can view the information for a selected cost organization, cost book, period, item, and valuation unit. You can optionally specify the valuation type. You can also summarize the information in the report by cost element type.

- Periodic Average Cost Report

  The report provides summarized periodic average cost information for a given cost organization, cost book, and period. You can optionally provide the category name, item, and valuation type. You can also choose to include items with no change in cost from the previous period in the report. The information in the report can be summarized by cost element type.

- Work in Process Inventory Valuation Report

  The Work in Process Inventory Valuation Report provides information for reviewing and reconciling Work-in-Process Inventory Value. You can review this information at period end to analyze work orders that are released, completed, or canceled status. You can review the costed or accounted value as of a given date.

  You can optionally specify the work method, work order type and subtype, and the work order scope. You can also specify whether the information in the report must be sorted in the ascending or descending order.

You can summarize the information in the report by selecting the required layout from the advanced options when generating the report. The layout options available for this report are listed here:
    - By Plant, Item
    - By Work Order Type, Work Order Subtype, Work Order
    - By Plant, Item, Work Order
    - By Item Category, Item, Work Order

You can also manually generate these reports or schedule automatic generation of these reports from the Scheduled Processes work area.

For more detailed information of each these reports, refer to the guide Oracle Fusion Cloud SCM: Scheduled Processes for SCM.

Tips and Considerations

You must make a note of these points with reference to the reports and analytics:

- The cost reports processor builds the snapshot of information for faster performance of the reports. Therefore, as a best practice, you should consider submitting the Cost Reports Processor with a separate run control. Preferably, schedule the Cost Reports Processor to build your snapshot information periodically before you generate the report.
- When you run the reports processor for the first time, it might take more time as the snapshot is built for each costing period since the first period.
- In the case of very high-volume transactions, you can generate the period valuation reports in the CSV format for faster performance.
- You can generate the period valuation reports to provide a snapshot of prior period information or the valuation as-of-today. But you can't generate the report for a specific date.
- Intravaluation unit transfers aren't shown in the report if the Account Intravaluation Unit Transfers option isn't selected in the corresponding cost profile. This is applicable for the Period In-transit Valuation Report and Period Layer Inventory Valuation Report.
- The Period In-transit Valuation Report considers the quantities put away into inventory for relieving the value from the in-transit account. Therefore, the report shows the in-transit value in the receiving organization for items received but not put away.
- In the case of a transfer between an Expense valuation unit and an Asset valuation unit, the in-transit is recorded for the sending organization until physical receipt isn't recorded in the receiving organization. Therefore, the Period In-transit Inventory Valuation Report shows the in-transit amounts in negative for the receiving organization valuation unit and positive for the sending organization valuation unit in the No Summarization layout. However, in the summarized and detailed layouts of the report the amounts are summed up and the net value is shown.
- When generating the Period In-transit Valuation Report you can set the Valuation Basis parameter as costed or accounted. The costed and accounted amounts might differ in these cases:
    - You haven't run the final accounting for shipment transactions.
    - The in-transit is relieved but you haven't run accounting in the receiving organization.
- After you generate the Period Inventory Valuation Report with a specific set of columns in the output, you can't republish the report with a different set of columns. If you want a new template layout for this report then you must generate this report again with the required set of columns.

- The Period Inventory Valuation Report and Period Layer Inventory Valuation Report can only be compared at the valuation unit level. The inventory control attribute level values from the period inventory valuation cannot be compared with the period layer inventory valuation because layer inventory valuation does not have summary at the subinventory level.
- All period reports work in the context of periods. You can view data for the current date or for any past date in the current period. Reporting for a specific valuation as-of date in prior period isn't supported, except the corresponding period end date.

Predefined OTBI Reports

You can also use the various predefined OTBI reports to generate, review, and analyze the relevant information. These reports can be accessed from **Shared Folders/Supply Chain Management/Cost Management/Transactional Analysis Samples**.

- Cost Comparison : This report helps you to compare the rolled-up costs of your make items between two cost scenarios. This is applicable only for standard costs. The available parameters are Cost Organization, Cost Book, Valuation Unit, Root Assembly, Current Cost Scenario, and Base Cost Scenario.
- Cost Scenario Exceptions : This report lists the exceptions or errors encountered by a cost scenario across different events such as rollup, publish, and so on. The available parameters are Scenario, Event Number, Type, and Start Date.
- Cost Transaction Report : The report provides a listing of costing transactions that can be viewed by transaction type or a period. The available parameters are Cost Organization, Cost Book, Effective Start Date, Effective End Date, Transaction Type, and Transaction Reference.
- Costed BOM : The report provides an indented view of the rolled up cost of a bill of material. The available parameters are Cost Organization, Cost Book, Valuation Unit, Scenario, Root Assembly, Scenario Effective From, and BOM Level.

  For discrete manufacturing, if you've defined operation yield, the report displays scrap allocation for a component when the operation yield is less than 1. This helps you validate the costs of your manufactured items and also identify the planned scrap that's attributed to the yield at each operation for every component and resource used. Additionally, the Cumulative Yield and Reverse Cumulative Yield columns are included to help validate the data.

  Also, if you've multiple outputs yielded from your work definition, the report displays the output allocation for each output. This helps you validate the costs of your manufactured items and validate the costs allocated to different outputs based on cost allocation.
- Costed BOM with Cost Element : The available parameters are Cost Organization, Cost Book, Valuation Unit, Scenario, Root Assembly, Scenario Effective From, and BOM Level.
- Costing On-Hand Balances : This report provides the inventory value along with costed quantity and unit cost for each item for the specified cost organization, cost book, and valuation unit combination. The available parameters are Cost Organization, Cost Book, and Valuation Unit.
- Compare Standard Cost (Different Books): This report provides the comparison of standard cost at the cost element level between two different cost books.
- Compare Standard Cost (Scenario to Published Cost): This report provides the standard cost comparison between a cost scenario and the published cost.
- Compare Standard Cost (Scenario to Scenario): This report provides the comparison of standard cost at cost element level between two different cost scenarios.
- Cost Accounting Period End Validation Error Interface Transactions : This report is available under the Period End folder. The available parameters are Period, Cost Organization, Cost Book, Error Code, and Error Message.

- Cost Accounting Period End Validation Error Transactions : This report is available under the Period End folder. The available parameters are Period, Cost Organization, Cost Book, Error Code, Error Message, Inventory Organization, Reference Document Type, and Transaction Type.
- Cost Accounting Period End Validation Summary : This report is available under the Period End folder. The available parameters are Period, Cost Organization, and Cost Book.
- Distribution Details by Account : This report is available under the Cost Accounting Distribution folder. The available parameters are General Ledger Account, Legal Entity, Cost Organization, Cost Book, Fiscal Period, Item, Transaction Type, Cost Status, Accounting Status, General Ledger Transfer Status, Item Catalog, Item Category, Resource, Transaction Number, Reference Number, and General Ledger Batch.
- Distribution Summary by Period : This report is available under the Cost Accounting Distribution folder. The available parameters are Legal Entity, Cost Organization, Cost Book, General Ledger Account, and Period.
- Gross Margin Report : The available parameters are Business Unit, Cost Organization, Start Date, and End Date.
- Inventory Turns : This report is available under the On-hand and Margin report. The available parameters are Cost Organization, Cost Book, Inventory Organization, User Item Type, Item, Start Date, and End Date.
- Overhead Absorption Details: The available parameters are ledger, cost organization, cost book, absorption account, inventory organization, item, overhead rule, cost element, expense pool, from date, and to date.
- Overhead Absorption Summary: The available parameters are ledger, cost organization, cost book, expense pool, from date, and to date.
- Periodic Average Cost Details : This report provides the item cost at the cost element level based on the periodic average cost method. The available parameters are cost organization, cost book, valuation unit, item, and period name.
- Perpetual Average Cost Details : This report provides the item cost at the cost element level based on the perpetual average cost method. The available parameters are cost organization, cost book, valuation unit, item, inventory organization, reference document, reference type, transaction number, transaction type, and from and to cost date.
- Period In-transit On-Hand Valuation Details : The report provide the value of goods that are in transit at the cost element level for a specific period. The available parameters are cost organization, cost book, inventory organization, as of date, consigned flag, expense flag, flow type, reference type and document, and document type and number.
- Period In-transit On-Hand Valuation Summary : This report provides the value of goods that are in transit at the item element level for a specific period. The available parameters are cost organization, cost book, inventory organization, as of date, consigned flag, expense flag, and flow type.
- Resource Absorption Details: The available parameters are ledger, cost organization, cost book, absorption account, inventory organization, work method, work order type, work order subtype, resource, cost element, expense pool, and cost date range.
- Resource Absorption Summary: The available parameters are ledger, cost organization, cost book, expense pool, and cost date range.
- Standard Cost Details: The report provides the item cost at cost element level based on the standard cost method. The available parameters are cost organization, cost book, valuation unit, item, as of date, item user item type, item lifecycle phase, scenario number, cost status, and base model.
- Standard Cost Details (Estimated PPV Impact): The report provides item valuation along with the purchase price variance based on the standard cost. The available parameters are cost organization, cost book, valuation unit, item, as of date, item user item type, item lifecycle phase, scenario number, cost status, and base model.
- Standard Cost Details (Estimated PPV Impact with PO Details): The report provides item valuation along with the purchase price variance and purchase order details based on the standard cost. The available parameters are cost organization, cost book, valuation unit, item, as of date, item user item type, item lifecycle phase, scenario number, cost status, and base model.

- Standard Cost Details (On-Hand Impact): The report provides item valuation based on the standard cost. The available parameters are cost organization, cost book, valuation unit, item, as of date, item user item type, item lifecycle phase, scenario number, cost status, and base model.
- Supply Chain Rollup Costed BOM: The report helps you analyze the rolled-up costs for your manufactured items when you use supply chain cost rollup. You can save this report locally and make necessary changes to include information for your business users. The available parameters are cost organization, cost book, scenario, inventory organization, root assembly, BOM level, and planning assignment set.
- Transaction Cost Details : The report provides the break-up of item cost by cost element at the transaction level. This is useful when using the actual cost method but you can also use it to review transaction costs for other cost methods.
- Where Used : The available parameters are Cost Organization, Cost Book, Scenario, Valuation Unit, Root Component, and BOM Level.
- Work Order Job Summary : This report is available under the Work Order Costs folder. The available parameters are Cost Organization, Cost Book, Inventory Organization, Work Order Status, Work Order, Product, Completion Age, Release Age, and WIP Balance.
- Work Order Variance Details : This report is available under the Work Order Costs folder. The available parameters are Cost Organization, Cost Book, Inventory Organization, Work Order Status, Work Order, Product, and Variance Amount.

Few of the predefined OTBI reports are now obsolete and shouldn't be used because they may contain stale data. The table here lists the corresponding equivalent predefined OTBI reports:

Obsolete Reports	Alternate New Reports
In-transit On-Hand Valuation Details	Period In-transit On-Hand Valuation Details
In-transit On-Hand Valuation Summary	Period In-transit On-Hand Valuation Summary

OTBI Subject Areas

In addition to the predefined reports, you can generate custom reports and analytics by using the subject areas listed here:

- Cost Accounting Real Time
- Cost Accounting Period Close Real Time
- Cost Rollup Details Real Time
- Landed Costs Real Time
- New COGS and Gross Margin Real Time
- Overhead Rates Real Time
- Period Inventory Valuation Real Time
- Period In-transit Inventory Valuation Real Time
- Periodic Average Cost Real Time
- Perpetual Average Cost Real Time
- Resource Rates Real Time
- Standard Cost Real Time

- Supply Chain Cost Rollup Real Time
- Transaction Cost Real Time
- Where Used Details Real Time
- Work Order Costs Real Time

For more information on accessing and modifying reports and analytics, refer to the guide Creating and Administering Analytics and Reports.

Related Topics

- Reconciling Inventory Value in Costing Subledger with General Ledger
- Overview of Creation and Administration of SCM Analytics and Reports
- Oracle Supply Chain Management Cloud: View Supply Chain Management Reports and Analyses
- Business Intelligence Catalog
- SCM Subject Areas in Oracle Transactional Business Intelligence

FAQs for Cost Accounting Reports

Why do I see negative amounts in the Period In-transit Valuation Report?

In the case of a transfer between an Expense valuation unit and an Asset Valuation Unit, the in-transit is recorded for the sending organization valuation unit until physical receipt isn't recorded in the receiving organization.

Therefore, the Period In-transit Inventory Valuation Report shows the in-transit amounts in negative for the receiving organization valuation unit and positive for the sending organization valuation unit in the No Summarization layout. However, in the summarized and detailed layouts of the report the amounts are summed up and the net value is shown.

Why do I see a difference in the costed and accounted amount in the Period In-transit Valuation Report when all other parameters are same?

When generating the Period In-transit Valuation Report you can set the Valuation Basis parameter as costed or accounted. The costed and accounted amounts might differ in these cases:

- You haven't run the final accounting for shipment transactions.
- The in-transit is relieved but you haven't run accounting in the receiving organization.

Why do I see a difference in the Period In-transit Valuation Report and the in-transit account?

A debit balance is created for the receiving valuation unit in the case of a trade in transit transaction. This is reversed on transfer order receipt irrespective of whether the items are put away into inventory or not.

However, the Period In-transit Valuation Report considers the quantities put away into inventory for relieving the in-transit account value and therefore shows the in-transit value in the receiving organization for items received but not put away.

Why are the quantities in the Inventory Valuation Reports different from that in the inventory?

You must run the Transfer Transactions from Inventory to Costing process so that the latest information is available in Cost Management. Ensure that you run this process before you generate the report.

Also, do note that the costs and inventory balances are typically stored at the valuation unit level. But the Period Inventory Valuation Report uses the inventory control attributes to show the inventory organization, sub-inventory level balances.

So let's consider the valuation unit is at the cost organization - inventory organization level. In this case, the quantity balances at the sub-inventory level might be different from that shown in Inventory Management because Cost Accounting uses a FIFO depletion logic to identify receipts to be depleted. You can use the valuation level balances, in this case the inventory organization, for reconciliation purposes.

Why is an item missing from the Inventory Valuation Report?

When generating the report if you have specified an item range or an item category range by providing values for the From Item, To Item, From Item Category and To Item Category parameters, check whether missing item falls within this range.

Also, check whether you have specified the correct value for the Valuation Type parameter.

Why do adjustments not attribute to a specific subinventory but instead show as * when viewing by subinventory for reporting purposes?

When viewing reports by subinventory for reporting purposes, we display values for each subinventory. This is because the standard or average cost adjustments are created at the valuation unit level and not at the subinventory level. Therefore the adjustment value created does not have a subinventory associated to it and is shown in a separate row.

How is the quantity remaining computed for each receipt layer?

The receipt layer quantity is calculated on a FIFO basis and all issue transaction quantities deplete the receipt layer quantity in this order within the context of a valuation unit.

The quantity in the Period Layer Inventory Valuation report at the inventory organization level cannot be compared with the Period Inventory Valuation report because it reflects the quantity based on how the quantity is depleted in Inventory, which can be different if the valuation unit is at a level different than inventory organization.

Review Inventory Valuation

Analyze Inventory Valuation

When you process various transactions, the inventory value keeps changing. The Review Inventory Valuation page helps you analyze and understand the inventory valuation at various levels like cost organization, inventory organization, subinventory and valuation unit.

To analyze the inventory valuation, complete the steps listed here.

1. In the Cost Accounting work area, select Review Inventory Valuation from the task panel.
2. On the Review Inventory Valuation page, query the inventory valuation by cost organization, cost book, period, and valuation structure type.

   You can query separately for the valuation structure types asset, consigned, and expense.

The inventory valuation information for the selected cost organization, cost book, and period displayed on the Review Inventory Valuation page is described in this table.

Column	Description
Inventory Value	The total inventory value for the selected period.
Prior Inventory Value	The total inventory value at the end of the prior period.
Period Activity	The difference in inventory value between the two periods.
Period Costed Value	The sum of all costed receipt and issue transactions for the selected period.
Period Accounted Value	The costed value that's final accounted.
Last Summarized Date	The date and time when the cost reports processor was last run.
Last Cost Processor Run Date	The date and time when the cost processor was last run to create the cost accounting distributions.

The inventory valuation is further summarized by valuation unit, inventory organization, and subinventory. By default, the inventory valuation summary by valuation unit is displayed on the page. You can choose the other summarization options by selecting the appropriate value from the **View By** drop-down list.

When you set **View By** to **Valuation Unit**, the table on the Summary by Control Attribute tab of the Review Inventory Valuation page shows the inventory valuation information listed here for each valuation unit.

- Inventory Value
- Prior Inventory Value
- Period Activity
- Period Costed Value
- Period Accounted Value

When you set **View By** to **Inventory Organization**, the inventory valuation information for each inventory organization is displayed in the table on the Review Inventory Valuation page. When you set **View By** to **Subinventory**, the inventory valuation information for each subinventory in each inventory organization is displayed in the table on the Review Inventory Valuation page.

When **View By** is set to **Inventory Organization** or **Subinventory**, the default value for **Display** is **Inventory Value** and the table shows this information:

- Inventory Value: The inventory value for the selected period.
- Prior Inventory Value: The inventory value for the immediate prior period.

This helps you to review and analyze the inventory value at the inventory organization and subinventory level, where the on-hand quantity and unit cost at that level is used to determine the inventory value.

If you set **Display** to **Costed and Accounted Value**, the information listed here is shown on the table:

- Total Costed Value: Sum of all costed receipt and issue transactions from the first open period till the Last Summarized Date, if you're viewing the data for the current open period. If you are viewing the data for a past period then the transactions till the period end date are considered.
- Prior Total Costed Value: Sum of all costed receipt and issue transactions from the first open period till the prior period end date.
- Period Costed Value
- Period Accounted Value

The summarized inventory valuation information can be exported to a spreadsheet by using the **Export to Excel** icon above the summary table.

To view the inventory value by item, you can click the Item Details in the summary table. The Inventory Value by Item page provides the inventory valuation information for each item along with quantity for the current period and at prior period end date. You can filter the information displayed on the page based on any of the columns. For example, you can filter the information based on value or quantity.

The UI also displays a warning icon wherever the Period Accounted Value is not same as the Period Costed Value. On the Inventory Value by Item page, when you click this warning icon, the Transaction Details dialog box is displayed. This dialog box lists all the unaccounted transactions for the item and valuation unit and the transactions that are costed and accounted in different periods, if any.

Note:

- Period inventory valuation and period layer inventory valuation can only be compared at the valuation unit level. The inventory control attribute level values from the period inventory valuation cannot be compared with the period layer inventory valuation because layer inventory valuation does not have summary at the subinventory level.

Related Topics

- Example of Accounting of Global Procurement Trade Transactions into Inventory
- How Cost Organizations, Inventory Organizations, and Cost Books Fit Together

Reconciling Inventory Value in Costing Subledger with General Ledger

You must reconcile the inventory value in the costing subledger with General Ledger on a periodic basis after the period is closed. This helps in load balancing because each month only the incremental data and balances need to be substantiated and reconciled.

The Review Inventory Valuation page and the period valuation reports match the period activity with the period costed value and period accounted value to certify the amounts. By using the General Ledger reports, you must validate the period accounted value with the corresponding value in the General Ledger.

- If the period activity doesn't match the period costed value, then resolve all negative inventory at the item valuation unit level, resolve intravaluation unit in-transit transfers, and ensure that all the transactions are costed.
- Identify the exact items, if any, on the Inventory Value by Item page of the Review Inventory Valuation UI where period Activity doesn't match the period costed value and take corrective action.
- If the period costed value doesn't match the period accounted value, make sure that all transactions are accounted. On the Inventory Value by Item page, when you click the warning icon next to the mismatched period accounted value, the Transaction Details dialog box is displayed. This dialog box lists all the unaccounted transactions for the item and valuation unit and the transactions that are costed and accounted in different periods, if any.
- If the period costed value matches the period accounted value but the period accounted value doesn't match the balance in General Ledger, ensure that:
    - Subledger accounting setup is configured to use inventory valuation account only for inventory items and only receipt and issue events hit inventory valuation account.
    - No manual journal entries are created in inventory valuation account without documentation and approval. Such manual journal entries, if any, should be treated as reconciling items.
    - Use inventory valuation account only for entries from costing subledger to ensure a hassle free reconciliation.
    - Use General Ledger tools such as Account Analysis report to flag activity not coming from cost accounting journal source and take corrective action.

FAQs for Cost Accounting

What costing category is used in Cost Accounting?

Cost Accounting derives the costing category from the catalog that's mapped to the Cost functional area. Here's how Cost Accounting uses the costing category:

- To identify the cost profile in the Default Cost Profile page if you want to have different cost profiles mapped to different categories.
- In the Analyze Product Gross Margin page, when you review the gross margin by item, the catalog to which an item belongs is shown.
- Costing Category is available as a source to drive your accounting in SLA.

Cost Accounting uses the costing category mapped to the item validation organization. An item can be associated with multiple inventory organizations that are mapped to a single cost organization and, therefore, could return different categories. To avoid the ambiguity, the costing category mapped to the item validation organization is used.

When should I run the Period End Validation report for Cost Accounting?

You should run the Period End Validation report for Oracle Cost Accounting and Oracle Receipt Accounting at regular intervals, and well in advance of period close, so that any errors and exceptions in the reports can be resolved before period close.

You can access these reports in the Reports and Analytics work area.

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.

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.

Why a standard cost doesn't exist error shown even if item cost is published without errors?

Check the valuation unit of the published standard cost and ensure that it matches the valuation unit associated with the transactions processed with this error.

Why is the cost processor logging a standard cost missing error?

The cost processor shows a standard cost missing error if any of the cases listed here is true:

- In the item cost profile, you have set the cost method Standard but you haven't defined a standard cost for the item in cost accounting.
- The cost allocation basis is set to Fixed for an item in the manufacturing work order but you haven't defined a standard cost for this item. In this case, you must define a standard cost for the item even if the cost method is set to Actual or Perpetual Average in the item cost profile.

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.

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.

Why is the Unit Cost of the item disproportionate to the Transaction Quantity or Amount for the Miscellaneous Receipt transaction?

When you create a miscellaneous receipt transaction, the unit cost defined is based on the transaction UOM. Even if you provide a secondary UOM and quantity, the unit cost is applicable for the transaction UOM.

After you transfer the transactions to costing and create the cost accounting distributions, Oracle Cost Accounting calculates the unit cost based on the UOM defined in the cost profile associated with the item.

If the transaction UOM is different from the costing UOM defined in the cost profile, then the Review Cost Accounting Distributions page shows the **Transaction Quantity or Amount** and **Transaction UOM** as per what you specified when creating the miscellaneous receipt transaction. But the **Unit Cost** in the **Cost Information** tab under the Details section of the page shows the unit cost calculated by Cost Accounting based on the UOM defined in the cost profile, which can be different from the transaction UOM.

What are the accounting distribution basis options for consigned inventory transactions?

You can perform cost accounting of consigned inventory transactions using zero value or actual cost. Typically, the valuation on the balance sheet for supplier-owned consigned inventory is zero. But you may sometimes want to perform accounting using actual cost.

In either case, the inventory valuation reports always display the pro forma value of consigned goods. Select the accounting distribution basis for consigned inventory on the Manage Cost Profiles page in the Setup and Maintenance work area.

Can I revise a cost adjustment?

You can modify a cost adjustment that has not yet been processed by the cost processor. If you need to make changes after a cost adjustment has been processed, you can create another adjustment for the additional changes.

Why is the acquisition cost adjustment hitting write-off after the receipt cost adjustment?

Cost Accounting considers a cost created by you to be the cost with which you want to process the receipt and use that as inventory value.

If there are any automatic acquisition cost adjustments after the receipt cost is manually updated, then Cost Accounting invalidates these adjustments. These adjustments, therefore, hit write-off and aren't accounted in the inventory. In the case of such receipts, because the receipt cost adjustments are created they are considered to be inventory value of that item and acquisition cost adjustment created later are hitting write-off. There will be no imbalance in the Receiving Inspection because that's cleared by the acquisition cost adjustment.

How are the costs incurred post product completions included in item costs if I'm using the accumulated WIP balances provisional completion method?

In process manufacturing, you can report product completions in any operation, and not necessarily in the last operation.

If you're using the accumulated WIP balances logic for calculating provisional completion costs and if you've material and resource costs incurred in operations that occur after the operation where the product is completed, then these costs cannot be included in the provisional completion costs. These costs will be added to the primary product's cost when the work order is closed and will be reported as a product cost adjustment.

How do I clear the Work in Process balances after all the product completions?

The WIP balances are cleared after the work order is closed. If you're using the standard cost method, the balances in WIP will be cleared by creating different variances. If you're using actual, average, or periodic average cost method, product cost adjustments will be created.

In the case of periodic average cost, if the product completion and word order close are in different periods, then the adjustments will be created to clear the balances. If the product completion and word order close are in the same period, the completion costs are recalculated.

How do standard cost updates impact open work orders?

A standard cost adjustment affects the on-hand inventory and the quantities in Work in Process. For the on-hand inventory, costing creates a standard cost adjustment. For the quantities that are already issued to a work order and if the work order is open, costing creates a WIP Standard Cost Adjustment.

If the cost of the finished product changes, it’s considered during the product completion or work order close. If the resource cost is changed, then Work in Process Resource Cost Adjustment transactions are created for open work orders.

Why is the work order close transaction not costed?

Before a work order can be closed, all the corresponding product completions, material and resource transactions, scrap transactions, and so on need to be costed. Therefore, you must verify whether all other transactions for the work order are costed.

- In the Review Cost Accounting Distributions page, check whether the cost distributions have been created for the work order completion and work order close transactions.
- If the distributions haven't been created, check the Error tab of the page for any errors corresponding to the work order transactions. If there are errors, resolve them and run the cost processor again.

  You can also check the Period Close Exceptions report for errors.
- Check whether all the items used in the work order (inputs and outputs) are cost enabled. If any of them aren't cost enabled, then enable costing for the respective items and rerun the required scheduled processes.

- If the report shows the error "Pending transactions exist" for the work order close transaction but no error for the work order completion transaction, then any of these could be a probable cause.
    - If the work order material issue transactions aren't costed, it could be due to a negative inventory. Ensure that there is sufficient on-hand quantity. If required, create a miscellaneous receipt with the proper cost.
    - If WIP material return or WIP product return isn't costed, it could be because the returned quantity is more than the issue quantity. Ensure that the issue quantity is always greater than or equal to the returned quantity.
    - If all the other transactions for the work order are posted and costed, and only the work order completion transaction isn't costed, then it's most likely due to partial completions. For partial completions, check whether the **Provisional Completions** option in the item cost profile is appropriately set. Do note that if this option is set to **At Work Order Close**, then the product completions will be costed along with the work order close.
- Also, check whether the **Enforce processing of costs by transaction date** option is enabled in the item cost profile. If this option is enabled, then identify the first transaction for the item and valuation unit combination that wasn't costed and resolve the issue. Only then the subsequent transaction for this item and valuation unit combination will be processed.

How can I clear the Work in Process balance for a canceled work order?

In the case of a canceled work order, no accounting entries are created for Work Order Cancel. If the canceled work order has any product completions, then the Work in Process balances are used to cost the product completions. However, if there are no product completions, then the Work in Process balances are expensed. You need to mark the work order as Close for this accounting to take place.

What should I do if cost records aren't processed due to missing inventory transactions?

If an inventory transaction isn't transferred to costing then the costing information for such a transaction won't be processed. This issue is likely to happen if you have uploaded the inventory transactions and cost records by using FBDI or REST API, and there's a mismatch between the uploaded information for inventory and costing.

Check whether the inventory transactions are processed successfully without any errors and transfer these transactions to costing by running the Transfer Transactions from Inventory to Costing process. After the missing inventory transactions are transferred, the corresponding cost records will be processed when you run the Create Cost Accounting Distributions process.

In what sequence are transactions with the same date processed to calculate the perpetual average cost?

When there are several transactions with the same date, the perpetual average cost method first processes the receipt transactions and then the issue transactions.

Let's consider these transactions with the same date. Here, the receipt transaction 1008 will be processed before the issue transaction 1001 for calculating the perpetual average cost.

Transaction Number	Transaction Type	Transaction Quantity	Transaction Date
1001	Miscellaneous issue	100	2025/8/30 15:00
1008	Miscellaneous receipt	104	2025/8/30 15:00

What should I do if transactions aren't costed because perpetual average cost is unavailable?

The perpetual average cost won't be available in the cases listed here:

- The first receipt transaction for the item is without a cost. Therefore, the average cost can't be calculated.
- The issue transaction for an item is processed even before any receipt transaction for the item processed.

You can define a cost component mapping to the default cost element so that such transactions are costed at $0. After you map to the default cost element, run the Create Cost Accounting Distributions process so that such transactions are costed.

Why are the journal entries for Trade Receipt Accrual missing?

If you have transfers across organizations belonging to different business units, you must perform the tasks listed here in the correct sequence to ensure that the journal entries are correctly created.

1. Run these processes:
    - Transfer Transactions from Inventory to Costing
    - Transfer Transactions from Receiving to Costing
2. Process the Financial Orchestration events wherever applicable.
3. For the sending business unit, run these processes:
    - Create Cost Accounting Distributions
    - Create Receipt Accounting Distributions
4. For the receiving business unit, run these processes:
    - Create Receipt Accounting Distributions

- Create Cost Accounting Distributions

5. Run the Create Accounting process for the sending and receiving business units.

Why does the Trade Clearing Account have a residual balance for my return transactions?

When using dual units of measure, the returned quantity in the case of an RMA could be greater than the receipt quantity. This will create a residual imbalance in the trade clearing account of the receiving business unit.

In such cases, you must manually offset the balance.

What's a tax point basis?

A point in the receipt transaction process where taxes are accounted and reported to the tax authorities. These can be classified into two categories: delivery-based and invoice-based tax points.

Delivery-based taxes are accounted and reported on the receipt transaction. Invoice-based taxes are accounted and reported when the supplier invoice is created, accounted, or paid.

What's the difference between inclusive basis and exclusive basis in tax calculations?

Inclusive taxes are included in the assessable value or purchase price. For example:

- PO amount: USD 100
- Inclusive tax rate: 10%
- Tax: 100/1.10 = USD 9.09 (distribution amount divided by (1 + tax rate))

Exclusive taxes are added to the purchase price or assessable value. For example:

- PO amount: USD 100
- Exclusive tax rate: 10%
- Tax: 100*0.10 = USD 10.00 (distribution amount multiplied by tax rate)

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.

Which cost is used by Cost Accounting for customer drop shipments

Cost Accounting uses the transaction cost price, which could be the source document price, to cost customer drop shipments irrespective of the cost method associated with the item cost profile. However, if you're using standard costing, the drop ship receipt will be costed at the existing standard cost and the difference between the purchase order price and standard cost is considered as the purchase price variance.

Why are transfer orders within an inventory organization not reflecting in Cost Accounting

Intraorganization transfers can be direct or in transit. Depending on the valuation structure setup for an item, a transfer can be across valuation units or within a valuation unit.

When the valuation unit includes subinventory or the receipt of the transfer is in an expense subinventory, the transfer is considered to be across valuation units. However, if the valuation unit is defined at the inventory organization level or higher, the transfer is considered to be within a valuation unit.

Transfers across valuation units are always costed. However, if the transfer is within a valuation unit, then it will be costed or excluded based on the Account Intravaluation Unit Transfers option set in the Cost Profile. In the case of an in transit transfer, the shipment and receipt are costed or excluded only after the receipt event so that it can be determined whether the transfer was within or across valuation units.

Why is the cost of goods sold recognition transaction for a given sales order not costed?

The cost of goods sold recognition is dependent on the sales order issue and can't be processed until the sales order issue is fully costed.

Check the status of the sales order issue to see if it isn't costed or is partially costed due to insufficient on-hand inventory.

Why is the RMA transaction not listed on the Review Cost Accounting Distributions page?

If the RMA receipt is created and processed, the corresponding accounting distribution line for RMA will be listed on the Review Cost Accounting Distributions page.

For a referenced RMA, you can use the original order number to search for the corresponding transactions. In the case of an unreferenced RMA, you must use the RMA order number to search for the corresponding transaction.

In the case of intercompany RMA receipt, you might have an RMA created as referenced in Order Management but it can be orchestrated as unreferenced by Financial Orchestration. In such a case, the reference number will be the RMA order number.

How does cost accounting handle the input costs for a maintenance work order?

Material and resource costs are accounted for as an expense as they are incurred. The expense account rules for maintenance work order costs are defined using the work order type, subtype, and the maintenance expense accounting class.

How are the periods in General Ledger synchronized to Cost Accounting?

The accounting periods defined in General Ledger are automatically copied to Cost Accounting when you click Open Target Period on the Manage Cost Accounting Periods page. It also synchronizes changes made to already copied periods that are in the Never Opened status.

If the newly defined periods or changes made to existing Never Opened periods aren't copied from General Ledger to Cost Accounting, then you can use an alternate method to synchronize the changes. For a cost organization and cost book combination, select **Copy Periods from General Ledger** from the Actions menu. This will copy the newly defined periods and the changed periods in General Ledger into Cost Accounting. Do note that the changed periods will be synchronized in Cost Accounting only if they're in the Never Opened status.

Why can't I open the cost period?

Before you open a cost period, check whether the prior period is open in Cost Accounting. You can't open a period if the prior period is in the Never Opened status.

Also, check the value for Maximum Open Periods for a cost organization and cost book combination in the Manage Cost Organization Relationships page.

Why do I see the Completed work orders not closed error on period close validation

The period end validation alerts you about completed work orders that aren't in the Closed status in Manufacturing. This validation is applicable for process and discrete manufacturing work orders and not for maintenance work orders.

You can identify the work orders from the Manage Work Orders page by searching for completed work orders for the date range of the period. If you find any work order that can be closed, close the work order and try the validation again.

If you don't close the work orders, the product cost adjustments in the case of actual, perpetual average, and periodic average cost methods and variances in the case of standard cost method might get created in a different period than the product completions. On the Manage Work Orders page, you can close the work order with the current date or you can backdate it to any date after the last transaction reported for that work order.

Also, you can ignore this validation because it's only meant to inform you about work orders that aren’t closed in Manufacturing.

Why are project transfers costed when the Account Intravaluation Unit Transfers option isn’t enabled?

In the case of transfers from a common inventory to project, such transactions are sent to project as charge and, therefore, the cost processor costs and accounts these transactions even when the transfers are within the same valuation unit and the **Account Intravaluation Unit Transfers** option isn’t selected in the corresponding item cost profile.

What should I do if the scheduled process is in the Running status?

A scheduled process could be in the Running status for a longer duration for various reasons:

- An unusually high volume of transactions are being processed. This can happen if the process isn't run regularly.
- The process status isn't updated in the Scheduled Processes UI. Refresh the page and check the status.

Monitor the process status regularly. You can also configure the notification options when running or scheduling a process, so that you're informed when the process is completed. If the process remains in the Running status for an unusually long duration, check the logs to see the progress and whether the process is stuck. If required, cancel the process so that the subsequent processes can run.

What should I do if the scheduled process is in the Blocked status?

A scheduled process will be in the Blocked status if another process for the same cost organization and cost book combination was initiated earlier and hasn't yet completed.

Check the status of the earlier process. If this process is in the Running or Canceling status, check the logs to see the progress and whether the process is stuck.

When a process is stuck in the Running status for an extended period of time, you can cancel the process so that the blocked scheduled process can run. If a process is stuck in the Canceling status, you can Force Cancel the process.

What should I do if the scheduled process is in the Canceling status?

When you cancel a process, the application will revert to the original state when the process was initiated. This could take time because the transactions performed until you canceled the process have to be rolled back.

After the process is successfully canceled the status is changed to Canceled. If the process is in the Canceling status for some time, the Force Cancel option is enabled in the Actions menu. Check the logs and Force Cancel the process, if required.

Related Topics

- Cancel or Make Changes to Scheduled Processes

Which distribution account is created if I've a resource cost element in my cost structure?

The resource cost element is accounted under the Resource Absorption accounting line type only for the WIP Resource Charging event type. For all other transactions, it is accounted under the Material Overhead Absorption accounting line type.

You can use the Cost Element type as an additional accounting source if you want to differentiate your absorption type between resource and overheads for other event types.

How is the product completion cost calculated when the same co-products and by-products are completed on multiple operations?

If you've set the provisional completion option to **Use Accumulated Work in Process Balances**, each of the product completion is calculated based on the accumulated work in process balances till that operation. When the work order is

closed, the cost processor calculates a single cost for product completions and creates a product cost adjustment for the difference between the product completion cost and the cost calculated at work order close.

This ensures that the total production costs are distributed appropriately across all outputs, providing precise and transparent cost tracking. This helps to achieve accurate inventory valuation, improved profitability analysis, and better alignment with operational realities in complex manufacturing scenarios.

5 Landed Cost Management

Overview of Landed Cost Management

Oracle Landed Cost Management gives your organization financial visibility into your supply chain costs, including transportation and handling fees, insurance, duties, and taxes. These types of charges can compose a significant portion of the cost of an item.

Landed Cost Management enables you to incorporate the charges accurately into overall financial processes and decision-making activities. You can initially estimate these costs and later update them with actual amounts as they become known, allocating them to shipments, orders, and products.

Landed Cost Management helps you perform three main tasks:

- Capture charges: You can capture charges such as freight, insurance, and tax. These charges are captured and grouped under an entity called trade operation. A trade operation is a logical entity that denotes a single instance of a business transaction or process in which you would like to capture all the charges; for example a single shipment or a container.
- Perform allocations: You can associate charges on a trade operation to invoices, for purcase orders and transfer orders. You can then distribute and allocate the charge amount to the respective orders and further on to the receipts performed on those orders.
- Create accounting: You can transfer the charge information to Receipt Accounting and Cost Accounting, as a final step to account for all the charges that were incurred.

Landed Cost Management interfaces with these applications:

- Oracle Purchasing: Landed Cost Management receives the material PO information. Trade operation charges are associated with PO schedules and allocated proportionately to PO schedules and receipts.
- Oracle Receipt Accounting: Tasks performed when managing landed costs use the data from Receipt Accounting, and Receipt Accounting creates the accounting entries to accrue landed cost charges.
- Oracle Cost Accounting: Charges from Landed Cost Management are absorbed as part of the item cost in Cost Accounting. After the goods are delivered to inventory, the landed cost charges are absorbed into inventory valuation.
- Oracle Tax: Taxes may be applicable to charges coming from Landed Cost Management. The charges are defined in Landed Cost Management. Taxes are automatically calculated, when applicable, by calling the Tax application.
- Oracle Payables: In most cases, suppliers send invoices for the services they provide (particularly for freight). When these invoices relate to charges defined in a landed cost trade operation, it's possible to automatically associate an invoice amount to a landed cost charge applied to a receipt. For example, when there is a receipt of items, the bill of lading number from the freight supplier is specified in the receipt. Then when the freight supplier invoice is processed, the invoice line references that bill of lading number. When the freight supplier invoice is interfaced to the landed cost application, the bill of lading number that is common to the receipt and invoice lines is automatically associated. As a result, the landed cost application compares the estimated amount of freight charge in the receipt to the actual amount of freight charge billed in the invoice, and adjusts the cost of the receipt for any calculated cost variance.
- Oracle Receiving: The receipt information is automatically copied to the trade operation based on associated purchase order schedules, purchase order shipments, and transfer order shipments. The allocation process also prorates the estimated amount to the receipt.

Implementing Oracle Receipt Accounting is a prerequisite for Landed Cost Management. Implementing Oracle Cost Accounting is optional. If you implement Cost Accounting, the landed cost charges are also visible in Cost Accounting. Several options are available for implementing Landed Cost Management, based on the source of these landed cost charges. You can implement a combination of one or more of these options, where the source of the landed cost charges can be:

- A payable invoice from a service provider or supplier
- A supplier purchase order for the service
- An estimate provided by a supplier or any other source

Related Topics

- Landed Cost Management Tasks
- Create Estimated Landed Costs
- Analyze Landed Cost Charges and Variances

Landed Cost Management Tasks

In Oracle Landed Cost Management, you can perform various tasks and processes using the respective pages in the Receipt Accounting work area.

The table describes the pages that you can use to perform the tasks and processes to ensure accurate allocation and analysis of landed cost charges. You can access these pages from the Quick actions menu in the work area.

The table also lists the profile option codes that you need to enable using the Manage Landed Cost Profile Options task from the Setup and Maintenance work area. After enabling a profile option, you can use the corresponding page with the new Redwood user experience. If not enabled, the existing UI will be shown.

Page	Tasks and Processes	Profile Option Code
Trade Operations	Create and edit trade operations to capture landed cost charges associated with receipts of material. You can manually associate purchase order schedules, purchase order shipments, and transfer order shipments to trade operations.	`ORA_CML_MANAGE_TRADE_OPERATIONS_REDWOOD_ENABLED`
Orders to Estimate	Search, filter, and process purchase orders schedules, purchase order shipments, and transfer order shipments for landed cost estimation.	`ORA_CML_MANAGE_TRADE_OPERATIONS_REDWOOD_ENABLED`
Charge Invoice Associations	View invoices that are automatically associated with trade operation charge lines, identify and correct mismatched invoices, and create trade operations and associate them with invoices.	`ORA_CML_MANAGE_CHARGE_INVOICE_ASSOCIATIONS_REDWOOD_ENABLED`

Page	Tasks and Processes	Profile Option Code
Landed Cost Run Control	Create, update, and schedule landed cost run controls. A run control can include processes to prepare material purchase order and invoice data and associate and allocate third-party charges to trade operations.	ORA_CML_MANAGE_LANDED_COST_PROCESSES_REDWOOD_ENABLED
Landed Cost Process Errors	Review and resolve any errors that occur when landed cost processes are run.	ORA_CML_REVIEW_LANDED_COST_PROCESSES_REDWOOD_ENABLED
Trade Operation Templates	Create and edit templates of trade operations and the associated charges.	ORA_CML_MANAGE_TRADE_OPERATION_TEMPLATES_REDWOOD_ENABLED
Reconcile Landed Cost Charges	View purchase order schedules and receipts where the related third-party charges are over or under-allocated and absorbed, and run processes to adjust discrepancies.	ORA_CML_RECONCILE_LANDED_COST_CHARGES_REDWOOD_ENABLED
Item Landed Costs	Review purchase and transfer order receipts of goods, related third-party charges, total landed costs, and variances between the estimated and actual landed costs.	ORA_CML_VIEW_ITEM_LANDED_COST_REDWOOD_ENABLED
Landed Costs Summary	Compare and evaluate landed cost trends, including material costs and third-party charges and variances, across business units, inventory organizations, and routes.	ORA_CML_ANALYZE_LANDED_COST_CHARGES_REDWOOD_ENABLED

In the Receipt Accounting work area, you can also use the Capture Trade Operation Charges in Spreadsheet option from the Quick actions menu to perform bulk data updates to an existing trade operation. You can add, edit, or delete landed cost charges and charge references.

Related Topics

- Overview of Landed Cost Management

Orders to Estimate

Use the Orders to Estimate page to get a streamlined interface to search, filter, and process purchase order schedules, purchase order shipments, and transfer order shipments for landed cost estimation from a single page. The data on the page is organized based on the procurement business unit for purchase orders and destination business unit for transfer orders.

You can use scorecards on the page to view purchase orders and transfer orders pending landed cost processing. You can view the count of orders created in the last 7 days, providing you instant visibility into recent activity and helping

you prioritize processing. Separate scorecards are available for each order type, and clicking a scorecard displays the data for that order type. Using filters like associated charges, you can quickly filter associated and unassociated documents.

On the Orders to Estimate page, you've the option to create a trade operation from scratch, from a template, or by using the Quick Create option. You can create trade operations either for the selected orders or for a filtered set of orders that match your search criteria. A filtered set includes all orders meeting the criteria of the filters applied, regardless of manual selection.

Related Topics

- Trade Operations
- Create a Trade Operation for a Filtered Set of Orders

Trade Operations

You can create trade operations to capture landed cost charges associated with purchase order and transfer order receipts of material. A trade operation is a logical entity for grouping landed cost charges expected to be incurred for material shipments.

Landed cost features provide financial visibility into the supply chain costs, including transportation and handling fees, insurance, duties, and taxes. A significant portion of an item's cost can be comprised of landed costs, and it's important to accurately incorporate them into financial processes and decision making. You can associate an order to a trade operation based on various identifiers, including purchase order number, purchase order shipment number, or transfer order number.

You can create trade operations using any of these ways:

- Create a trade operation from scratch
- Create a trade operation from a template
- Create a trade operation using Quick Create

Related Topics

- Create a Trade Operation from Scratch
- Create a Trade Operation from a Template
- Create a Trade Operation Using Quick Create

Create a Trade Operation from Scratch

You can create trade operations for purchase orders and transfer orders. The allocation type for purchase orders can be PO schedules or PO shipments, and for transfer orders it can be transfer order shipments.

To create a trade operation from scratch:

1. In the Receipt Accounting work area, select **Trade Operations** from the Quick actions menu.
   If required, click View all actions to see the complete list of actions available.
2. Click **Create Trade Operation** on the Trade Operations page.
3. Specify trade operation details in these fields on the New trade operation panel drawer.

Field	Description
Name	Specify the name for the trade operation.
Description	Provide a brief description of the trade operation.
Transaction Type	Select the type of transaction: - PO receipt: Allocates landed cost charges based on purchase orders. - Transfer order: Allocates landed cost charges based on the transfer order shipment quantity. **Note:** The support for landed cost for transfer orders is available only if you've opted in for the Allocate for Landed Cost Charges in Transfer Order Receipt Transactions feature.
Procurement BU	Specify the procurement business unit for the trade operation.
Document Currency	Select the required currency for the trade operation.
Currency Conversion Rate Type	Select the currency conversion rate type for the trade operation.
Allocation Quantity Type	Select the type of allocation quantity. For the Transfer order transaction type, the allocation quantity type is always Transfer order shipment. For the PO receipt transaction type, select from these options: - Purchase order schedule quantity: This is the default value and landed costs are calculated based on the quantity mentioned in the purchase order schedule. - Shipment quantity: The quantity mentioned in the purchase order shipments associated with the trade operation is used to calculate landed costs. This option is useful when the purchase order schedule quantity is fully received across multiple partial shipments. Also, you must have an ASN-based receiving process to utilize this setting. **Note:** The Allocation Quantity Type field is available only if you've opted in for the Allocate Landed Cost Charges Using ASN Quantity feature.
Route	Select a route through which materials are transported for this trade operation.

4. Click **Create**.

For the newly created trade operation, you can add the relevant information on the various tabs displayed for the trade operation.

Trade Operation Information

The information about a trade operation is organized across these tabs in the trade operation record:

- Transfer Order Shipments/Purchase Order Schedules/Purchase Order Shipments
  - Transfer Order Shipments tab: Displays transfer order shipments added to a trade operation. You can associate one or more transfer order shipments to a trade operation.

    This tab is displayed for a trade operation created with the transaction type as Transfer order.
  - Purchase Order Schedules tab: Displays purchase order schedules being shipped as a part of a trade operation. You can associate one or more schedules to a trade operation.

    This tab is displayed for a trade operation when the transaction type is set to PO receipt and the allocation quantity type is set to Purchase order schedule quantity.
  - Purchase Order Shipments tab: Displays purchase order shipments added to a trade operation. You can associate one or more purchase order shipments to a trade operation.

    This tab is displayed for a trade operation when the transaction type is PO receipt and the allocation quantity type is Shipment quantity.

    You need to set the Allocation Quantity Type parameter according to your use case. If the purchase order schedule quantity is fully received in partial shipments across multiple periods or if the purchase order schedule quantity might not be fully received, then set the parameter value to Shipment quantity. By using Shipment quantity as the allocation quantity type, you get these benefits:

    - More accurate landed cost for inventory valuation and COGS because the landed cost charges are captured only when the shipment information is available and allocated based on the shipment quantity.
    - Full absorption of the invoice amount to the receipt quantity.
    - By adding ASNs to the trade operation, purchase order schedule and shipment quantity get automatically added to charges.
- Charges tab: Displays the landed cost charge lines added to a trade operation along with the charge line status, estimated amount, and actual amount. You can also add new charge lines.
- Estimates and Actuals tab: Displays the estimated and actual amounts at the purchase order schedule, purchase order shipment, or transfer order shipment level. You can export the data to a downloadable spreadsheet for offline analysis.

Add Purchase Order Shipments to a Trade Operation

You can associate one or more purchase order shipments, purchase order schedules, or transfer order shipments to a trade operation, depending on the allocation quantity type set for the trade operation.

To associate a purchase order shipment to a trade operation:

1. On the Trade Operations page, click the Edit icon for the trade operation that you want to edit.
2. On the Purchase Order Shipments tab, click the Add icon.
3. On the Associate purchase order shipments page, search for and select the purchase order shipments that you want to associate with the trade operation. Use filters as required.
4. Click **Add** to associate the selected purchase order shipments.

After PO shipments are associated with a trade operation, the corresponding purchase order schedules are automatically associated with the charge line. You can also see the shipment quantity from the PO shipment and the ordered quantity from the purchase order schedule.

Similarly, you can associate purchase order schedules and transfer order shipments to a trade operation.

> **Note:** To ensure that charges are correctly applied to receipt quantity, all receipts must be created through PO shipments when the Allocation Quantity Type field is set to Shipment quantity.

Examples of Landed Cost Absorption

Here's a simple example explaining how landed costs are absorbed based on the allocation quantity type setting in a trade operation. Here are the charge line details:

- Charge name: Freight
- Charge basis: Aggregate
- Charge amount: 1000.00
- Allocation basis: Equally

This table shows the landed cost absorption when the Allocation Quantity Type field is set to Purchase order schedule quantity.

PO Schedule	Allocated Charge	Shipment Quantity	PO Schedule Quantity	Per Unit Charge	Receipt Quantity	Charge Absorbed
1005379/1/1	500.00	10	20	25.00	10	250.00
1005380/1/1	500.00	20	40	12.50	20	250.00

In this case, notice that for the first PO schedule the charge absorbed in 10 (receipt quantity) * 25.00 (per unit charge computed based on the purchase order schedule quantity), which is 250.00. The same is true for the second PO schedule. The total freight charge of 1000.00 is partially absorbed across the two purchase order schedules.

The following table shows the landed cost absorption when the Allocation Quantity Type field is set to Shipment quantity.

PO Schedule	Allocated Charge	Shipment Quantity	PO Schedule Quantity	Per Unit Charge	Receipt Quantity	Charge Absorbed
1005379/1/1	500.00	10	20	50.00	10	500.00
1005380/1/1	500.00	20	40	25.00	20	500.00

In this case, notice that for the first PO schedule the entire charge is absorbed. That's 10 (receipt quantity) * 50.00 (per unit charge computed based on the shipment quantity), which is 500.00. The same is true for the second PO schedule. The total freight charge of 1000.00 is fully absorbed across the two purchase order schedules.

Related Topics

- Trade Operations
- Create a Trade Operation from a Template
- Create a Trade Operation Using Quick Create

Create a Trade Operation from a Template

Trade operation templates define key details such as the supplier, charge lines, reference types, and routes, which help to ensure uniformity across trade operations and minimize the risk of errors and variations in landed cost calculations. Templates are particularly useful for organizations with high shipment volumes or standardized procurement patterns, enabling scalable and efficient landed cost processing.

When you create a trade operation from a template, all the predefined information is automatically copied into the trade operation. You can still review and adjust the copied details as needed.

1. In the Receipt Accounting work area, select **Trade Operations** from the Quick actions menu.

   If required, click View all actions to see the complete list of actions available.
2. From the More Actions menu on the Trade Operations page, select **Create Trade Operation from Template**.
3. Specify the name and description of the trade operation in the Create Trade Operation from Template panel drawer.
4. From the **Trade Operation Templates** list, select the template based on which you want to create the trade operation.

   Upon selecting a template, the fields predefined in the template, such as BU and document currency, are automatically populated. The Templates section displays the general information about the template. The Charges section displays the charges predefined in the template.
5. From the Transaction Type list, select **PO receipt** or **Transfer order**.
6. If you selected PO receipt as the transaction type, then in the **Allocation Quantity Type** field, specify whether the allocation is based on purchase order schedule quantity or shipment quantity.
7. Click **Create**.

   For the newly created trade operation, you can add the relevant details on the various tabs displayed for the trade operation.

Related Topics

- Trade Operations
- Create a Trade Operation from Scratch
- Create a Trade Operation Using Quick Create

Create a Trade Operation Using Quick Create

Using the Quick Create option on the Orders to Estimate page, you can create a trade operation faster than other methods. Quick Create automatically populates values from the selected orders and charge setup for the trade operation. You only need to provide charge details with minimum required parameters.

1. In the Receipt Accounting work area, select **Orders to Estimate** from the Quick actions menu.

2. From the scoreboard, select the type of order for which you want to create a trade operation.

   You can choose to create a trade operation for purchase order schedules, purchase order shipments, or transfer order shipments.
3. Select the orders for which you want to create a trade operation.

   Use keyword search, contextual filters, and filter chips to quickly identify the relevant records.
4. Click **Quick Create**.
5. Specify the charge details such as the charge name, charge basis, supplier, and charge currency.
6. Click **Create** and select one of these options:
   - Select **Create and Next** if you want to create another charge line in the trade operation. Provide the details as required.
   - Select **Create and Close** to finish creating the trade operation with the specified charge line.

Related Topics

- Trade Operations
- Create a Trade Operation from Scratch
- Create a Trade Operation from a Template

Create a Trade Operation for a Filtered Set of Orders

On the Orders to Estimate page, you've the option to create a trade operation from scratch, from a template, or using the Quick Create option. You can create trade operations either for the selected orders or for a filtered set of orders that match your search criteria. A filtered set includes all orders meeting the criteria at the time of creation, regardless of manual selection.

1. In the Receipt Accounting work area, select **Order to Estimate** from the Quick actions menu.
2. On the scorecard area, select the order type you want to view: purchase orders schedules, purchase order shipments, or transfer order shipments.
3. Search for the orders for which you want to create a trade operation.

   Use keyword search, contextual filters, and filter chips to quickly identify the relevant records. For example, using the Ship-to Location filter chip you can search for orders for a specific ship-to location. Use the Filters filter chip to explore all the filters that you can use to locate the desired records.
4. From the More Actions menu, select the method that you want to use to create a trade operation for the filtered set of orders and then specify the required details.
   - Use **Create Trade Operation for Filtered Set** to create a trade operation from scratch.
   - Use **Create Trade Operation from Template for Filtered Set** to create a trade operation from a template.
   - Use **Quick Create for Filtered Set** to create a trade operation using the Quick Create option.

Related Topics

- Create a Trade Operation from Scratch
- Create a Trade Operation from a Template
- Create a Trade Operation Using Quick Create
- Orders to Estimate

Update the Status of a Trade Operation

A trade operation status helps you to quickly determine the actions that need to be performed on a trade operation.

A trade operation can be assigned any of these statuses:

- Draft: A trade operation in the draft status is excluded from the charge allocation process. Such a trade operation is awaiting some necessary information like charge lines and purchase order schedules.
- Open: Trade operations in the open status are eligible for charge allocation. When you run the allocation processor using the Manage Landed Costs process, trade operations in the open status are considered for allocation.
- On-Hold: The on-hold status can be used to temporarily exclude a trade operation from the charge allocation process. You can set the trade operation status to on-hold if you want to edit the trade operation. You can later reset the status to open so that the corresponding charges can be allocated.
- Inactive: A trade operation with the inactive status is excluded from the allocation process. You can't edit such a trade operation any further. Any charges that were allocated prior to the status change remain unchanged. The inactive status serves to prevent further modifications to a trade operation, while preserving the integrity of the previously allocated charges.
- Closed: Trade operations in the closed status are still considered by the allocation processor. If any new receipts are received for the purchase order schedules or transfer order shipments associated with a closed trade operation, charges can be applied to those receipts. However, you can't edit a trade operation after it has been closed. The previously allocated charges that were assigned before the status change remain unchanged. The purpose of the closed status is to prevent further editing while allowing for the application of charges to new receipts for existing purchase order schedules or transfer order shipments.

To update the status of a trade operation:

1. In the Receipt Accounting work area, select **Trade Operations** from the Quick actions menu.
2. Click **Update Status** for the trade operation.
   You can select the trade operation directly on the Trade Operations page and then click Update Status. Alternatively, you can open the trade operation record for editing and select Update Status from the More Actions menu.
3. From the Status list, select the status that you want to assign to the trade operation.
4. In the Reason field, optionally type your comments specifying the reason for choosing the status.
5. Click **Update**.

Related Topics

- Trade Operations

Landed Cost Charges

A trade operation charge is an estimated or actual landed cost charge for allocation to purchase order schedules or transfer order shipments, and subsequently to receipts. Landed cost charges are additional material supplier charges and third-party charges, incurred in the process of receiving material into ownership or possession.

You can add charge references to a charge line. Charge references are utilized to align AP invoices with charge lines, enabling automatic linking of charge lines. The values present on a charge line need to be accurately replicated on

the invoice for landed cost. This allows the application to identify a match based on these parameters and establish a connection between the charge line and the corresponding invoice. Various unique identifiers related to the shipment, such as ASN number, bill of lading number, or shipment date, can be employed as reference values.

Charge Line Status

The status of allocation of charges is captured in the Charge Line Status column of a trade operation record. The table describes the status values that might be assigned to a charge line.

Charge Line Status	Description
New	Indicates the initial status assigned to a new charge line.
Pending PO Schedule Association	Indicates that the charge line has been successfully saved, but no purchase order schedules have been associated with the charge.
Ready for Allocation	Indicates that the charge line has been successfully saved and the following conditions met: • Purchase order schedules have been associated with the charge line. • Any applicable per unit and percentage values have been entered in the Rate field. A warning message is displayed if the applicable per unit and percentage values haven't been entered on a charge line.

Related Topics

- Associate Charge Lines to Invoice Lines

Add Charges to a Trade Operation

You can add landed cost charges to a trade operation from scratch or by using the Quick Create option to automatically populates common values from the setup.

Add a Charge to a Trade Operation from Scratch

1. In the Receipt Accounting work area, select **Trade Operations** from the Quick actions menu.
2. Search for the trade operation that you want to edit. Then, click the Edit icon for the trade operation.
3. On the Charges tab, click the Add icon.
4. Specify the relevant details for the landed cost charge that you want to add. The table describes the general information fields available on the New Charge page.

Field	Description
Charge Name	Select the name of the landed cost charge.
Charge BU	Select the requisitioning business unit for the trade operation.

Field	Description
Charge Basis	Select the level at which the charge is captured. This is used to determine how charges are calculated and distributed among different purchase and transfer orders. Charge basis options include: o Aggregate: The charge is the total amount. Use the Allocation Basis field to specify the allocation, such as by volume or item value. o Per unit: Fixed rate per unit of items. The charge is entered in the Rate field. o Percentage of item price: A percentage of the full item price. The charge is entered in the Rate field. o Percentage of other charges: Percentage of another charge in the trade operation. This is a good way to model tax applying to another charge. The charge is entered in the Related Charges section. o Variable per unit: Similar to Per unit but specified against a specific purchase order line schedule or transfer order shipment. There may be different rates in a charge for different schedules. The Rate is defined directly at the purchase order schedule level or transfer order shipment associated with the charge line. o Variable percentage of item price: Similar to Percentage of item price but specified against a specific purchase order line schedule or transfer order shipment. There may be different percentages in a charge for different schedules. The rate is defined directly at the purchase order schedule level or transfer order shipment associated with the charge line.
Related Charges	If you've set Charge Basis to Percentage of other charges, then use the Add icon in the Related Charges section to add these details for the related charge lines: o Item value of the source charge o Percentage of the charge amount
Charge Basis UOM	Select the unit of measure used to calculate charges.
Service PO	Enable this to derive the charge amount from a service PO line. This check box is visible when charge basis is set to Aggregate.
PO Number	Select the PO number from which to derive the charge amount.
Service PO Line Number	Select the Service PO line schedule from which to derive the charge amount.
Service PO Schedule	Select the Service PO line number from which to derive the charge amount.
Supplier	Select the supplier for which the landed cost charge is applicable.
Supplier Site	Select the supplier site for which the landed cost charge is applicable.
Charge Currency	Select the currency for calculating and allocating charges.
Rate	Specify the percentage value to calculate and allocate charges. You can enter a value only when the charge basis is per unit or percentage of item price.
Amount	Specify the total charge amount. You can enter a value only when the charge basis is aggregate, or in the case of service PO where the amount is derived from PO line.
Nonrecoverable Tax	This field is populated automatically from the taxation system if the Enable automatic tax calculation option is selected for the charge line in the Tax Attributes section. If the option disabled, you can manually add the amount.

Field	Description
Charge Line Status	Displays the status of the charge line.

5. Add these details in the Charge Line Details section:

Field	Description
Currency Conversion Rate Type	Select the type of currency conversion rate applicable for the charge line.
Currency Conversion Date	Specify the date for which currency conversion rate must be considered.
Allocation Basis	Select the basis used for allocating the charge to purchase order schedules or transfer order shipments. Allocation basis options include: o Equally: The aggregate charge value is allocated equally across purchase order schedules or transfer order shipments associated with a charge line. o Item value: The aggregate charge is allocated in the ratio of item value (purchase order price multiplied by quantity) present on purchase order schedules or transfer order shipments. o Manual allocation factor: The aggregate charge is allocated to the purchase order schedules or transfer order shipments based on the manual factor provided by the user at purchase order schedule or transfer order shipment level on the charge line. o Quantity: The aggregate charge value is allocated in the ratio of quantities present on each of the purchase order schedules or transfer order shipments. o Volume: The aggregate charge value is allocated in the ratio of volumes (represented in terms of the Base UOM) present on each of the purchase order schedules or transfer order shipments. o Weight: The aggregate charge value is allocated in the ratio of weights (represented in terms of the Base UOM) present on each of the purchase order schedules or transfer order shipments.
Allocation Basis Base UOM	Select the unit of measure used to allocate the charges to PO schedules or transfer order shipments. This field is displayed if the allocation basis is quantity, volume, or weight.
Track missing invoices	Select this check box to identify the invoices that are missing or not yet received for the associated charges.

6. Add charge references in the Charge References section. Click the Add icon and specify the details described in the table.

Field	Description
Charge Reference	Select the name of the charge reference.
Value	Specify a unique value for the charge reference.
Automatically Associate on Match	Select this check box to allow automatic association of invoices.

7. Click **Save and Close**.

   Alternatively, click **Save and Add Next** if you want to add another charge line to the trade operation.

Add a Charge Using Quick Create

Use the Quick Add Charges option to add charges to any trade operation in just a few clicks. This option automatically populates common values from the setup, helping you to create charges faster by entering only minimal details.

1. In the Receipt Accounting work area, select **Trade Operations** from the Quick actions menu.
2. Search for the trade operation that you want to edit. Then, click the Edit icon for the trade operation.
3. On the Charges tab, select **Quick Add Charges** from the Quick Add Charges menu.
4. Specify these charge details: charge BU, charge name, charge basis, supplier, supplier site, and charge currency.
5. Click **Create** and then select **Create and Close** to finish creating the charge line.

   Alternatively, select **Create and Next** if you want to add another charge line to the trade operation.

Charge-Invoice Associations

You can associate charge lines to invoice lines using the Charge Invoice Associations page to ensure accurate landed cost allocation and financial reconciliation.

Using this page, you can perform these tasks for charge-to-invoice associations:

- Filter invoice lines based on match status such as Unmatched Invoices, Partial Matches, Needs Review, or Associated.
- Add, update, or delete charge and charge reference details at the invoice line level to support accurate automatic associations. You can also review the potential trade operation charge lines with which an invoice line can be associated.
- Review associations between invoice lines and charge lines and take necessary actions, such as confirm valid matches, reject incorrect ones, or delete existing associations. You can also manually link an invoice line to a trade operation charge line.
- Export invoice data for reporting, analysis, or offline review.

Charge-Invoice Association Status

The Charge Invoice Associations page is updated when you run the Associate Invoices to Trade Operation Charges process from the Landed Cost Run Control page. Details about charge-invoice associations are captured in the Association Status column of the page. The table describes the Association Status values of charge-invoice associations.

Association Status	Description
New	This is the initial default status.
Associated	The invoice line has been automatically associated to the trade operation charge line.
Manually Associated	The invoice line has been manually associated to the trade operation charge line.

Association Status	Description
Needs Review	The invoice line has a matching trade operation charge line, but you need to review and confirm the association.
Good Match	There are multiple matches between the trade operation charge line and the invoice line. You need to select the correct match and confirm the association.
Potential Match	Only the Procurement BU, Supplier, and Supplier Site on the trade operation charge line and invoice line match. There are no matches found using the charge references.
No Match	No match found when the Associate Invoices to Trade Operation Charges process was run on the invoice line.
Canceled	The invoice line has been canceled in Accounts Payable.

Related Topics

- Associate Charge Lines to Invoice Lines

Associate Charge Lines to Invoice Lines

The Charge Invoice Associations page supports both manual and automated charge-invoice associations, while providing the flexibility to modify associations as needed.

A charge line and an invoice line can be associated only when the charge name on both the charge line and invoice line is same. For example, for an invoice line with the charge name Freight, you can associate only a charge line with the exactly same charge name, Freight.

Associate Charge Lines to an Invoice Manually

1. In the Receipt Accounting work area, select the **Charge Invoice Associations** page from the Quick actions menu.
2. Select the invoice to which you want to add a charge line.
   You can use the keyword search, contextual filters, or filter chips to search for the invoice record.
3. Click **Review Trade Operation Charge Lines**.
4. Click the Add icon on the Trade Operation Charge lines page.
5. Select the charge line that you want to add.
   You can use keyword search and filter chips to quickly identify the relevant charge line record.
6. Click **Associate**.
   On the Trade Operation Charge lines page, the charge line is added and the status is shown as Associated, indicating that this charge line is associated with the invoice line. You can click the Association Details icon to view association details.

Run the Process to Associate Charge Lines to an Invoice

1. In the Receipt Accounting work area, select the **Charge Invoice Associations** page from the Quick actions menu.

2. Select the invoice to which you want to add charge lines.
3. Click **Associate Charge Lines**.
4. From the **Look up Charge Lines for Period** list, select the time period from which you want to associate charge lines. You can choose to select charge lines from the last one week, one month, or three months. You can also select the **User Defined** option to specify a particular time period of your choice.
5. Select the **Include Closed and Inactive Trade Operations** check box if you want to associate charge lines belonging to trade operations of the closed or inactive status.
6. Click **Submit**.

   The association process automatically associates the relevant charge lines to invoices.

Enable an Invoice for Landed Cost Processing

Reference types are used to automatically match landed cost charge invoices to trade operation charges. These are typically document names, such as a bill of lading or shipment number, that are used in a business process, and are visible on the invoice and in landed cost management.

Invoices are designated for landed cost processing in the Payables work area. To designate an invoice line as a landed cost, enable the Landed Cost option in the Invoice lines section on the Create or Edit Invoice pages. You can then enter the charge details on the Charge References dialog box. After the invoice lines are accounted, submit the Transfer Costs to Cost Management process to transfer the invoice distributions from Payables to Cost Management for further processing.

Trade Operation Templates

If you need to create similar trade operations multiple times, for example for repeat purchases, you can use trade operation templates. Templates can include key details such as the supplier, charge lines, reference types, routes, currency, and taxes. Both inclusive and exclusive taxes are supported for landed costs.

If you've a determined set of charges that you incur on regular shipments, you can define a trade operation template to automatically create charge lines corresponding to these charges. When you create a trade operation from a template, all the predefined information is automatically copied into the trade operation. You can still review and adjust the copied details as needed.

Use of trade operation template significantly reduces manual data entry and ensures consistency in landed cost processing. This is particularly valuable for organizations with high shipment volumes or standardized procurement patterns, enabling scalable and efficient landed cost processing.

Related Topics

- Overview of Landed Cost Management
- Create Estimated Landed Costs

Create and Edit a Trade Operation Template

Create reusable trade operation templates with predefined duty, freight, and other landed cost charges. When you create a trade operation from a template, all predefined information is automatically copied into the trade operation.

Create a Trade Operation Template

1. In the Receipt Accounting work area, select the **Trade Operation Templates** page from the Quick actions menu.
2. Click **Create Template**.
3. Specify the general information about the template in the New trade operation template panel drawer, as described in the table.

Field	Description
Name	Specify the name of the trade operation template.
Description	Provide a description of the trade operation template.
Procurement BU	Select the procurement BU for which the template can be used.
Document Currency	Select the currency to be used for the trade operation.
Currency Conversion Rate Type	Select the currency conversion rate type for the trade operation.
Route	Select a route for the trade operation.
Effective Start Date	Select the date starting which the template can be used.
Effective End Date	Select the date up to which the template can be used.

4. Click **Create**.

   In the newly created template, you can add charges and specify the review timelines of the template. You can also specify these details later while editing the template.

Edit a Trade Operation Template

1. In the Receipt Accounting work area, select **Trade Operation Templates** from the Quick actions menu.
2. Locate the template that you want to edit.

   You can search by the template name or description or use filters such as the name, review status, next review date range or effective date range. You can also use the filters chip to quickly select the filters you want to use.
3. In the Actions column, click the edit icon corresponding to the template that you want to edit.
4. Click the Edit General Information icon to edit the information in the General Information section of the Edit Trade Operation Template page.

   You can edit details, such as the name, procurement BU, currency, and route, that you defined while creating the template.
5. Select the **Enable template review** check box to be able to review this template at the defined frequency. Selecting the check box shows the fields in the Additional Details section as editable.
   - From the **Review Cycle** list, select the review frequency as Monthly, Quarterly, or Yearly.
   - In the **Review Status** field, select the status as Reviewed or Pending review, as required.
   - In the **Next Review Date** field, specify the date when the template will become due for review.

The Last Review Date field displays the date when this template was last reviewed.

6. Click **Save** to save the changes in the General Information section of the page.
7. In the Charges section, click **Add** if you want to add a predefined charge line to the template.
8. On the New Charge page, add the charge details as required.
9. Click **Save and Close** to complete creating the predefined charge line.

   Alternatively, click **Save and Add Next** if you want to add another charge line to the template.

Create Estimated Landed Costs

You can use a trade operation to estimate landed cost charges associated with purchase order and transfer order receipts of material. You can create a trade operation for an upcoming shipment to capture the landed cost charges incurred for that shipment. Estimated landed costs provide an upfront estimate for budgeting, pricing, and initial inventory valuation, before the receipts of material.

To create estimated landed costs:

1. In the Receipt Accounting work area, select **Landed Cost Run Control** from Quick actions.
2. Query for and run the **Prepare Material Purchase Order Data** process.

   This process updates the list of approved purchase orders that can be selected for landed costs.
3. In the Receipt Accounting work page, select **Trade Operations** from the Quick actions menu.
4. From the More Actions menu, select **Create Trade Operation from Template**.

   Search for the required template. Enter the trade operation name and save the trade operation.

   You can create trade operations from scratch, by using a template, or by using the Quick Create option.
5. Optionally, enable the **Tentative** option for any charge lines that you don't want to be included in receipt accounting distributions. This option is only applicable for estimate costs.

   On the Charges tab of the newly created trade operation, if there are any predefined charge lines from the template, they will show the charge line status as Pending association.
6. On the orders tab, click the Add icon to associate orders to the trade operation.

   The name of the tab depends on the transaction type and allocation quantity type of the trade operation. For example, for a PO receipt transaction type with the allocation quantity type as Purchase order schedule quantity, the order tab name is Purchase Order Schedules.
7. Search for and select the required orders.
8. Click **Add** to associate the selected orders to the trade operation.

   When the orders have been associated to the trade operation charge lines, on the Charges tab the charge line status changes to Ready for allocation.
9. From the More Actions menu on the trade operation header section, select **Update Status** to set the status of the trade operation.
10. From the Status list, select **Open** and then click **Update** to set the status of the trade operation as open.

    This informs Receipt Accounting that the charges in this trade operation are to be added to the material cost of the items received against the orders referenced in the trade operation.

    Create and submit the receipt in the Receiving application.
11. On the Charges tab of the trade operation, select the charge lines.

12. Click **Allocate Charges**.

    The charge line status gets updated, and a message appears that the trade operation charge has been allocated.

    On the Estimates and Actuals tab, the allocated charge amount is displayed for each order in the Estimated Amount column. This is the estimated charge amount that's anticipated to be applied when the items in a purchase order or transfer order are fully received.
13. From the Navigator menu, select **Tools**, then **Scheduled Processes**. Then, run the **Transfer Transactions from Receiving to Costing** process.
14. In the Receipt Accounting work area, navigate to the Landed Cost Run Control page. Select the **Allocate Landed Cost Charges** process and set the **Apply Charges to Receipts** option to Yes in the Define Parameters region. Submit the process.
15. (Optional). In the Receipt Accounting work area, select **Create Receipt Accounting Distributions** from the Quick actions menu.
16. Select **Item Landed Costs** from the Quick actions menu. Select the PO number and receipt. The item landed costs displayed now include the material and landed cost charges.

Note: To create a charge from a service PO, you must select the charge basis as Aggregate and select Service PO. The PO Number lists only the Fixed Price Services type of POs. Specify the PO Number, Service PO Number, and Service PO Schedule. After creating the charge from a service PO, the charge line is automatically associated with the invoice line without the need for charge references because the PO number becomes the reference for charge association.

Related Topics

- Overview of Landed Cost Management
- Landed Cost Management Tasks

Create Actual Landed Costs

You can use a trade operation to capture the estimated and actual landed cost charges associated with purchase order and transfer order receipts of material. Actual landed costs are the final costs determined after all invoices are received and paid. Using charge references, the charge lines in a trade operation can be matched with the corresponding invoice lines.

1. Navigate to the Payables work area and create an invoice.
    a. Enable an invoice line for landed cost processing by selecting the **Enable** check box on the Landed Costs tab.
    b. Select the References plus icon and add details in the Charge Name, Reference Type, and Reference Value fields. These fields will be used to match the invoice line to the trade operation charge line. Save the changes.
    c. Select **Validate** from the Invoice Actions menu. Ensure that the Validation status updates to Validated on the Invoice Summary tab.
    d. Select **Post to Ledger** from the Invoice Actions menu. Ensure that the Accounting status updates to Accounted on the Invoice Summary tab.
    e. Save and close the invoice.
2. From the Navigator menu, select **Tools** and then **Scheduled Processes**. Search for and select the **Transfer Costs to Cost Management** process and set the required parameters. The Cutoff Date must be greater than or equal to Invoice creation date. Submit the process.

3. Navigate to the **Receipt Accounting** work area.
4. From the Quick actions menu, select **Trade Operations**.
    a. Create a trade operation and specify the required details. Save your changes.
    b. On the Charges tab, add a charge line to the trade operation and complete the Charge References fields. Enable the **Automatically Associate on Match** check box. The Charge References information will be used to automatically associate an invoice that has matching reference data.
    Select the **Enable automatic tax calculation** check box in the Tax Attributes section if you want to use the Tax application to automatically calculate the tax.
    c. On the orders tab, search for and select the required orders. Then, click **Add** to associate the orders to the charge lines.
    When the application has associated the orders to the trade operation charge lines, the Charge Line Status displays the Ready for Allocation status.
    d. From the More Actions menu in the trade operation header area, select **Update Status** and set the status to **Open**.
    This informs Receipt Accounting that the charges in this trade operation are to be added to the material cost of the items received against the purchase orders or transfer order shipments referenced in the trade operation. Create and submit the receipt in the Receiving application.
    e. Select the charge line and click **Allocate Charges**. The Charge line status is updated to Successfully allocated. On the Estimates and Actuals tab, the allocated charge amount is displayed for each order. This is the estimated charge amount that's anticipated to be applied when the items in a purchase order or transfer order are fully received.
5. Navigate to the Landed Cost Run Control page.
    a. Select and run the **Prepare Invoice Data** process.
    b. Select and run the **Associate Invoices to Trade Operation Charges** process.
6. Navigate to the Charge Invoice Associations page and select the required invoice. The invoice association status is displayed in the Association Details region, including the association attributes, charge line details, corresponding invoice line details, and match status for each charge line.
7. Navigate to the Trade Operations page. Search for and open the required trade operation for editing. The Charge Line Status will be set to Requires Reallocation.
8. Click the **Allocate Charges** button. The actual charges are added to the trade operation.

Upload Trade Operation Charges Using a Spreadsheet

You can use a spreadsheet to make bulk data updates to an existing trade operation. You can perform add, edit, and delete operations to update the charge information for these areas:

- Landed cost charges
- Landed cost charge references
- Landed cost-related charges

The ADF Desktop Integrator is a prerequisite for capturing charges in a spreadsheet, and can be installed from the Tools section of the Navigator menu.

To capture trade operation charges using a spreadsheet:

1. In the **Receipt Accounting** work area, click **Capture Trade Operation Charges in Spreadsheet**.
This downloads the CaptureCharges spreadsheet.

2. Open the spreadsheet.

   A pop-up message prompts if you want to connect to an application. Click Yes, and enter your sign-on credentials.
3. On the Capture Charges tab, search for the trade operation to be updated. The spreadsheet is populated with the charge lines and corresponding trade operation data from the result set.
4. Perform the edit, add, or delete operations as required.

   The Changed column is automatically updated with a change indicator icon to confirm the rows that have been modified.
5. Repeat the above steps for any changes required on the Capture Charge References tab and the Capture Related Charges tab.
6. Click **Upload** to apply your changes.

Landed Cost Processes

Use the Manage Landed Cost scheduled process to interface data from purchasing and payables system to landed cost management, auto-associate invoices, and allocate landed cost charges to associated purchase orders and transfer orders.

The Manage Landed Cost scheduled process includes the four processes described in this table.

Process	Description
Prepare Material Purchase Order Data	This process updates the list of approved purchase orders that can be selected for landed costs. The process is used to interface material purchase orders from the purchasing system to landed cost management.
Prepare Invoice Data	This process updates the list of invoices that can be selected for landed costs. The process imports only the landed cost-enabled invoices. The process is used to interface invoices from the payables system to landed cost management. You should schedule the Prepare Material Purchase Order Data and Prepare Invoice Data processes to run regularly so that data is readily available for landed cost processing.
Associate Invoices to Trade Operation Charges	This process is used to automatically associate invoices to landed cost charges that are incurred during the receipt of goods, based on the match criteria.
Allocate Landed Cost Charges	This process allocates the charges to the appropriate purchase order schedules and shipments.

On the Landed Cost Run Control page, you can create run controls to group and schedule these processes as required. You can also define the parameters to be executed for the processes. You can drill down to any past landed cost process to view its run status and the parameters used during execution. This helps in reviewing prior configurations, validating results, and troubleshooting issues when needed.

Create a Landed Cost Run Control

A run control specifies the landed cost processes that need to be run. You can create new landed cost run controls or update the existing ones to schedule and tailor landed cost processing as per your business requirements.

You can create more than one run control to schedule landed cost processes at different frequencies.

Create a Landed Cost Run Control

1. In the Receipt Accounting work area, select **Landed Cost Run Control** from the Quick actions menu.
2. Click the Add icon.
3. Specify these details on the New landed cost run control panel drawer.

Field	Description
Name	Specify the name of the run control.
Description	Provide a quick description of the run control.
Configure Processes	Specify the processes you want to run using this run control. You can choose from these: - Prepare Material Purchase Order Data - Prepare Invoice Data - Associate Invoices to Trade Operation Charges - Allocate Landed Cost Charges All these processes are enabled by default. You can optionally add your comments for each process.

4. Click **Save and Continue**.
5. Add the process parameters that need to be executed when you run the landed cost run control.

Add Process Parameters to a Landed Cost Run Control

1. In the Receipt Accounting work area, select **Landed Cost Run Control** from the Quick actions menu.
2. Click the name of the run control that you want to edit.

   Use keywords or filters to search for the desired record. If required, click All to view all the run controls to which you have access.
3. On the Edit landed cost run control page, click the Edit icon in the Configure Processes section if you want to edit the general information or specify the processes to be run as part of the run control. Specify the required details and click **Save**.
4. Add process parameters for the Associate Invoices to Trade Operation Charges process.

   On the Associate Invoices to Trade Operation Charges tab in the Process Parameters section, click the Add icon and specify the required process parameters.
5. Click **Create**.
6. Add process parameters for the Allocate Landed Cost Charges process.

   On the Allocate Landed Cost Charges tab, click the Add icon and specify the process parameters.
7. Click **Create**.

Run Landed Cost Processes

Use a run control to specify the landed cost processes that you want to run.

1. In the Receipt Accounting work area, select **Landed Cost Run Control** from the Quick actions menu.
2. Select the desired run control on the Landed Cost Run Control page.

   You can use the keyword search or filter chips to view the relevant run controls. You can also use the contextual filters, Error or Warning, In Progress, or All .
3. Click **Run Now** to run the selected run control.

You can also schedule run controls as per your business requirements. For example, you can define the frequency at which a run control is executed, like daily, weekly, or monthly. You can schedule run controls by using the Schedule option on the Landed Cost Run Control page.

Review Landed Cost Process Errors

Use the Landed Cost Process Errors page to review and resolve any errors that might occur while running landed cost processes. You can filter and review errors for a particular process ID or run control. For each error, you can view details such as the procurement BU, run control name, process ID, process name, and error date. Upon drilling down into an error, you can review the cause of the error and the possible corrective action required.

You can also review the trade operation charge lines that led to an error. For each erroneous charge line, details such as the trade operation name and number, charge line name and number, and the run control name and process ID of the last run are displayed. You can navigate to a particular charge line and update its record as required to resolve the issue.

You can also export all error details and charge line details to a spreadsheet for offline review.

To review landed cost process errors:

1. In the Receipt Accounting work area, select **Landed Cost Process Errors** from the Quick actions menu.
2. To view the errors, use the keyword search or filters like Run Control or Process ID.

   Use the Error, Warning, or Information contextual filters if you want to filter down the records further. You can view error data only for the business units you've access to.
3. Click the message link for the error you want to drill down into.
4. Review the message details and the charge lines in error, on the Landed Cost Process Error Details page.
5. Click the trade operation name to drill down into the charge line in error.
6. To resolve the issue, you can update the record as required.

Landed Costs Reconciliation

Reconciliation of landed cost charges helps to review purchase order (PO) schedules and receipts where the related third-party charges are over or under-allocated and absorbed, and adjust any discrepancies.

You can review and allocate landed cost charges based on actual receipt quantities rather than the quantities ordered or shipped. Using the Reconcile Landed Cost Charges page, you can track and reconcile these charges separately at both the PO schedule and PO shipment levels. You can reconcile or ignore reconciliation directly from this page.

While reviewing, you can also drill down to receipt details and associated trade operation charge lines for better insight and validation. Reconcile when no further receipts are expected for a particular PO schedule and trade operation combination.

On the Reconcile Landed Cost Charges page, you get a consolidated view of PO schedules, both reconciled and pending reconciliation. You can use the filters to view all records, reconciled records, or only the records not yet reconciled. You can use keyword search, contextual filters, and filter chips to quickly identify and act on relevant records.

Reconciliation Status

The records on the Reconcile Landed Cost Charges page can have one the following reconciliation statuses:

Status	Description
Awaiting reconciliation	PO schedules with over or under-allocated landed cost charges that need reconciliation.
Reconciled	PO schedules where landed cost charges were over or under-allocated and have been fully reconciled.
Partially reconciled	PO schedules associated to multiple charge lines in a trade operation, where errors were reported during reconciliation for the allocation of a subset of charge lines. To view the error for such a PO schedule, click the View trade operation charge lines button on the Reconcile Landed Cost Charges page.
Ignored	PO schedules with over or under-allocated landed cost charges that are ignored for reconciliation.
Error reconciling	PO schedules that are associated to inactive trade operations or reported allocation errors during reconciliation.

Reconcile Landed Costs

Use the Reconcile Landed Cost Charges page to track and reconcile landed cost charges separately at the purchase order schedule and purchase order shipment levels.

1. In the Receipt Accounting work area, select **Reconcile Landed Cost Charges** from the Quick actions menu.
2. Select the purchase order records that you want to reconcile.

   Use keyword search, contextual filters, and filter chips to quickly identify the relevant records. For example, using the filter chip you can select either the Purchase Order Schedules or Purchase Order Shipments option to search for the desired records.
3. Click **Reconcile** to reconcile the selected records.
4. Click **Refresh** to view the updated reconciliation status of the records.

Related Topics

- Landed Costs Reconciliation

Review Item Landed Costs

On the Item Landed Cost page, you get a centralized view of all landed cost details associated with an item. This includes freight, duty, and other charges allocated through trade operations. You can quickly analyze how landed costs are applied across receipts, monitor cost components, and trace third-party charges that contribute to final inventory

valuation. You can get a detailed view of an item's landed costs, organized by receipts and purchase orders. By using specific filters such as purchase order, item, business unit, inventory organization, or receipt date range, you can narrow down the data for items you want to analyze.

You can toggle between the Landed Cost Charges view and the Landed Cost Variances view, helping you focus on either the detailed landed cost breakdown or the differences between estimated and actual costs.

- In the Landed Cost Charges view, you can see the purchase order price, landed cost per unit, purchase value, accounted landed cost, total item or receipt value, and the landed cost as a percentage of the total.
- In the Landed Cost Variances view, you can see the estimated and actual costs per unit, their corresponding total amounts, and the variance amount and percentage.

You can sort by any of these values to quickly identify the items and receipts that contribute most to your total landed costs, making it easier to identify cost drivers and opportunities for improvement. You can click the accounted amount or variance amount to drill down into the underlying trade operations and charges that contribute to the landed cost for that specific item and receipt.

Analyze Landed Cost Charges and Variances

You can analyze and compare landed cost trends and variances across business units, inventory organizations, and items from the Landed Costs Summary page. Using this page, you can identify where your highest landed costs originate, identify specific charges driving the overall spending, and drill down to the contributing items behind each charge. You can also compare the same items across inventory organizations to understand differences in their landed costs. You get a single consolidated view of landed cost charges and variances without the need to navigate between pages.

Use the View By filter to analyze landed cost charges and variances. On the Landed Costs Summary page, you can perform these tasks for landed cost analysis:

- View the items and inventory organizations contributing to specific charges, along with each item's share of the total landed cost. You can navigate directly to the Item Landed Costs page by clicking an item.
- View the top five charges by total amount or variance without selecting or setting any dimensions.
- Use percentage-based filters to highlight variances or landed cost percentages that exceed the defined thresholds.
- When viewing charges, you can sort by purchase value to prioritize high-impact items and understand cost distribution or by each charge's percentage of the total landed cost.
- When viewing variances, you can compare estimated charges against actual charges by item and organization and identify cost discrepancies using favorable or unfavorable badges when actuals differ from estimates.
- Verify data accuracy by checking the last summarized date to ensure that you're always working with the latest landed cost information. If the last summarized date is from the past, run the Summarize Landed Costs process to view the latest data.

To analyze landed cost charges and variances:

1. In the Receipt Accounting work area, select **Landed Costs Summary** from the Quick actions menu.
2. Click **Summarize Landed Cost** to run the process.
   This process prepares landed cost data for multidimensional analysis.
3. Click **View By**.
4. From the View list, select the type of data you want to view:

- Select **Landed cost charges** to analyze the charges data. This is the default option.
- Select **Landed costs variances** to analyze cost variances.

5. Specify the date range for which you want to analyze the data. Specify the date range in the **Receipt Date Range Start Date** and **Receipt Date Range End Date** fields.
6. Click **Apply** to view the data.

Related Topics

- Overview of Landed Cost Management
- Set Up Landed Cost Management
- Considerations for Setting Up Landed Cost Management

FAQs for Landed Cost Management

What are landed costs?

Landed cost refers to the total cost of acquiring goods in a particular location. It includes the cost of the product along with all additional expenses incurred during the procurement and transportation process.

What's a landed cost charge?

Landed cost charges are additional material supplier charges and third party charges that are incurred in the process of receiving material into ownership or possession, including consigned scenarios where custody may be with another party.

What's a trade operation?

A trade operation is an entity that's used to group landed cost charges expected to be incurred for material shipments. You can create a trade operation for an upcoming shipment to capture the landed cost charges incurred for that shipment.

You can also create the trade operation after the actual shipment.

What's a landed cost reference type?

Reference types are business documents, such as bills of lading, that are associated with landed cost charges in trade operations to provide an audit trail of the charges. Reference types are also matched with invoices to capture actual charge amounts.

Can I create a trade operation with multiple charge amounts in multiple currencies?

Yes, a trade operation can contain charges from one or more service providers in multiple currencies.

What are the criteria to enable a charge invoice for the Associate Charge Invoice task?

The following criteria apply to enable a Charge Invoice for the Associate Charge Invoice task:

- The invoice line type must be Item, Freight, or Miscellaneous.
- The Enable option must be selected on the Landed Cost section of the invoice line.
- Complete the Validate and Post to Ledger invoice actions. The invoice status must be Validated and Accounted.
- Run the following process from the Tools > Scheduled Processes page: Transfer Costs to Cost Management. This will make the invoices available for processing in Landed Cost Management.
- Run the following process from the Manage Landed Cost Processes page: Prepare Invoice Data.
- Run the following process from the Manage Landed Cost Processes page: Associate Invoices to Trade Operation Charges.

Why can’t I delete the trade operation when the associated PO schedule is deleted?

A trade operation can't be deleted if a receipt level per unit charge is already derived. This ensures data integrity and preserves the historical record of charges associated with the trade operation.

However, you can set the trade operation status to Inactive and ensure that the trade operation can't be edited and allocation can't be run for the trade operation.

6 Appendix: Events and Cost Accounting Distributions

Overview of Cost Accounting Distributions

For every inventory and manufacturing transaction, there is an accounting entry in cost accounting. This appendix explains the transaction events and their corresponding accounting entries in detail.

Note: You will notice either a single asterisk (*) or double asterisks (**) for some entries in the tables.

- Single asterisk (*): You can track inventory in an asset subinventory location or in an expense subinventory location. An asterisk (*) in the table indicates that the accounting line type differs depending on whether you track the inventory as an asset or expense. When you track inventory as an asset, you must define an inventory valuation account in your accounting rules. Similarly, when you track inventory as an expense, you must define an expense account in your accounting rules.
- Two asterisks (**): Indicates accounting distributions that are applicable only to standard cost.

Inventory Transaction Events

Miscellaneous Transaction Events

The following transaction event types follow the pattern shown in the table.

- Account Alias Issue
- Account Issue
- Miscellaneous Issue
- Move Order Issue
- Cycle Count Adjustment for a Negative Adjustment
- Physical Inventory Adjustment for a Negative Adjustment

Accounting Line Type	Transaction Type
Offset	Debit
Inventory Valuation or Expense *	Credit
Expense	Debit

Accounting Line Type	Transaction Type
Material Overhead Absorption	Credit
Offset	Debit
Miscellaneous Issue Variance **	Credit
Offset	Debit
Cost Variance	Credit

Intraorganization Transfer Events

The following transaction event types follow the pattern shown in the table.

- Cycle Count Transfer for Issue (that is, a material issued out of the inventory)
- Lot Grade Change for Issue
- Movement Request Transfer for Issue
- Physical Inventory Transfer for Issue
- Planning Transfer for Issue
- Sales Order Pick for Issue
- Subinventory Transfer for Issue

The following table lists the accounting line types and their accounting entries.

Accounting Line Type	Transaction Type
Valuation Unit Transfer Gain Loss	Debit
Inventory Valuation or Expense *	Credit
Expense	Debit
Material Overhead Absorption	Credit

The following transaction event types follow the pattern shown in the table below.

- Cycle Count Transfer for Receipt (that is, a material received into inventory)
- Lot Grade Change for Receipt
- Movement Request Transfer for Receipt

- Physical Inventory Transfer for Receipt
- Planning Transfer for Receipt
- Sales Order Pick for Receipt
- Subinventory Transfer for Receipt

The following table lists the accounting line types and their accounting entries.

Accounting Line Type	Transaction Type
Inventory Valuation or Expense *	Debit
Valuation Unit Transfer Gain Loss	Credit
Inventory Valuation or Expense *	Debit
Material Overhead Absorption	Credit
Valuation Unit Transfer Variance **	Debit
Valuation Unit Transfer Gain Loss	Credit

Direct Organization Transfer Events

The following table lists the direct organization events and their accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Shipment	Trade In-Transit Valuation	Debit
Shipment	Inventory Valuation or Expense *	Credit
Shipment	Expense	Debit
Shipment	Material Overhead Absorption	Credit
Shipment	Offset	Debit
Shipment	Cost Variance	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Inter Company Cost of Goods Sold	Debit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Expense	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivables	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Expense	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Overhead Absorption	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivables	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Gain or Loss	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Receipt	Inventory Valuation or Expense *	Debit

Event Type Name	Accounting Line Type	Transaction Type
Receipt	Trade In-Transit Valuation	Credit
Receipt	Inventory Valuation or Expense *	Debit
Receipt	Material Overhead Absorption	Credit
Receipt	Transfer Price Variance **	Debit
Receipt	Trade In-Transit Valuation	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade Clearing	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Expense	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade Clearing	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Inter Company COGS	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Overhead Absorption	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Gain Loss	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit

Interorganization Transfer Events

The following table lists the interorganization transfer events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Shipment to In-Transit	Trade In-Transit Valuation	Debit
Shipment to In-Transit	Inventory Valuation or Expense *	Credit
Shipment to In-Transit	Expense	Debit
Shipment to In-Transit	Material Overhead Absorption	Credit
Shipment to In-Transit	Offset	Debit
Shipment to In-Transit	Cost Variance	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Intercompany Cost of Goods Sold	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Expense	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivables	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Expense	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Overhead Absorption	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivables	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Gain or Loss	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Receipt from In-Transit	Inventory Valuation or Expense *	Debit
Receipt from In-Transit	Receiving Inspection	Credit
Receipt from In-Transit	Inventory Valuation or Expense *	Debit
Receipt from In-Transit	Material Overhead Absorption	Credit
Receipt from In-Transit	Transfer Price Variance **	Debit

Event Type Name	Accounting Line Type	Transaction Type
Receipt from In-Transit	Receiving Inspection	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade Clearing	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Expense	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade Clearing	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Intercompany COGS	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Overhead Absorption	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Gain Loss	Debit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit

Subinventory Transfer Order Events

The following table lists the subinventory transfer events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Transfer Order Intraorganization Transfer Shipment	Trade In-Transit Valuation	Debit
Transfer Order Intraorganization Transfer Shipment	Inventory Valuation or Expense *	Credit
Transfer Order Intraorganization Transfer Shipment	Expense	Debit
Transfer Order Intraorganization Transfer Shipment	Material Overhead Absorption	Credit
Transfer Order Intraorganization Transfer Receipt	Inventory Valuation or Expense *	Debit
Transfer Order Intraorganization Transfer Receipt	Trade In-Transit Valuation	Credit
Transfer Order Intraorganization Transfer Receipt	Inventory Valuation or Expense *	Debit
Transfer Order Intraorganization Transfer Receipt	Material Overhead Absorption	Credit
Transfer Order Intraorganization Transfer Receipt	Valuation Unit Transfer Variance **	Debit
Transfer Order Intraorganization Transfer Receipt	Trade In-Transit Valuation	Credit
Transfer Order Subinventory Transfer Issue	Valuation Unit Transfer Gain Loss	Debit
Transfer Order Subinventory Transfer Issue	Inventory Valuation or Expense *	Credit

Event Type Name	Accounting Line Type	Transaction Type
Transfer Order Subinventory Transfer Issue	Expense	Debit
Transfer Order Subinventory Transfer Issue	Material Overhead Absorption	Credit
Transfer Order Subinventory Transfer Issue	Inventory Valuation or Expense *	Debit
Transfer Order Subinventory Transfer Receipt	Valuation Unit Transfer Gain or Loss	Credit
Transfer Order Subinventory Transfer Receipt	Inventory Valuation Expense *	Debit
Transfer Order Subinventory Transfer Receipt	Material Overhead Absorption	Credit
Transfer Order Subinventory Transfer Receipt	Valuation Unit Transfer Variance **	Debit
Transfer Order Subinventory Transfer Receipt	Valuation Unit Transfer Gain or Loss	Credit
Trade In-Transit Issue	Valuation Unit Transfer Gain or Loss	Debit
Trade In-Transit Issue	Trade In-Transit Valuation	Credit
Trade In-Transit Issue	Expense	Debit
Trade In-Transit Issue	Overhead Absorption	Credit
Trade In-Transit Receipt	Trade In-Transit Valuation	Debit
Trade In-Transit Receipt	Valuation Unit Transfer Gain or Loss	Credit
Trade In-Transit Receipt	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Receipt	Overhead Absorption	Credit
Transfer Order Pick Issue	Valuation Unit Transfer Gain Loss	Debit
Transfer Order Pick Issue	Inventory Valuation or Expense *	Credit
Transfer Order Pick Issue	Expense	Debit
Transfer Order Pick Issue	Material Overhead Absorption	Credit
Transfer Order Pick Receipt	Inventory Valuation or Expense *	Debit

Event Type Name	Accounting Line Type	Transaction Type
Transfer Order Pick Receipt	Valuation Unit Transfer Gain or Loss	Credit
Transfer Order Pick Receipt	Inventory Valuation or Expense *	Debit
Transfer Order Pick Receipt	Material Overhead Absorption	Credit
Transfer Order Pick Receipt	Valuation Unit Transfer Variance **	Debit
Transfer Order Pick Receipt	Valuation Unit Transfer Gain or Loss	Credit
Transfer Order Return Pick Issue	Valuation Unit Transfer Gain Loss	Debit
Transfer Order Return Pick Issue	Inventory Valuation or Expense *	Credit
Transfer Order Return Pick Issue	Expense	Debit
Transfer Order Return Pick Issue	Material Overhead Absorption	Credit
Transfer Order Return Pick Receipt	Inventory Valuation or Expense *	Debit
Transfer Order Return Pick Receipt	Valuation Unit Transfer Gain or Loss	Credit
Transfer Order Return Pick Receipt	Inventory Valuation or Expense *	Debit
Transfer Order Return Pick Receipt	Material Overhead Absorption	Credit
Transfer Order Return Pick Receipt	Valuation Unit Transfer Variance **	Debit
Transfer Order Return Pick Receipt	Valuation Unit Transfer Gain or Loss	Credit

Direct Organization Transfer Order Events

The following table lists the direct organization transfer events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Intercompany Cost of Goods Sold	Debit

Event Type Name	Accounting Line Type	Transaction Type
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Credit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Expense	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivables	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Credit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Expense	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Overhead Absorption	Credit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivables	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Gain or Loss	Credit
Transfer Order Trade In-Transit Receipt(Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Transfer Order Trade In-Transit Receipt(Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Transfer Order Trade In-Transit Receipt(Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense *	Debit
Transfer Order Trade In-Transit Receipt(Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Transfer Order Trade In-Transit Receipt(Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit

Event Type Name	Accounting Line Type	Transaction Type
Transfer Order Trade In-Transit Receipt(Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Transfer Order Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade Clearing	Debit
Transfer Order Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Transfer Order Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Expense	Debit
Transfer Order Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Transfer Order Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade Clearing	Debit
Transfer Order Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Debit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Intercompany COGS	Credit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation or Expense *	Debit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Debit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation or Expense *	Debit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Overhead Absorption	Credit

Event Type Name	Accounting Line Type	Transaction Type
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Gain Loss	Debit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit
Transfer Order Transfer Shipment	Trade In-Transit Valuation	Debit
Transfer Order Transfer Shipment	Inventory Valuation or Expense *	Credit
Transfer Order Transfer Shipment	Expense	Debit
Transfer Order Transfer Shipment	Material Overhead Absorption	Credit
Transfer Order Transfer Shipment	Offset	Debit
Transfer Order Transfer Shipment	Cost Variance	Credit
Transfer Order Transfer Receipt	Inventory Valuation or Expense *	Debit
Transfer Order Transfer Receipt	Trade In-Transit Valuation	Credit
Transfer Order Transfer Receipt	Inventory Valuation or Expense *	Debit
Transfer Order Transfer Receipt	Material Overhead Absorption	Credit
Transfer Order Transfer Receipt	Transfer Price Variance **	Debit
Transfer Order Transfer Receipt	Trade In-Transit Valuation	Credit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Expense	Debit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Intercompany COGS	Credit
Transfer Order Return with scrap flow	Expense	Debit
Transfer Order Return with scrap flow	Overhead Absorption	Credit
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Expense	Debit

Event Type Name	Accounting Line Type	Transaction Type
Transfer Order Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit
Transfer Order Return with scrap flow	Expense	Debit
Transfer Order Return with scrap flow	Overhead Absorption	Credit
Transfer Order Return with scrap flow	Interorganization Gain Loss	Debit
Transfer Order Return with scrap flow	Expense	Credit

Interorganization Transfer Order Events

The following table lists the transfer order events and their accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Transfer Order Shipment to In-Transit	Trade In-Transit Valuation	Debit
Transfer Order Shipment to In-Transit	Inventory Valuation or Expense *	Credit
Transfer Order Shipment to In-Transit	Expense	Debit
Transfer Order Shipment to In-Transit	Material Overhead Absorption	Credit
Transfer Order Shipment to In-Transit	Offset	Debit
Transfer Order Shipment to In-Transit	Cost Variance	Credit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Intercompany Cost of Goods Sold	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Credit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Expense	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit

Event Type Name	Accounting Line Type	Transaction Type
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivables	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Credit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Expense	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Overhead Absorption	Credit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivables	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Gain or Loss	Credit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense *	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Transfer Order Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Transfer Order Receipt from In-Transit	Inventory Valuation or Expense *	Debit
Transfer Order Receipt from In-Transit	Receiving Inspection	Credit
Transfer Order Receipt from In-Transit	Inventory Valuation or Expense *	Debit
Transfer Order Receipt from In-Transit	Material Overhead Absorption	Credit
Transfer Order Receipt from In-Transit	Transfer Price Variance **	Debit

Event Type Name	Accounting Line Type	Transaction Type
Transfer Order Receipt from In-Transit	Receiving Inspection	Credit
Transfer Order Issue	Trade In-Transit Valuation	Debit
Transfer Order Receipt Issue	Inventory Valuation or Expense *	Credit
Transfer Order Receipt Issue	Expense	Debit
Transfer Order Receipt Issue	Material Overhead Absorption	Credit
Transfer Order Receipt Issue	Offset	Debit
Transfer Order Receipt Issue	Cost Variance	Credit
Transfer Order Return Shipment	Receiving Inspection	Debit
Transfer Order Return Shipment	Inventory Valuation or Expense *	Credit
Transfer Order Return Shipment	Expense	Debit
Transfer Order Return Shipment	Material Overhead Absorption	Credit
Transfer Order Return Shipment	Receiving Inspection	Debit
Transfer Order Return Shipment	Transfer Price Variance **	Credit
Transfer Order Return Shipment	Receiving Inspection	Debit
Transfer Order Return Shipment	Cost Variance	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade Clearing	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Expense	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade Clearing	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Intercompany COGS	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Overhead Absorption	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Gain Loss	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit

Internal Drop Ship Transfer Events

The following table lists the internal drop ship transfer events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Physical Sales Order Issue	Trade In-Transit Valuation	Debit

Event Type Name	Accounting Line Type	Transaction Type
Physical Sales Order Issue	Inventory Valuation or Expense *	Credit
Physical Sales Order Issue	Expense	Debit
Physical Sales Order Issue	Material Overhead Absorption	Credit
Physical Sales Order Issue	Offset	Debit
Physical Sales Order Issue	Cost Variance	Credit
Drop Shipment Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Intercompany COGS	Debit
Drop Shipment Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Credit
Drop Shipment Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Expense	Debit
Drop Shipment Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit
Drop Shipment Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivables	Debit
Drop Shipment Trade In-Transit Issue (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Credit
Drop Shipment Trade In-Transit Issue (Intercompany Invoicing Option = N)	Expense	Debit
Drop Shipment Trade In-Transit Issue (Intercompany Invoicing Option = N)	Overhead Absorption	Credit
Drop Shipment Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivables	Debit
Drop Shipment Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Gain Loss	Credit
Drop Shipment Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Drop Shipment Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit

Event Type Name	Accounting Line Type	Transaction Type
Drop Shipment Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense *	Debit
Drop Shipment Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Drop Shipment Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Drop Shipment Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Drop Shipment Trade Sales Issue (Intercompany Invoicing Option = Y or N)	Deferred Cost of Goods Sold	Debit
Drop Shipment Trade Sales Issue (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Drop Shipment Trade Sales Issue (Intercompany Invoicing Option = Y or N)	Expense	Debit
Drop Shipment Trade Sales Issue (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Drop Shipment Trade Sales Issue (Intercompany Invoicing Option = Y or N)	Deferred Cost of Goods Sold	Debit
Drop Shipment Trade Sales Issue (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Physical RMA Receipt	Inventory Valuation or Expense *	Debit
Physical RMA Receipt	Trade In-Transit Valuation	Credit
Physical RMA Receipt	Inventory Valuation or Expense *	Debit
Physical RMA Receipt	Material Overhead Absorption	Credit
Trade Sales Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Trade Sales Return (Intercompany Invoicing Option = Y or N)	Deferred RMA Gain or Loss	Credit

Event Type Name	Accounting Line Type	Transaction Type
Trade Sales Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense *	Debit
Trade Sales Return (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade Clearing	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Expense	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade Clearing	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Intercompany COGS	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Overhead Absorption	Credit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Gain Loss	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit

Purchasing Events

Receipt, Return, and Adjustment Events

The following table lists the receipts, returns, and adjustments events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
PO Receipt into Inventory	Inventory Valuation or Expense *	Debit
PO Receipt into Inventory	Receiving Inspection	Credit
PO Receipt into Inventory	Inventory Valuation or Expense *	Debit
PO Receipt into Inventory	Material Overhead Absorption	Credit
PO Receipt into Inventory	Purchase Price Variance **	Debit
PO Receipt into Inventory	Receiving Inspection	Credit
Return to Supplier: Return to Receiving Inspection	Receiving Inspection	Debit
Return to Supplier: Return to Receiving Inspection	Inventory Valuation or Expense *	Credit
Return to Supplier: Return to Receiving Inspection	Expense	Debit
Return to Supplier: Return to Receiving Inspection	Material Overhead Absorption	Credit

Event Type Name	Accounting Line Type	Transaction Type
Return to Supplier: Return to Receiving Inspection	Receiving Inspection	Debit
Return to Supplier: Return to Receiving Inspection	Purchase Price Variance **	Credit
Return to Supplier: Return to Receiving Inspection	Receiving Inspection	Debit
Return to Supplier: Return to Receiving Inspection	Cost Variance	Credit
PO Receipt Adjustment: Negative	Receiving Inspection	Debit
PO Receipt Adjustment: Negative	Inventory Valuation or Expense *	Credit
PO Receipt Adjustment: Negative	Expense	Debit
PO Receipt Adjustment: Negative	Material Overhead Absorption	Credit
PO Receipt Adjustment: Negative	Receiving Inspection	Debit
PO Receipt Adjustment: Negative	Purchase Price Variance **	Credit
PO Receipt Adjustment: Negative	Receiving Inspection	Debit
PO Receipt Adjustment: Negative	Cost Variance	Credit
PO Receipt Adjustment: Positive	Inventory Valuation or Expense *	Debit
PO Receipt Adjustment: Positive	Receiving Inspection	Credit
PO Receipt Adjustment: Positive	Inventory Valuation or Expense *	Debit
PO Receipt Adjustment: Positive	Material Overhead Absorption	Credit
PO Receipt Adjustment: Positive	Purchase Price Variance **	Debit
PO Receipt Adjustment: Positive	Receiving Inspection	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Inventory Valuation or Expense *	Debit

Event Type Name	Accounting Line Type	Transaction Type
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Receiving Inspection	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Inventory Valuation or Expense *	Debit
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Material Overhead Absorption	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Purchase Price Variance **	Debit
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Receiving Inspection	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Receiving Inspection	Debit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Inventory Valuation or Expense *	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Expense	Debit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Material Overhead Absorption	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Receiving Inspection	Debit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Purchase Price Variance **	Credit
PO Receipt Adjustment: Acquisition Cost Write Off - Positive	Inventory Write Off	Debit
PO Receipt Adjustment: Acquisition Cost Write Off - Positive	Receiving Inspection	Credit
PO Receipt Adjustment: Acquisition Cost Write Off - Positive	Inventory Write Off or Expense *	Debit
PO Receipt Adjustment: Acquisition Cost Write Off - Positive	Material Overhead Absorption	Credit
PO Receipt Adjustment: Acquisition Cost Write Off - Negative	Receiving Inspection	Debit

Event Type Name	Accounting Line Type	Transaction Type
PO Receipt Adjustment: Acquisition Cost Write Off - Negative	Inventory Write Off	Credit
PO Receipt: Acquisition Cost Adjustment	Inventory Valuation or Expense *	Debit
PO Receipt: Acquisition Cost Adjustment	Receiving Inspection	Credit
PO Receipt: Acquisition Cost Adjustment	Inventory Valuation or Expense *	Debit
PO Receipt: Acquisition Cost Adjustment	Material Overhead Absorption	Credit
PO Receipt: Acquisition Cost Adjustment	Purchase Price Variance **	Debit
PO Receipt: Acquisition Cost Adjustment	Receiving Inspection	Credit
PO Receipt: Acquisition Cost Adjustment Write-off	Inventory Write Off	Debit
PO Receipt: Acquisition Cost Adjustment Write-off	Receiving Inspection	Credit
PO Receipt: Acquisition Cost Adjustment Write-off	Inventory Write Off or Expense *	Debit
PO Receipt: Acquisition Cost Adjustment Write-off	Material Overhead Absorption	Credit
Return to Supplier: Acquisition Cost Adjustment	Receiving Inspection	Debit
Return to Supplier: Acquisition Cost Adjustment	Inventory Valuation or Expense *	Credit
Return to Supplier: Acquisition Cost Adjustment	Expense	Debit
Return to Supplier: Acquisition Cost Adjustment	Material Overhead Absorption	Credit
Return to Supplier: Acquisition Cost Adjustment	Receiving Inspection	Debit
Return to Supplier: Acquisition Cost Adjustment	Purchase Price Variance **	Credit
Return to Supplier: Acquisition Cost Write-off	Receiving Inspection	Debit
Return to Supplier: Acquisition Cost Write-off	Inventory Write-Off	Credit

Event Type Name	Accounting Line Type	Transaction Type
Return to Supplier: Acquisition Cost Write-off	Expense	Debit
Return to Supplier: Acquisition Cost Write-off	Material Overhead Absorption	Credit

Global Procurement Events

The following table lists the global procurement events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Intercompany Cost of Goods Sold	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Expense	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivable	Debit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Expense	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Overhead Absorption	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Receivables	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = N)	Interorganization Gain or Loss	Credit
PO Delivery into Inventory	Inventory Valuation or Expense *	Debit
PO Delivery into Inventory	Receiving Inspection	Credit
PO Delivery into Inventory	Inventory Valuation or Expense *	Debit
PO Delivery into Inventory	Material Overhead Absorption	Credit
PO Delivery into Inventory	Purchase Price Variance **	Debit
PO Delivery into Inventory	Receiving Inspection	Credit
PO Receipt Adjustment: Positive	Inventory Valuation or Expense *	Debit
PO Receipt Adjustment: Positive	Receiving Inspection	Credit
PO Receipt Adjustment: Positive	Inventory Valuation or Expense *	Debit
PO Receipt Adjustment: Positive	Material Overhead Absorption	Credit
PO Receipt Adjustment: Positive	Transfer Price Variance **	Debit
PO Receipt Adjustment: Positive	Receiving Inspection	Credit
PO Receipt Adjustment: Negative	Receiving Inspection	Debit
PO Receipt Adjustment: Negative	Inventory Valuation or Expense *	Credit

Event Type Name	Accounting Line Type	Transaction Type
PO Receipt Adjustment: Negative	Inventory Valuation or Expense *	Debit
PO Receipt Adjustment: Negative	Material Overhead Absorption	Credit
PO Receipt Adjustment: Negative	Receiving Inspection	Debit
PO Receipt Adjustment: Negative	Transfer Price Variance **	Credit
PO Receipt Adjustment: Negative	Receiving Inspection	Debit
PO Receipt Adjustment: Negative	Cost Variance	Credit
PO Receipt Adjustment: Transfer (Issue)	Receiving Inspection	Debit
PO Receipt Adjustment: Transfer (Issue)	Inventory Valuation or Expense *	Credit
PO Receipt Adjustment: Transfer (Issue)	Inventory Valuation or Expense *	Debit
PO Receipt Adjustment: Transfer (Issue)	Material Overhead Absorption	Credit
PO Receipt Adjustment: Transfer (Issue)	Receiving Inspection	Debit
PO Receipt Adjustment: Transfer (Issue)	Transfer Price Variance **	Credit
PO Receipt Adjustment: Transfer (Issue)	Receiving Inspection	Debit
PO Receipt Adjustment: Transfer (Issue)	Cost Variance	Credit
Return to Supplier: Return to Inspection - Negative	Receiving Inspection	Debit
Return to Supplier: Return to Inspection - Negative	Inventory Valuation or Expense *	Credit
Return to Supplier: Return to Inspection - Negative	Expense	Debit
Return to Supplier: Return to Inspection - Negative	Material Overhead Absorption	Credit
Return to Supplier: Return to Inspection - Negative	Receiving Inspection	Debit

Event Type Name	Accounting Line Type	Transaction Type
Return to Supplier: Return to Inspection - Negative	Transfer Price Variance **	Credit
Return to Supplier: Return to Inspection - Negative	Receiving Inspection	Debit
Return to Supplier: Return to Inspection - Negative	Cost Variance	Credit
Return to Supplier (Return to Inspection): Transfer	Receiving Inspection	Debit
Return to Supplier (Return to Inspection): Transfer	Inventory Valuation or Expense *	Credit
Return to Supplier (Return to Inspection): Transfer	Inventory Write off or Expense *	Debit
Return to Supplier (Return to Inspection): Transfer	Material Overhead Absorption	Credit
Return to Supplier (Return to Inspection): Transfer	Receiving Inspection	Debit
Return to Supplier (Return to Inspection): Transfer	Transfer Price Variance **	Credit
Return to Supplier (Return to Inspection): Transfer	Receiving Inspection	Debit
Return to Supplier (Return to Inspection): Transfer	Cost Variance	Credit
Trade In-Transit Return (Intercompany Invoicing Option = N)	Trade Clearing	Debit
Trade In-Transit Return (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Credit
Trade In-Transit Return (Intercompany Invoicing Option = N)	Expense	Debit
Trade In-Transit Return (Intercompany Invoicing Option = N)	Overhead Absorption	Credit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Return (Intercompany Invoicing Option = N)	Trade Clearing	Debit
Trade In-Transit Return (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Intercompany COGS	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Overhead Absorption	Credit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Gain Loss	Debit
Trade In-Transit Return Receipt (Intercompany Invoicing Option = N)	Interorganization Receivables	Credit
Trade In-Transit Receipt: Acquisition Cost Adjustment (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Trade In-Transit Receipt: Acquisition Cost Adjustment (Intercompany Invoicing Option = Y or N)	Trade Clearing	Credit
Trade In-Transit Receipt: Acquisition Cost Adjustment (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense *	Debit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Receipt: Acquisition Cost Adjustment (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
PO Receipt: Acquisition Cost Adjustment	Inventory Valuation or Expense *	Debit
PO Receipt: Acquisition Cost Adjustment	Receiving Inspection	Credit
PO Receipt: Acquisition Cost Adjustment	Inventory Valuation or Expense *	Debit
PO Receipt: Acquisition Cost Adjustment	Material Overhead Absorption	Credit
PO Receipt: Acquisition Cost Adjustment	Purchase Price Variance **	Debit
PO Receipt: Acquisition Cost Adjustment	Receiving Inspection	Credit
PO Receipt: Acquisition Cost Write-off	Inventory Write Off	Debit
PO Receipt: Acquisition Cost Write-off	Receiving Inspection	Credit
PO Receipt: Acquisition Cost Write-off	Inventory Write Off or Expense *	Debit
PO Receipt: Acquisition Cost Write-off	Material Overhead Absorption	Credit
Return to Supplier: Acquisition Cost Adjustment	Receiving Inspection	Debit
Return to Supplier: Acquisition Cost Adjustment	Inventory Valuation or Expense *	Credit
Return to Supplier: Acquisition Cost Adjustment	Expense	Debit
Return to Supplier: Acquisition Cost Adjustment	Material Overhead Absorption	Credit
Return to Supplier: Acquisition Cost Adjustment	Receiving Inspection	Debit
Return to Supplier: Acquisition Cost Adjustment	Purchase Price Variance **	Credit
Return to Supplier: Acquisition Cost Write-off	Receiving Inspection	Debit
Return to Supplier: Acquisition Cost Write-off	Inventory Write-Off	Credit
Return to Supplier: Acquisition Cost Write-off	Expense	Debit

Event Type Name	Accounting Line Type	Transaction Type
Return to Supplier: Acquisition Cost Write-off	Material Overhead Absorption	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Inventory Valuation or Expense *	Debit
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Receiving Inspection	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Inventory Valuation or Expense *	Debit
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Material Overhead Absorption	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Purchase Price Variance **	Debit
PO Receipt Adjustment: Acquisition Cost Adjustment - Positive	Receiving Inspection	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Receiving Inspection	Debit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Inventory Valuation or Expense *	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Expense	Debit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Material Overhead Absorption	Credit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Receiving Inspection	Debit
PO Receipt Adjustment: Acquisition Cost Adjustment - Negative	Purchase Price Variance **	Credit
PO Receipt Adjustment: Acquisition Cost Write Off - Positive	Inventory Write Off	Debit
PO Receipt Adjustment: Acquisition Cost Write Off - Positive	Receiving Inspection	Credit
PO Receipt Adjustment: Acquisition Cost Write Off - Positive	Inventory Write Off	Debit

Event Type Name	Accounting Line Type	Transaction Type
PO Receipt Adjustment: Acquisition Cost Write Off - Positive	Material Overhead Absorption	Credit
PO Receipt Adjustment: Acquisition Cost Write Off - Negative	Receiving Inspection	Debit
PO Receipt Adjustment: Acquisition Cost Write Off - Negative	Inventory Write Off	Credit
PO Receipt Adjustment: Acquisition Cost Write Off - Negative	Expense	Debit
PO Receipt Adjustment: Acquisition Cost Write Off - Negative	Material Overhead Absorption	Credit

Outside Processing Events

The following table lists the outside processing events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Purchase Order Receipt Into Work Order	Work in Process	Debit
Purchase Order Receipt Into Work Order	Receiving Inspection	Credit
Purchase Order Receipt Into Work Order	Inventory Valuation or Expense *	Debit
Purchase Order Receipt Into Work Order	Material Overhead Absorption	Credit
Purchase Order Receipt Into Work Order	Purchase Price Variance **	Debit
Purchase Order Receipt Into Work Order	Receiving Inspection	Credit

Sales Events

The following table lists the sales events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Sales Order Issue	Deferred Cost of Goods Sold	Debit
Sales Order Issue	Inventory Valuation or Expense *	Credit
Sales Order Issue	Expense	Debit
Sales Order Issue	Material Overhead Absorption	Credit
Sales Order Issue	Offset	Debit
Sales Order Issue	Cost Variance	Credit
RMA Receipt	Inventory Valuation or Expense *	Debit
RMA Receipt	Deferred RMA Gain Loss	Credit
RMA Receipt	Inventory Valuation	Debit
RMA Receipt	Material Overhead Absorption	Credit

Work in Process Events

Work in Process Events

The following table lists the work in process events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Material Issue	WIP Valuation	Debit
Material Issue	Inventory Valuation or Expense *	Credit
Material Issue	Expense	Debit
Material Issue	Material Overhead Absorption	Credit
Material Issue	WIP Valuation	Debit

Event Type Name	Accounting Line Type	Transaction Type
Material Issue	Cost Variance	Credit
Resource Charging	WIP Valuation	Debit
Resource Charging	Resource Absorption	Credit
Resource Charge Reversal	Resource Absorption	Debit
Resource Charge Reversal	WIP Valuation	Credit
Product Completion	Inventory Valuation or Expense *	Debit
Product Completion	WIP Valuation	Credit
Product Completion	Expense	Debit
Product Completion	Material Overhead Absorption	Credit
Scrap	Scrap Expense	Debit
Scrap	WIP Valuation	Credit
Scrap Return	WIP Valuation	Debit
Scrap Return	Scrap Expense	Credit
Material Return	Inventory Valuation or Expense *	Debit
Material Return	WIP Valuation	Credit
Material Return	Expense	Debit
Material Return	Material Overhead Absorption	Credit
Material Return	WIP Return Price Variance **	Debit
Material Return	WIP Valuation	Credit
Product Return	WIP Valuation	Debit
Product Return	Inventory Valuation or Expense *	Credit

Event Type Name	Accounting Line Type	Transaction Type
Product Return	Expense	Debit
Product Return	Material Overhead Absorption	Credit
Job Close Variance - Negative	WIP Valuation	Debit
Job Close Variance - Negative	Batch Size Variance	Credit
Job Close Variance - Negative	Component Sub Variance	Credit
Job Close Variance - Negative	Efficiency Variance	Credit
Job Close Variance - Negative	Job Close Variance	Credit
Job Close Variance - Negative	Material Rate Variance	Credit
Job Close Variance - Negative	Resource Rate Variance	Credit
Job Close Variance - Negative	Resource Sub Variance	Credit
Job Close Variance - Negative	Usage Variance	Credit
Job Close Variance - Positive	Batch Size Variance	Debit
Job Close Variance - Positive	Component Sub Variance	Debit
Job Close Variance - Positive	Efficiency Variance	Debit
Job Close Variance - Positive	Job Close Variance	Debit
Job Close Variance - Positive	Material Rate Variance	Debit
Job Close Variance - Positive	Resource Rate Variance	Debit
Job Close Variance - Positive	Resource Sub Variance	Debit
Job Close Variance - Positive	Usage Variance	Debit
Job Close Variance - Positive	WIP Valuation	Credit

Note: If there is a negative balance in the work in process valuation, the Debit or Credit signs are switched during the job closure.

Maintenance Work Order Events

The following table lists the maintenance work order events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Maintenance Material Issue	Maintenance Expense	Debit
Maintenance Material Issue	Inventory or Expense	Credit
Maintenance Material Issue	Maintenance Expense	Debit
Maintenance Material Issue	Material Overhead Account	Credit
Maintenance Material Return	Inventory or Expense	Debit
Maintenance Material Return	Maintenance Expense	Credit
Maintenance Material Return	Material Overhead Account	Debit
Maintenance Material Return	Maintenance Expense	Credit
Maintenance Resource Absorption	Maintenance Expense	Debit
Maintenance Resource Absorption	Resource Absorption	Credit
Maintenance Resource Reversals	Resource Absorption	Debit
Maintenance Resource Reversals	Maintenance Expense	Credit

Rework or Transform Work Order Events

The following table lists the rework or transform events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
WIP Negative Material Issue	Inventory	Debit
WIP Negative Material Issue	WIP Valuation	Credit
WIP Negative Material Issue	Inventory or Expense	Debit
WIP Negative Material Issue	Maintenance Expense	Credit
WIP Negative Material Return	Material Overhead Account	Debit
WIP Negative Material Return	Maintenance Expense	Credit

Cost Adjustment Events

The following table lists the cost adjustment events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Standard Cost Adjustment - Positive	Inventory Valuation or Expense *	Debit
Standard Cost Adjustment - Positive	Standard Cost Adjustment **	Credit
Standard Cost Adjustment - Positive	Expense	Debit
Standard Cost Adjustment - Positive	Material Overhead Absorption **	Credit
Standard Cost Adjustment - Negative	Standard Cost Adjustment **	Debit
Standard Cost Adjustment - Negative	Inventory Valuation or Expense *	Credit
Standard Cost Adjustment - Negative	Expense	Debit
Standard Cost Adjustment - Negative	Material Overhead Absorption **	Credit
Layer Cost Adjustment - Positive	Inventory Valuation or Expense *	Debit
Layer Cost Adjustment - Positive	Offset	Credit

Event Type Name	Accounting Line Type	Transaction Type
Layer Cost Adjustment - Positive	Inventory Valuation or Expense *	Debit
Layer Cost Adjustment - Positive	Material Overhead Absorption	Credit
Layer Cost Adjustment - Negative	Offset	Debit
Layer Cost Adjustment - Negative	Inventory Valuation or Expense *	Credit
Layer Cost Adjustment - Negative	Expense	Debit
Layer Cost Adjustment - Negative	Material Overhead Absorption	Credit
Manual Cost Adjustment - Positive	Inventory Valuation or Expense *	Debit
Manual Cost Adjustment - Positive	Offset	Credit
Manual Cost Adjustment - Positive	Inventory Valuation or Expense *	Debit
Manual Cost Adjustment - Positive	Material Overhead Absorption	Credit
Manual Cost Adjustment - Negative	Offset	Debit
Manual Cost Adjustment - Negative	Inventory Valuation or Expense *	Credit
Manual Cost Adjustment - Negative	Expense	Debit
Manual Cost Adjustment - Negative	Material Overhead Absorption	Credit
Manual Receipt Cost Adjustment -Positive	Inventory Valuation or Expense *	Debit
Manual Receipt Cost Adjustment -Positive	Offset	Credit
Manual Receipt Cost Adjustment -Positive	Inventory Valuation	Debit
Manual Receipt Cost Adjustment -Positive	Material Overhead Absorption **	Credit
Manual Receipt Cost Adjustment -Positive	Receipt Cost Adjustment Variance or Expense *	Debit
Manual Receipt Cost Adjustment -Positive	Offset	Credit
Manual Receipt Cost Adjustment -Positive	Receipt Cost Adjustment Variance or Expense *	Debit

Event Type Name	Accounting Line Type	Transaction Type
Manual Receipt Cost Adjustment -Positive	Offset	Credit
Manual Receipt Cost Adjustment - Negative	Offset	Debit
Manual Receipt Cost Adjustment - Negative	Inventory Valuation or Expense *	Credit
Manual Receipt Cost Adjustment - Negative	Expense	Debit
Manual Receipt Cost Adjustment - Negative	Material Overhead Absorption **	Credit
Manual Receipt Cost Adjustment - Negative	Offset	Debit
Manual Receipt Cost Adjustment - Negative	Receipt Cost Adjustment Variance or Expense *	Credit
Manual Receipt Cost Adjustment - Negative	Offset	Debit
Manual Receipt Cost Adjustment - Negative	Receipt Cost Adjustment Variance or Expense*	Credit
Manual Receipt Cost Write-off- Positive	Inventory Write Off	Debit
Manual Receipt Cost Write-off- Positive	Offset	Credit
Manual Receipt Cost Write-off- Negative	Offset	Debit
Manual Receipt Cost Write-off- Negative	Inventory Write Off	Credit

Consigned Material Events

Purchasing Events

The following table lists the purchasing events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
PO Delivery	Consigned Inventory	Debit
PO Delivery	Consigned Clearing	Credit

Event Type Name	Accounting Line Type	Transaction Type
Return to Supplier	Consigned Clearing	Debit
Return to Supplier	Consigned Inventory	Credit
Transfer to Consigned	Consigned Inventory	Debit
Transfer to Consigned	Consigned Inventory Offset	Credit
Transfer to Owned	Consigned Inventory Offset	Debit
Transfer to Owned	Consigned Inventory	Credit
PO Receipt Adjustment: Positive	Consigned Inventory	Debit
PO Receipt Adjustment: Positive	Consigned Clearing	Credit
PO Receipt Adjustment: Negative	Consigned Clearing	Debit
PO Receipt Adjustment: Negative	Consigned Inventory	Credit
PO Delivery Cost Adjustment	Consigned Inventory	Debit
PO Delivery Cost Adjustment	Consigned Clearing	Credit

Cycle Count Events

The following table lists the cycle count events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Cycle Count Transfer - Receipt	Consigned Inventory	Debit
Cycle Count Transfer - Receipt	Consigned Valuation Unit Gain Loss	Credit
Cycle Count Transfer - Issue	Consigned Valuation Unit Gain Loss	Debit
Cycle Count Transfer - Issue	Consigned Inventory	Credit

Direct Organization Transfer Events

The following table lists the direct organization transfer events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Shipment	Consigned In-Transit	Debit
Shipment	Consigned Inventory	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Consigned Receivables	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Consigned In-Transit	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Expense	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Consigned In-Transit	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Consigned Clearing	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Receipt	Consigned Inventory	Debit
Receipt	Consigned Inspection	Credit
Transfer to Owned	Inventory Valuation	Debit
Transfer to Owned	Trade In-Transit Valuation	Credit
Transfer to Owned	Inventory Valuation or Expense *	Debit

Event Type Name	Accounting Line Type	Transaction Type
Transfer to Owned	Material Overhead Absorption	Credit
Transfer to Owned	Purchase Price Variance **	Debit
Transfer to Owned	Trade In-Transit Valuation	Credit
Transfer to Consigned	Trade In-Transit Valuation	Debit
Transfer to Consigned	Inventory Valuation	Credit
Transfer to Consigned	Expense	Debit
Transfer to Consigned	Material Overhead Absorption	Credit

Interorganization Transfer Events

The following table lists the interorganization events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
In-transit Shipment	Consigned In-Transit	Debit
In-transit Shipment	Consigned Inventory	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Consigned Receivables	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Consigned In-Transit	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Expense	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Consigned In-Transit	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Consigned Clearing	Credit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Receipt	Consigned Inventory	Debit
Receipt	Consigned Inspection	Credit
Transfer to Owned	Inventory Valuation	Debit
Transfer to Owned	Trade In-Transit Valuation	Credit
Transfer to Owned	Inventory Valuation or Expense	Debit
Transfer to Owned	Material Overhead Absorption	Credit
Transfer to Owned	Purchase Price Variance **	Debit
Transfer to Owned	Trade In-Transit Valuation	Credit
Transfer to Consigned	Trade In-Transit Valuation	Debit
Transfer to Consigned	Inventory Valuation	Credit
Transfer to Consigned	Expense	Debit
Transfer to Consigned	Material Overhead Absorption	Credit

Direct Organization Transfer Order Events

The following table lists the direct organization transfer events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Consigned Receivables	Debit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Consigned In-Transit	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Expense	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Transfer to Consigned	Trade In-Transit Valuation	Debit
Transfer to Consigned	Inventory Valuation	Credit
Transfer to Consigned	Expense	Debit
Transfer to Consigned	Material Overhead Absorption	Credit
Transfer to Owned	Inventory Valuation	Debit
Transfer to Owned	Trade In-Transit Valuation	Credit
Transfer to Owned	Inventory Valuation or Expense *	Debit
Transfer to Owned	Material Overhead Absorption	Credit
Transfer to Owned	Purchase Price Variance **	Debit
Transfer to Owned	Trade In-Transit Valuation	Credit

Interorganization Transfer Events

The following table lists the interorganization transfer events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Consigned Receivables	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Consigned In-Transit	Credit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Expense	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Consigned In-Transit	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Consigned Clearing	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit

Global Procurement Events

The following table lists the global procurement events and the corresponding accounting entries.

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Consigned In-Transit	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Consigned Clearing	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Consigned Receivables	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Consigned In-Transit	Credit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Expense	Debit
Trade In-Transit Issue (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Consigned PO Delivery	Consigned Inventory	Debit
Consigned PO Delivery	Consigned Clearing	Credit
Consigned PO Delivery Adjustment - Positive	Consigned Inventory	Debit
Consigned PO Delivery Adjustment - Positive	Consigned Clearing	Credit
Consigned PO Delivery Adjustment - Negative	Consigned Clearing	Debit
Consigned PO Delivery Adjustment - Negative	Consigned Inventory	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y)	Consigned Clearing	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y)	Consigned In-Transit	Credit
Trade In-Transit Return (Intercompany Invoicing Option = Y)	Expense	Debit
Trade In-Transit Return (Intercompany Invoicing Option = Y)	Overhead Absorption	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Consigned In-Transit	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Consigned Clearing	Credit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Expense	Debit
Trade In-Transit Receipt (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit
Trade In-Transit Receipt Cost Adjustment (Intercompany Invoicing Option = Y or N)	Consigned Inventory	Debit

Event Type Name	Accounting Line Type	Transaction Type
Trade In-Transit Receipt Cost Adjustment (Intercompany Invoicing Option = Y or N)	Consigned Clearing	Credit
Trade In-Transit Receipt Cost Adjustment (Intercompany Invoicing Option = Y or N)	Consigned Inventory	Debit
Trade In-Transit Receipt Cost Adjustment (Intercompany Invoicing Option = Y or N)	Consigned Clearing	Credit
Trade In-Transit Receipt Cost Adjustment (Intercompany Invoicing Option = Y or N)	Trade In-Transit Valuation or Expense *	Debit
Trade In-Transit Receipt Cost Adjustment (Intercompany Invoicing Option = Y or N)	Overhead Absorption	Credit