

11i Implement and Use Cost Management Average and Standard Costing

Student Guide – Volume 3

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Preface

Profile

Before You Begin This Course

Prerequisites

There are no prerequisites for this course.

How This Course Is Organized

11i Implement and Use Cost Management Average and Standard Costing is an instructor-led course featuring lecture and hands-on exercises. Online demonstrations and written practice sessions reinforce the concepts and skills introduced.

Related Publications

Oracle Publications

Additional Publications

- System release bulletins
- Installation and user's guides
- read.me files
- Oracle Magazine

Typographic Conventions

Typographic Conventions in Text

Convention	Element	Example
Bold italic	Glossary term (if there is a glossary)	The <i>algorithm</i> inserts the new key.
Caps and lowercase	Buttons, check boxes, triggers, windows	Click the Executable button. Select the Can't Delete Card check box. Assign a When-Validate-Item trigger to the ORD block. Open the Master Schedule window.
Courier new, case sensitive (default is lowercase)	Code output, directory names, filenames, passwords, pathnames, URLs, user input, usernames	Code output: <code>debug.set ('I', 300);</code> Directory: <code>bin (DOS), \$FMHOME (UNIX)</code> Filename: Locate the <code>init.ora</code> file. Password: User <code>tiger</code> as your password. Pathname: Open <code>c:\my_docs\projects</code> URL: Go to <code>http://www.oracle.com</code> User input: Enter <code>300</code> Username: Log on as <code>scott</code>
Initial cap	Graphics labels (unless the term is a proper noun)	Customer address (<i>but</i> Oracle Payables)
Italic	Emphasized words and phrases, titles of books and courses, variables	Do <i>not</i> save changes to the database. For further information, see <i>Oracle7 Server SQL Language Reference Manual</i> . Enter <code>user_id@us.oracle.com</code> , where <i>user_id</i> is the name of the user.
Quotation marks	Interface elements with long names that have only initial caps; lesson and chapter titles in cross-references	Select "Include a reusable module component" and click Finish. This subject is covered in Unit II, Lesson 3, "Working with Objects."
Uppercase	SQL column names, commands, functions, schemas, table names	Use the SELECT command to view information stored in the <code>LAST_NAME</code> column of the EMP table.

Convention	Element	Example
Arrow	Menu paths	Select File—> Save.

Brackets	Key names	Press [Enter].
Commas	Key sequences	Press and release keys one at a time: [Alternate], [F], [D]
Plus signs	Key combinations	Press and hold these keys simultaneously: [Ctrl]+[Alt]+[Del]

Typographic Conventions in Code

Convention	Element	Example
Caps and lowercase	Oracle Forms triggers	When-Validate-Item
Lowercase	Column names, table names	SELECT last_name FROM s_emp;
	Passwords	DROP USER scott IDENTIFIED BY tiger;
	PL/SQL objects	OG_ACTIVATE_LAYER (OG_GET_LAYER ('prod_pie_layer'))
Lowercase italic	Syntax variables	CREATE ROLE <i>role</i>
Uppercase	SQL commands and functions	SELECT userid FROM emp;

Typographic Conventions in Navigation Paths

This course uses simplified navigation paths, such as the following example, to direct you through Oracle Applications.

(N) Invoice > Entry > Invoice Batches Summary (M) Query > Find (B) Approve

This simplified path translates to the following:

1. (N) From the Navigator window, select Invoice > Entry > Invoice Batches Summary.
2. (M) From the menu, select Query > Find.
3. (B) Click the Approve button.

Notations :

(N) = Navigator

(M) = Menu

(T) = Tab

(I) = Icon

(H) = Hyperlink

(B) = Button

Typographical Conventions in Help System Paths

This course uses a “navigation path” convention to represent actions you perform to find pertinent information in the Oracle Applications Help System.

The following help navigation path, for example—

(Help) General Ledger > Journals > Enter Journals

—represents the following sequence of actions:

1. In the navigation frame of the help system window, expand the General Ledger entry.
2. Under the General Ledger entry, expand Journals.
3. Under Journals, select Enter Journals.
4. Review the Enter Journals topic that appears in the document frame of the help system window.

Getting Help

Oracle Applications provides you with a complete online help facility.

Whenever you need assistance, simply choose an item from the Help menu to pinpoint the type of information you want.

To display help for a current window:

1. Choose Window Help from the Help menu, click the Help button on the toolbar, or hold down the Control key and type 'h'.

A web browser window appears, containing search and navigation frames on the left, and a frame that displays help documents on the right.

The document frame provides information on the window containing the cursor. The navigation frame displays the top-level topics for your responsibility, arranged in a tree control.

2. If the document frame contains a list of topics associated with the window, click on a topic of interest to display more detailed information.

3. You can navigate to other topics of interest in the help system, or choose Close from your web browser's File menu to close help.

Searching for Help

You can perform a search to find the Oracle Applications help information you want. Simply enter your query in the text field located in the top-left frame of the browser window when viewing help, then click the adjacent Find button.

A list of titles, ranked by relevance and linked to the documents in question, is returned from your search in the right-hand document frame. Click on whichever title seems to best answer your needs to display the complete document in this frame. If the document doesn't fully answer your questions, use your browser's Back button to return to the list of titles and try another.

11i Accounting for Inventory Transactions for Standard Costing

Chapter 17

11i Accounting for Inventory Transactions for Standard Costing

11i Accounting for Inventory Transactions for Standard Costing

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Objectives

Objectives

After completing this lesson, you should be able to:

- Set up standard costing
- Account for inventory transactions in standard costing



Purchases



Receive goods



Ship goods



Direct



Intransit



Adjustments

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Agenda

Agenda

- **Overview of Standard Costing**
- **Setting Up Standard Costing**
- **Accounting for Inventory Transactions in Standard Costing**

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Overview

Transactions

- Inventory purchasing transactions
- Expense purchasing transactions using month-end accruals
- Expense purchasing transactions using online accruals
- Miscellaneous transactions
- Inter-organization transfers using intransit inventory
- Direct inter-organization transfers
- Customer shipment and return transactions
- Adjustment transactions
- Internal requisitions

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Overview

Recording Quantity Movements

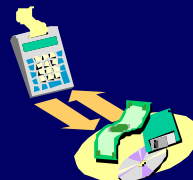
- The system records quantity movements as financial transactions.



**Quantity
movements**



Audit trail



**Financial
transactions**

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Overview

Minimizing Accounting Entries

- The system summarizes all accounting entries for the inventory subinventories by a unique cost element account.

Subinventory Transfer

- The system records two transactions for the quantity movement, but only one transaction generates accounting entries.

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Overview

Accounting Information

- You can create separate accounting entries for material and material overhead costs.
- When the subinventory elemental accounts are unique, the accounting entries carry cost element information.
- All standard cost accounting entries reference the last cost update.
- All transactions for items with zero cost have accounting information.
- All accounting entries tell you the purpose for the accounting entry. This is called the accounting type.

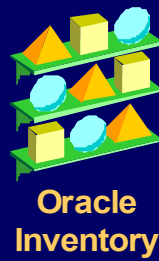
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Overview

Journal Source

- For both inventory and work-in-process entries, the journal source in Oracle General Ledger is Oracle Inventory.



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Describing the Relationship Between Transactions and Cost Management

Describing the Relationship Between Transactions and Cost Management

Charging Material Transactions at Standard Cost

- You perform inventory transactions and use standard costs to value transactions.
- You issue items from inventory to jobs and return components from a job back to inventory at standard cost.

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Describing the Relationship Between Transactions and Cost Management

Describing the Relationship Between Transactions and Cost Management

Applying Material Overhead

- The system includes material overhead type costs (receiving, stocking, material movement, and handling) in inventory valuation.
- The system applies predefined material overhead amounts to items.

Charging Assembly Completions at Standard Cost

- The system uses standard cost to value completed assemblies.
- When you move completed assemblies from WIP to a subinventory, the system reduces WIP and charges inventory for the amount of the standard cost.

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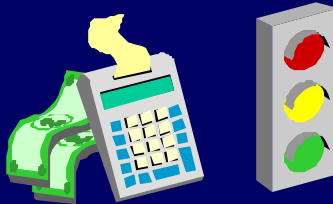
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Describing the Relationship Between Transactions and Cost Management

Describing the Relationship Between Transactions and Cost Management

Cost Control Attributes

- With standard costing, Oracle Cost Management uses two item attributes, Costing Enabled and the Inventory Asset Value, as well as the Asset Subinventory designation on the subinventory to determine how to value the transactions.



Cost controls

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Describing the Relationship Between Transactions and Cost Management

Describing the Relationship Between Transactions and Cost Management

Costing Enabled Attribute

- **Checked** means the item may be costed and is visible on all reports and inquiries.
- **Unchecked** means the item is not used for any costing purpose. It does not appear on any cost inquiry or report, including the following:
- **Inventory Value report**
 - Item Cost reports
 - Item Cost inquiries
- **You cannot change this item attribute if there is a quantity onhand.**

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Describing the Relationship Between Transactions and Cost Management

Describing the Relationship Between Transactions and Cost Management

Inventory Asset Value

- **Checked** means the item is an asset and can have a cost.
- **Unchecked** means the item is an inventory expense item and cannot have a cost.
- Each item may have a different asset value flag status by cost type.
- Do not confuse inventory expense items with expense destination types in Oracle Purchasing.

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Describing the Relationship Between Transactions and Cost Management

Describing the Relationship Between Transactions and Cost Management

Asset Inventory

- If checked, and the attributes named above are checked, it means that the item is an asset item and is carried on the balance sheet as an asset.

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Review Question

Review Question

When you apply material overhead, the system includes material overhead type costs (receiving, stocking, material movement, and handling) in inventory valuation.

- 1. True**
- 2. False**

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Review Question

Review Question

When you apply material overhead, the system includes material overhead type costs (receiving, stocking, material movement, and handling) in inventory valuation.

- 1. True**
- 2. False**

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Agenda

Agenda

- Overview of Standard Costing
- **Setting Up Standard Costing**
- Accounting for Inventory Transactions in Standard Costing

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Setting Up Standard Costing

Costing Method in Organization Parameters

Using Oracle Manufacturing, the way you define your inventory organization affects how you are able to collect costs.

If you want to use standard costing, you must define the costing method of the inventory organization as standard. Once you assign items to the organization, you cannot change the costing method of the organization.

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Setting Up Standard Costing

Setting Up Standard Costing

Use the Organization Parameters window to enter:

- The costing method as standard

Manufacturing and Distribution Manager Responsibility

(N) INV Setup > Organizations > Parameters

(T) Costing Information

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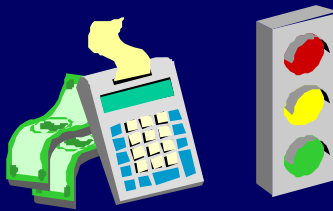
ORACLE

Help: Oracle Manufacturing Applications > Oracle Inventory > Setting Up > Inventory Structure > Defining Organization Parameters > Defining Costing Information

Setting Up Standard Costing

Item Cost Controls

- The control level determines how item costs are maintained within an Inventory organization.
- You cannot share costs across organizations if you have Bill of Materials installed since you cannot share resource costs across organizations.



Cost controls

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Setting Up Standard Costing

Setting Up Standard Costing

Use the Item Attribute Controls window to set:

- The costing group item attributes to “Org level”

Manufacturing and Distribution Manager Responsibility
(N) INV Setup > Items > Attribute Controls

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Help: Oracle Manufacturing Applications > Oracle Inventory > Items > Master Level vs Organization Level

Agenda

Agenda

- Overview of Standard Costing
- Setting Up Standard Costing
- **Accounting for Inventory Transactions in Standard Costing**

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Transaction Account Reference

Transaction Account Reference

Asset Versus Expense Accounting Standard Costing				
Transaction	Asset Item		Expense Item	
	Asset Subinventory	Expense Subinventory	Asset Subinventory	Expense Subinventory
PO Receipt	Subinventory valuation accounts @ standard cost	Subinventory expense account @ PO price	Subinventory expense account @ PO price	Subinventory expense account @ PO price
PO Return	Subinventory valuation accounts @ standard cost	Subinventory expense account @ PO price	Subinventory expense account @ PO price	Subinventory expense account @ PO price

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Transaction Account Reference

Transaction Account Reference

Asset Versus Expense Accounting Standard Costing				
Transaction	Asset Item		Expense Item	
	Asset Subinventory	Expense Subinventory	Asset Subinventory	Expense Subinventory
Interorg Transfers Direct	From asset subinventory: Subinventory valuation accounts @ standard cost From expense subinventory: Not allowed	From asset subinventory: Subinventory expense account @ standard cost From expense subinventory: No accounting for the item cost but transfer credit and freight charged to subinventory expense account	No accounting	No accounting

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Transaction Account Reference

Transaction Account Reference				
Asset Versus Expense Accounting Standard Costing				
Transaction	Asset Item		Expense Item	
	Asset Subinventory	Expense Subinventory	Asset Subinventory	Expense Subinventory
Interorg Transfers Intransit	From asset subinventory: Subinventory valuation accounts @ standard cost From expense subinventory: Not allowed	From asset subinventory: Subinventory expense account @ standard cost From expense subinventory: Not allowed	No accounting	No accounting
Misc. Issue	Subinventory valuation accounts @ standard cost	No accounting	No accounting	No accounting
Misc. Receipt	Subinventory valuation accounts @ standard cost	No accounting	No accounting	No accounting

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Transaction Account Reference

Transaction Account Reference				
Asset Versus Expense Accounting Standard Costing				
Transaction	Asset Item		Expense Item	
	Asset Subinventory	Expense Subinventory	Asset Subinventory	Expense Subinventory
Subinv Transfer	From asset subinventory: Subinventory valuation accounts @ standard cost From expense subinventory: Not allowed	From asset subinventory: Subinventory expense account @ standard cost From expense subinventory: No accounting	No accounting	No accounting
SO Shipment	Subinventory valuation accounts @ standard cost	No accounting	No accounting	No accounting
SO Customer Return	Subinventory valuation accounts @ standard cost	No accounting	No accounting	No accounting

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Transaction Account Reference

Transaction Account Reference				
Asset Versus Expense Accounting Standard Costing				
Transaction	Asset Item		Expense Item	
	Asset Subinventory	Expense Subinventory	Asset Subinventory	Expense Subinventory
WIP Issue	Subinventory valuation accounts @ standard cost	Not allowed	No accounting	No accounting
WIP Completion	<u>To asset subinventory:</u> Subinventory valuation accounts @ standard cost <u>To expense subinventory:</u> Not allowed	Not allowed	No accounting	No accounting
PI/Cycle Count	Subinventory valuation accounts @ standard cost	No accounting	No accounting	No accounting

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Inventory Transactions

Use the Material Transaction Distributions window to:

- Review accounting distributions of transactions

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions (F) Find Material
Transactions (B) Distributions (T) Account

Manufacturing and Distribution Manager Responsibility

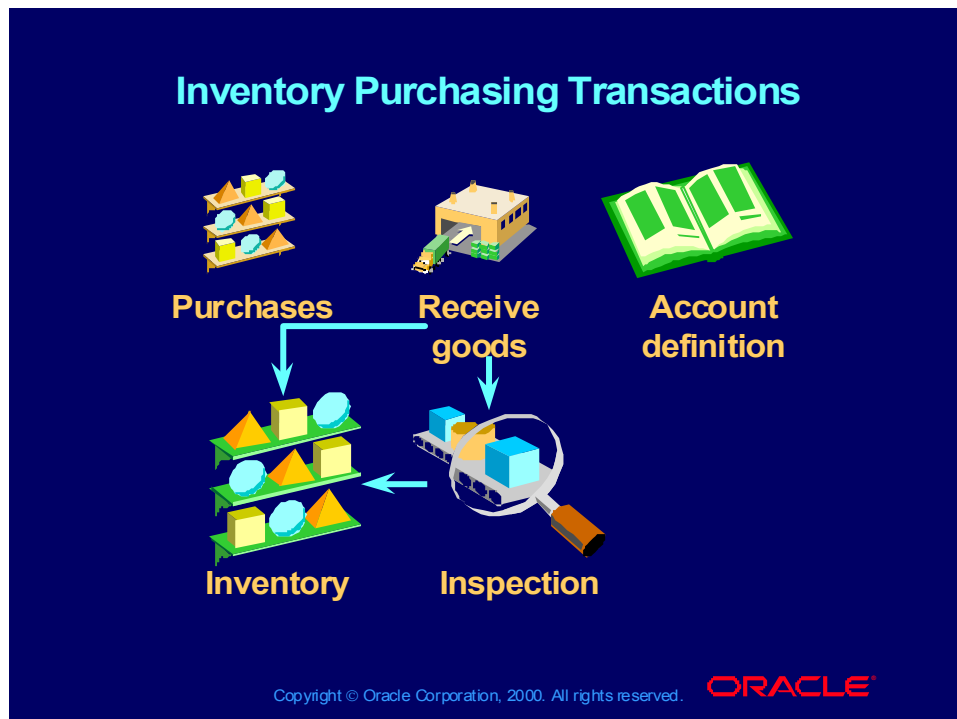
(N) CST View Transactions > Material Distributions

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ORACLE

**Help: Oracle Manufacturing Applications >Oracle Inventory >
Transactions >Viewing Material Transaction Distributions**

Inventory Purchasing Transactions



Inventory Purchasing Transactions

Inventory Purchasing Transactions

Use the Organization Parameters window to define receiving accounts, including the following:

- Purchase price variance account
- Invoice price variance account
- Inventory AP accrual account

Manufacturing and Distribution Manager Responsibility

(N) INV Setup > Organizations > Parameters (T) Other Accounts

Use the Receiving Options window to define:

- The Receiving Inspection account

Manufacturing and Distribution Manager Responsibility

(N) PUR Setup > Organizations > Receiving Options

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Help: Oracle Manufacturing Applications > Oracle Inventory > Setting Up > Inventory Structure >

Defining Organization Parameters > Defining Other Accounts

Help: Oracle Manufacturing Applications > Oracle Purchasing > Setting Up > Purchasing Options > Defining Receiving Options

Inventory Purchasing Transactions

Transaction Entry

- Enter inventory purchasing transactions by using transaction entry screens in the following Oracle Applications:
 - Inventory, Purchasing, or Accounts Payable
- View transactions online and review transactions in their respective modules:
 - Inventory transactions in Inventory
 - Purchasing transactions in Purchasing
 - Accounts Payable (AP) transactions in AP

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Inventory Purchasing Transactions

Oracle Payables

- Introduces a new accounting model to support the creation and retention of accounting entries in the Payables subledger

Payables Transfer to General Ledger program

- Creates accounting for Payables transactions
- Pulls information out of transaction tables, creates accounting entries, and places them in the general ledger interface. From there the general ledger process Journal Import creates journal entries and imports them as unposted journal entries into Oracle General Ledger.

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Inventory Purchasing Transactions

One Step Receiving: Dock to stock in one transaction

- Transaction and entry recorded in purchasing for the receipt (dock) and transaction and entry recorded in inventory for the delivery (stock).
- There is not an option to inspect and the receipt routing will be derived from the purchase order line as direct. The resulting transactions are always a receipt and then a delivery.

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Inventory Purchasing Transactions

Inventory Purchasing Transactions

To receive material from a vendor in one step, use the Receipts window. The resulting transactions are always a receipt and then a delivery.

Use the Receipts window to:

- Receive material from a vendor directly to inventory

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Receiving > Receipts

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Help: Oracle Manufacturing Applications > Oracle Purchasing > Receiving > Receiving Transactions

Inventory Purchasing Transactions

Two Step Receiving: Dock in one transaction and stock in a separate transaction.

- Transaction and entry recorded in purchasing for the receipt.
- A separate transaction on a separate screen records the transaction and entry in inventory for the delivery.
- There is not an option to inspect and the receipt routing will be derived from the purchase order line as standard.

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Inventory Purchasing Transactions

Inventory Purchasing Transactions

To receive material from a vendor in two steps, use the Receipts and the Receiving Transactions windows. The resulting transactions are always a receipt and then a delivery.

Use the Receipts window to:

- Receive material from a vendor to receiving

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Receiving > Receipts

Use the Receiving Transactions window to:

- Move material from receiving to inventory

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Receiving > Receiving Transactions

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Help: Oracle Manufacturing Applications > Oracle Purchasing > Receiving > Receiving Transactions

Inventory Purchasing Transactions

Inspection: Dock in one transaction

- Transaction and entry recorded in purchasing for the receipt.
- Inspection is completed next. After the item is inspected, the delivery into stock occurs and the transaction and entry is recorded. The receipt routing on the purchase order line will say inspection.
- There is not an entry recorded during the inspection. It is considered "on the dock".

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Inventory Purchasing Transactions

Receipts to Receiving and Delivery to Inventory

- Oracle Purchasing uses the quantity received and the purchase order price to update the Inventory AP Accrual accounts, Receiving Inspection accounts and Subinventory accounts. These accounting entries always occur, regardless of one- or two-step receiving.
- Oracle Purchasing uses the purchase order cost, converted into functional currency using either the purchase order exchange rate or the receiving exchange rate (depending on the matching option recorded on the purchase order shipment line).

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Inventory Purchasing Transactions

Inventory Purchasing Transactions

Oracle Inventory

Use the Material Transaction Distributions window to:

- Review accounting distributions of inventory purchasing transactions once you have received the goods

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions (F) Find Material Transactions (B) Distributions (T) Account

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > Material Distributions

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Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Viewing Material Transaction Distributions

Review Question

Review Question

Oracle Purchasing uses the purchase order cost, converted into functional currency using either the purchase order exchange rate or the receiving exchange rate (depending on the matching option recorded on the purchase order shipment line).

- 1. True**
- 2. False**

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Review Question

Review Question

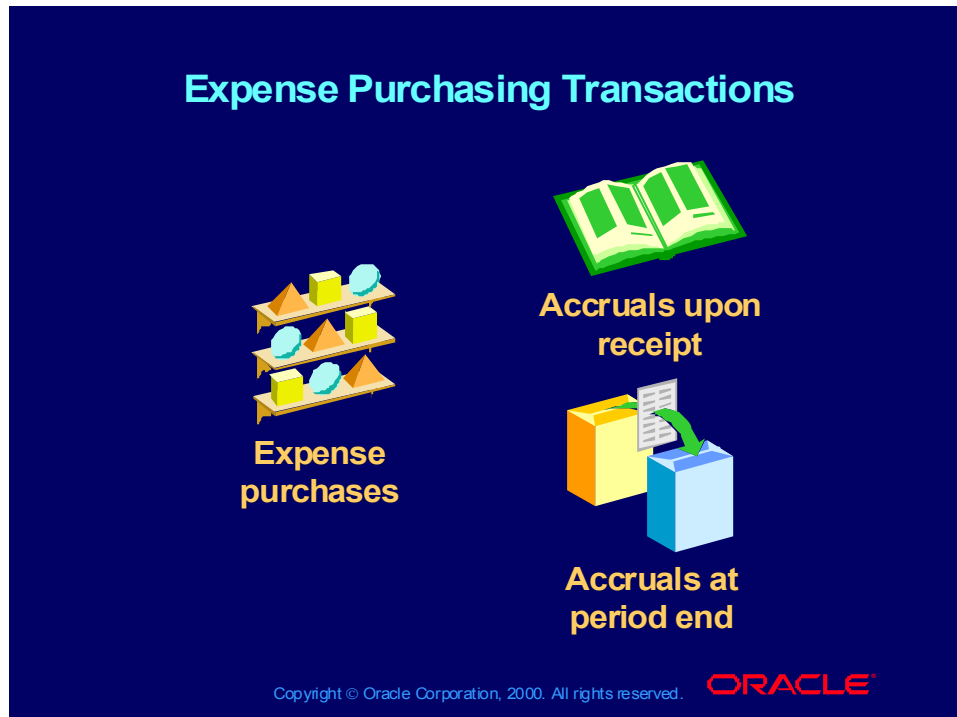
Oracle Purchasing uses the purchase order cost, converted into functional currency using either the purchase order exchange rate or the receiving exchange rate (depending on the matching option recorded on the purchase order shipment line).

- 1. True**
- 2. False**

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Expense Purchasing Transactions



Expense Purchasing Transactions

Expense Accruals

- **Accruing Expenses at Period End**
 - No accounting entries are made at the time of PO receipt. You can run the Purchasing Receipt Accrual-Period End process to debit the expenses and credit the expense AP accrual account.
- **Accruing Expenses upon Receipt**
 - The PO receipt transaction debits the expense and credits the expense AP accrual account.

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Expense Purchasing Transactions

Expense Purchasing Transactions

Use the Purchasing Options window to:

- Choose to accrue expense items at period end or upon receipt
- Define the Expense AP Accrual account

Manufacturing and Distribution Manager Responsibility
(N) PUR Setup > Organizations > Purchasing Options

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Help: Oracle Manufacturing Applications > Oracle Purchasing > Setting Up > Purchasing Options > Defining Purchasing Options

Review Question

Review Question

Using the Purchasing Options window, you can choose to accrue expense items at period end or upon receipt.

- 1. True**
- 2. False**

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Review Question

Review Question

Using the Purchasing Options window, you can choose to accrue expense items at period end or upon receipt.

1. True
2. False

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Subinventory Transactions

Subinventory Transactions

Oracle Inventory decreases the quantity of the item in one subinventory and increases it in another subinventory; inventory values stay the same.

Use the Subinventory Transfer window to move material from:

- One subinventory to another subinventory in the same inventory organization.
 - Asset subinventory to expense subinventory
 - Expense subinventory to asset subinventory
 - Asset subinventory to expense subinventory
 - Expense subinventory to asset subinventory

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Subinventory Transfer

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Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Transferring Between Subinventories

Miscellaneous Inventory Transactions

Miscellaneous Inventory Transactions

Use the Miscellaneous Transaction window to:

- Issue material from a subinventory to a general ledger account or to an account alias.
- Receive material to a subinventory from a general ledger account or from an account alias.
- Transfer onhand quantities into Oracle Applications from legacy systems and establish standard costs via the same transactions.

Manufacturing and Distribution Manager Responsibility
(N) INV Transactions > Miscellaneous Transaction

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**Help: Oracle Manufacturing Applications >Oracle Inventory >
Transactions >Performing Miscellaneous Transactions**

Miscellaneous Inventory Transactions

Issue from Stores

- Oracle Inventory decreases the quantity of the item in the subinventory and locator that you specify in the transaction window, changing the appropriate inventory values.

Receipt into stores

- Oracle Inventory increases the quantity of the item in the subinventory and locator that you specify in the transaction window, changing the appropriate inventory values.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Miscellaneous Transaction

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**Help: Oracle Manufacturing Applications >Oracle Inventory >
Transactions >Performing Miscellaneous Transactions**

Subinventory Transactions and Miscellaneous Inventory Transactions

Subinventory Transactions and Miscellaneous Inventory Transactions

Oracle Inventory

Use the Material Transaction Distributions window to review accounting distributions of:

- Subinventory transfers
- Miscellaneous transactions

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions (F) Find Material Transactions (B) Distributions (T) Account

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > Material Distributions

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Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Viewing Material Transaction Distributions

Review Question

Review Question

You use miscellaneous transactions to:

- **Issue material from a subinventory to a general ledger account or to an account alias.**
- **Receive material to a subinventory from a general ledger account or from an account alias.**

1. True

2. False

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Review Question

Review Question

You use miscellaneous transactions to:

- **Issue material from a subinventory to a general ledger account or to an account alias.**
- **Receive material to a subinventory from a general ledger account or from an account alias.**

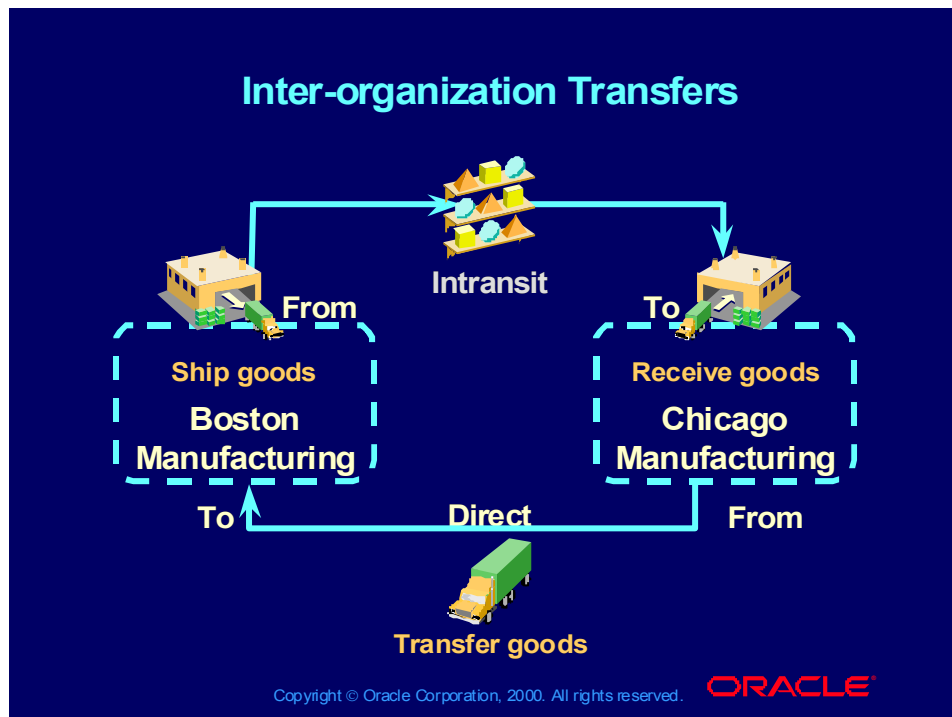
1. True

2. False

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Inter-organization Transfers



Inter-organization Transfers

Accounting Flows

- Accounting flows for inter-organization transfers vary depending on whether you transfer material directly from one organization to another or transfer material through intransit inventory.

Shipping Information

Use the Inter-Organization Shipping Network window to define:

- The direct or intransit shipment type for each shipping and receiving organization relationship.

Manufacturing and Distribution Manager Responsibility

(N) INV Setup > Organizations > Shipping Networks

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Help: Oracle Manufacturing Applications > Oracle Inventory > Setting Up > Transaction Setup > Inter-Organization Shipping Network

Direct Inter-organization Transfers

Direct Organization Transfer

- Decreases the quantity of an item in one organization and increases it in another organization, performing both the issue and the receipt transactions
- Decreases inventory values in the sending organization and increases inventory values in the receiving organization
- Always credits transfer and freight charges to the shipping organization
- Does not make entries for direct inter-organization transfers of expense items
- Does not go through intransit inventory

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Direct Inter-organization Transfers

Direct Inter-organization Transfers

Use the Inter-organization Transfer window to:

- Move material directly from the shipping organization to the receiving organization

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Inter-organization Transfer

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Help: Oracle Manufacturing Applications > Oracle Inventory > Transactions > Inter-organization Transfers

Review Question

Review Question

Accounting flows for inter-organization transfers vary depending on whether you transfer material directly from one organization to another or transfer material through intransit inventory.

- 1. True**
- 2. False**

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Review Question

Review Question

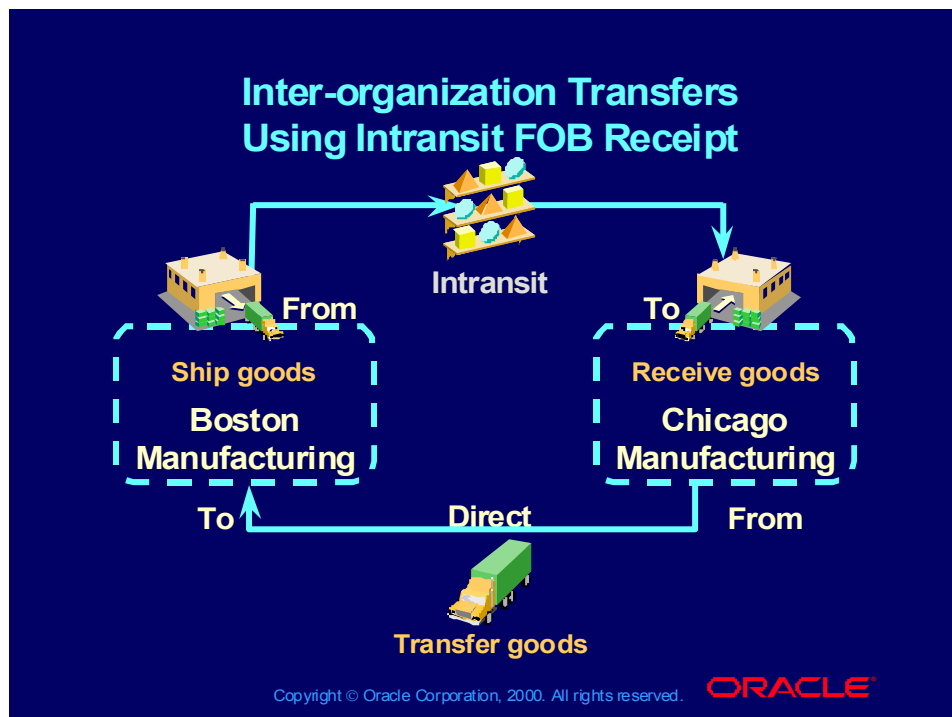
Accounting flows for inter-organization transfers vary depending on whether you transfer material directly from one organization to another or transfer material through intransit inventory.

- 1. True**
- 2. False**

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Inter-organization Transfers Using Intransit FOB Receipt



Inter-organization Transfers Using Intransit FOB Receipt

Inter-organization Transfers Using Intransit FOB Receipt

FOB Receipt

- **FOB Receipt** means that the item belongs to the shipping organization until the receiving organization performs the Receipt transaction. Intransit inventory belongs to the shipping organization.
- **Oracle Inventory** decreases the quantity of the item in the shipping organization but does not increase it in the receiving organization until you perform an intransit receipt transaction.

Intransit Inventory

- **Intransit inventory** represents material that has not yet arrived at the receiving organization.

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Inter-organization Transfers Using Intransit FOB Receipt

Inter-organization Transfers Using Intransit FOB Receipt

Freight Charges: FOB Receipt

- If the FOB point is Receipt, the freight charges are credited to the shipping organization. Since title has not passed, it is assumed that the shipping organization pays the freight.

Inter-organization Transfer Charges

- Transfer charges can be added to the cost of the shipment. The credit for transfer charges always goes to the shipping organization.

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Inter-organization Transfers Using Intransit FOB Receipt

Inter-organization Transfers Using Intransit FOB Receipt

Use the Inter-organization Transfer window to:

- Move material from the shipping organization to intransit inventory

Manufacturing and Distribution Manager Responsibility
(N) INV Transactions > Inter-organization Transfer

Use the Receipts window to:

- Move material from intransit inventory of the receiving organization

Manufacturing and Distribution Manager Responsibility
(N) INV Transactions > Receiving > Receipts

Use the Manage Shipments window to:

- Update freight and arrival information for intransit items

Manufacturing and Distribution Manager Responsibility
(N) INV Transactions > Receiving > Manage Shipments

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Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Inter-organization Transfers

Help: Oracle Manufacturing Applications >Oracle Purchasing > Receiving > Receiving Transactions

Help: Oracle Manufacturing Applications >Oracle Purchasing > Receiving > Managing Receipts

Review Question

Review Question

FOB Receipt means that the item belongs to the shipping organization until the receiving organization performs the Receipt transaction. Intransit inventory belongs to the shipping organization.

- 1. True**
- 2. False**

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Review Question

Review Question

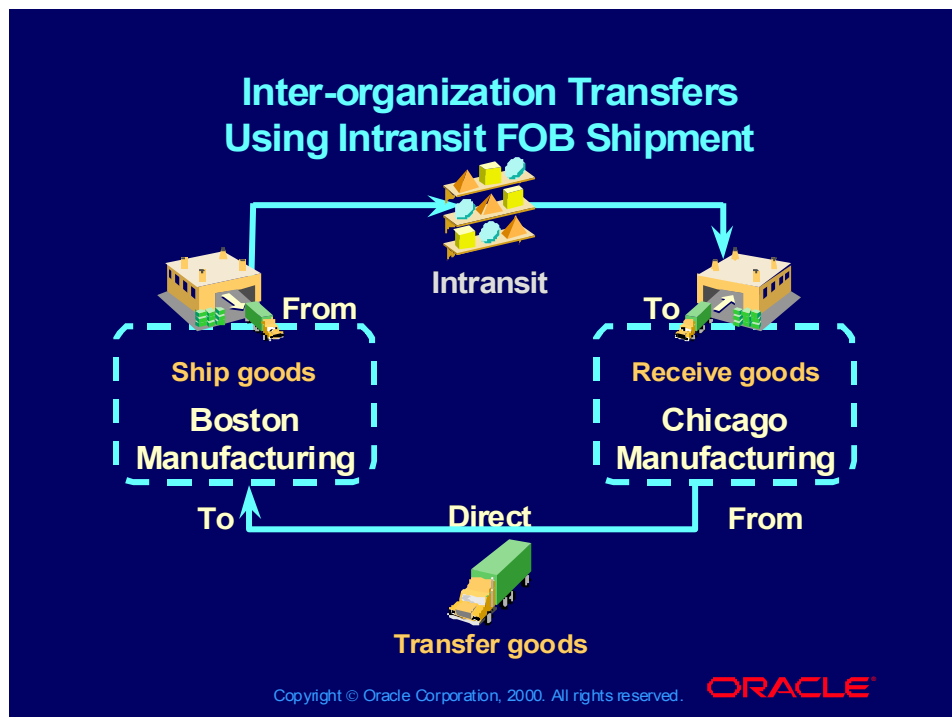
FOB Receipt means that the item belongs to the shipping organization until the receiving organization performs the Receipt transaction. Intransit inventory belongs to the shipping organization.

- 1. True**
- 2. False**

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Inter-organization Transfers Using Intransit FOB Shipment



Inter-organization Transfers Using Intransit FOB Shipment

Inter-organization Transfers Using Intransit FOB Shipment

FOB Shipment

- **FOB Shipment means that the item belongs to the receiving organization as soon as the shipping organization performs the Inter-organization Transfer transaction.**
- **Intransit inventory belongs to the receiving organization.**

Freight Charges: FOB Shipment

- **If the FOB point is Shipment, the freight charges are credited to the receiving organization. Since title has passed, it is assumed that the receiving organization pays the freight.**

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Inter-organization Transfers Using Intransit FOB Shipment

Inter-organization Transfers Using Intransit FOB Shipment

Use the Inter-organization Transfer window to:

- Move material from the shipping organization to intransit inventory of the receiving organization

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(N) INV Transactions > Inter-organization Transfer

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**Help: Oracle Manufacturing Applications >Oracle Inventory >
Transactions >Inter-organization Transfers**

Inter-organization Transfers

Inter-organization Transfers

Use the Material Transaction Distributions window to review accounting distributions of:

- Direct inter-organization transfers
- Intransit inter-organization transfers using FOB shipment

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions

(F) Find Material Transactions (B) Distributions (T) Account

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > Material Distributions

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**Help: Oracle Manufacturing Applications >Oracle Inventory >
Transactions >Viewing Material Transaction Distributions**

Review Question

Review Question

FOB Shipment means that the item belongs to the receiving organization as soon as the shipping organization performs the Inter-organization Transfer transaction. Intransit inventory belongs to the receiving organization.

- 1. True**
- 2. False**

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Review Question

Review Question

FOB Shipment means that the item belongs to the receiving organization as soon as the shipping organization performs the Inter-organization Transfer transaction. Intransit inventory belongs to the receiving organization.

- 1. True**
- 2. False**

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Customer Shipments and Returns

Customer Shipments and Returns

Customer Shipments

- You can use Oracle Order Management (OM) to ship items on a sales order to a customer.
- When you record invoices in Accounts Receivable, you need to run the inventory interface from OM so that COGS is recorded. Invoicing in Accounts Receivable is separate from COGS in Inventory.

Manufacturing and Distribution Manager Responsibility

(N) OM Returns > Returns > RMA Interface

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**Help: Oracle Manufacturing Applications >
Oracle Order Management > RMA Interface**

Customer Shipments and Returns

Return Material Authorizations (RMA)

- When items are returned from a customer, you can select to receive them into a subinventory or into inspection.
- You can transfer expected receipt information to Oracle Inventory by running the RMA interface.

Manufacturing and Distribution Manager Responsibility

(N) OM Returns > Returns > RMA Interface

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**Help: Oracle Manufacturing Applications >
Oracle Order Management > RMA Interface**

Customer Shipments and Returns

Customer Shipments and Returns

Use the RMA Receipts window to:

- **Receive items back from a customer**
Manufacturing and Distribution Manager Responsibility
(N) INV Transactions > Customer Returns > RMA Receipts

Use the Inspect window to:

- **Inspect items back from a customer**
- **Receive or reject (return) items requiring inspection**
Manufacturing and Distribution Manager Responsibility
(N) INV Transactions > Customer Returns > RMA Inspect

Use the RMA Return window to:

- **Return items back to a customer**
Manufacturing and Distribution Manager Responsibility
(N) INV Transactions > Customer Returns > RMA Return

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Help: Oracle Manufacturing Applications > Oracle Purchasing > Receiving > Return

Review Question

Review Question

When items are returned from a customer, you can select to receive them into a subinventory or into inspection.

- 1. True**
- 2. False**

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Review Question

Review Question

When items are returned from a customer, you can select to receive them into a subinventory or into inspection.

- 1. True**
- 2. False**

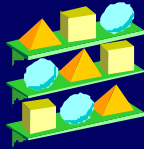
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Inventory Adjustments

Inventory Adjustments

- Cycle count and physical inventory transactions are valued at standard cost.
- You can use cycle counting and physical inventory to correct your inventory onhand balances.
- Both the cycle count and physical inventory update the accounts of the affected subinventory and offset the adjustment account that you specify.



Inventory



Adjustments

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Inventory Adjustments

Inventory Adjustments

Use the Cycle Counts window to:

- **To correct your inventory onhand balances**

**Manufacturing and Distribution Manager Responsibility
(N) INV Counting > Cycle Counting > Cycle Count Entries**

Use the Physical Inventories window to:

- **To correct your inventory onhand balances**

**Manufacturing and Distribution Manager Responsibility
(N) INV Counting > Physical Inventory > Physical Inventories**

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**Help: Oracle Manufacturing Applications >Oracle Inventory >
Cycle Counting >Entering Cycle Counts**

**Help: Oracle Manufacturing Applications >Oracle Inventory >
Physical Inventory > Physical Inventory Counts**

Inventory Transactions

Use the Material Transaction Distributions window to:

- Review accounting distributions of inventory adjustment transactions

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions

(F) Find Material Transactions (B) Distributions (T) Account

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > Material Distributions

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**Help: Oracle Manufacturing Applications >Oracle Inventory >
Transactions >Viewing Material Transaction Distributions**

Review Question

Review Question

You can use cycle counting and physical inventory to correct your inventory onhand balances.

- 1. True**
- 2. False**

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Review Question

Review Question

You can use cycle counting and physical inventory to correct your inventory onhand balances.

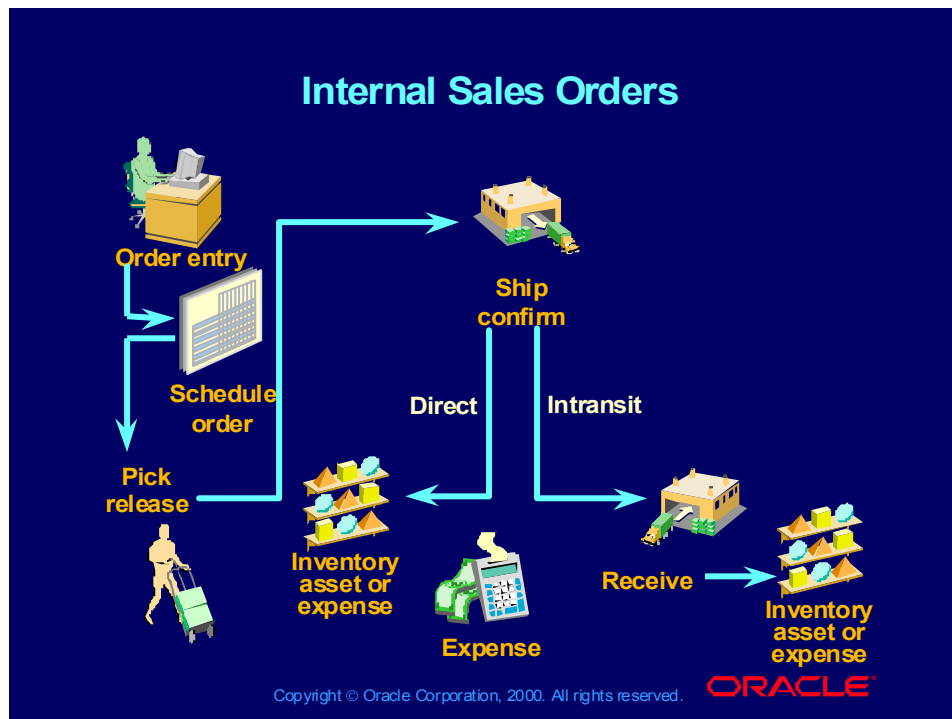
1. True

2. False

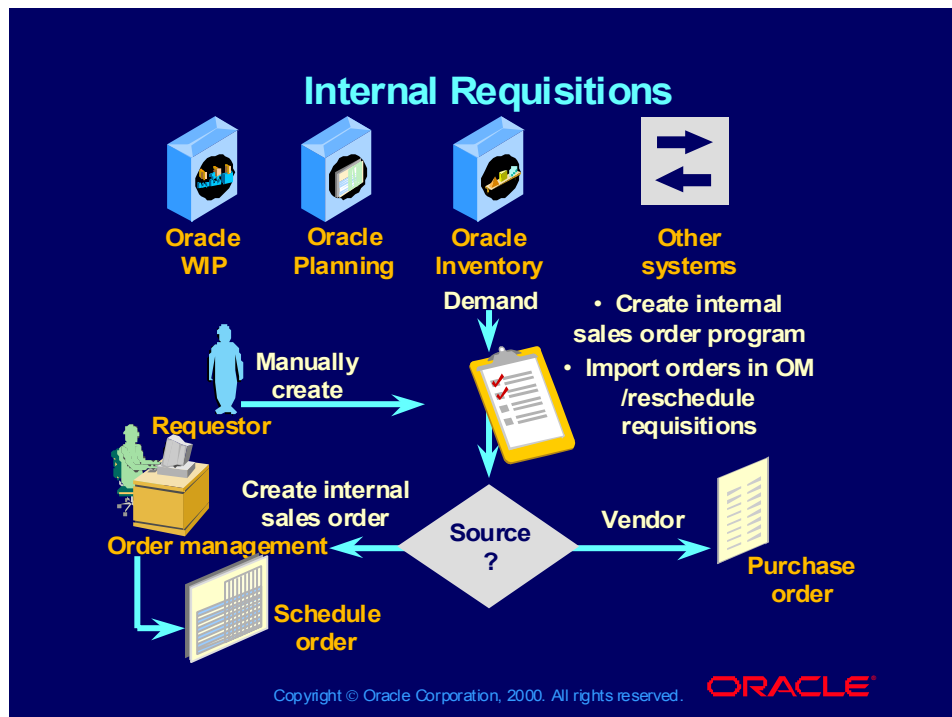
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Internal Sales Orders



Internal Requisitions



Internal Requisitions

Mechanism for Requesting and Issuing Material

- **Internal requisitions provide the mechanism for requesting and issuing material from internal stores for delivery to other inventory or expense destinations.**

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Internal Requisitions

An internal requisition can go directly from pick release to ship confirm as long as there is onhand quantity.

After creating an internal requisition, you do the following:

- **Run the create internal sales order program in purchasing**
- **Run the import orders program in Order Management, entering the booked order in Order Management**
- **Ship the internal sales order directly without scheduling it**

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Internal Requisitions

Internal Requisitions

- Internal requisitions do not have to go through Order Management unless the require internal sales order box is enabled in the shipping networks window.
- If an internal sales order is not created, the process continues like any other inter organization transfer.

Use the Shipping Networks window to enable:

- The require internal sales order checkbox
- Manufacturing and Distribution Manager Responsibility
(N) INV Setup > Organizations > Shipping Networks

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Help: Oracle Manufacturing Applications > Oracle Inventory > Setting Up > Transaction Setup > Inter-Organization Shipping Network

Internal Requisitions

Internal Requisitions

Direct Inter-organization Transfer		
Destinations	Source Subinventory Asset Item	Accounted for as:
Expense subinventory	Charge subinventory expense account	Direct Interorg transfer
Asset subinventory	Charge organization valuation accounts	Direct Interorg transfer
Expense (to a person)	Designated requisition charge account	Miscellaneous issue All accounting done in the issuing organization

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Internal Requisitions

Internal Requisitions

Intransit Inter-organization Transfer		
Destinations	Source Subinventory Asset Item	Accounted for as:
Expense subinventory	Charge subinventory expense account	Intransit Interorg transfer
Asset subinventory	Charge organization valuation accounts	Intransit Interorg transfer
Expense (to a person)	Invalid	Not allowed

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Review Question

Review Question

Internal requisitions provide the mechanism for requesting and issuing material from internal stores for delivery to other inventory or expense destinations.

- 1. True**
- 2. False**

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Review Question

Review Question

Internal requisitions provide the mechanism for requesting and issuing material from internal stores for delivery to other inventory or expense destinations.

- 1. True**
- 2. False**

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Summary

Summary

In this lesson, you should have learned how to:

- Set up standard costing
- Account for inventory transactions in standard costing



Purchases



Receive goods



Ship goods



Direct



Intransit



Adjustments

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Practice 1 Overview

Practice 1 Overview

This practice covers the following topics:

- **Performing and analyzing inventory transactions**

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Practice 1-1: Performing and Analyzing Inventory Transactions

Practice 1-1: Performing and Analyzing Inventory Transactions

In this practice, you are a buyer and will be doing the following in the screens that follow:

1. Verify that the transaction processor is running.
2. Verify that the current period is open.
3. Create a purchase order for CM22680.
4. Approve your purchase order and receive goods.
5. View accounting entries created by the receipts.
6. View the inventory history of your transactions.
7. Perform an inventory adjustment for CM22682 using miscellaneous receipts.
8. View accounting entries.
9. Run the Material Account Distribution Detail Report.
10. Run the Purchase Price Variance Report.
11. Run the Inventory Value Report.

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Guided Practice 1-1: Checking the Interface Managers

Guided Practice 1-1: Checking the Interface Managers

1. **Navigate to the Interface Managers window in Seattle, M1, to check the status of the Cost Manager. If this manager is not running or is running at an interval greater than 10 minutes, inform the instructor.**

Manufacturing and Distribution Manager Responsibility
(N) INV Setup > Transactions > Interface Managers

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Guided Practice 1-1: Checking Current Period is Open

Guided Practice 1-1: Checking Current Period is Open

1. **Navigate to the Inventory Accounting Periods window to check that the current period is open. If it is not open, open it and all preceding unopened periods.**

Manufacturing and Distribution Manager Responsibility

(N) INV Accounting Close Cycle > Inventory Accounting Periods

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Guided Practice 1-1: Creating Purchase Orders

Guided Practice 1-1: Creating Purchase Orders

1. Navigate to the Purchase Orders window to create a purchase order for CM22680 in the M1 organization. Student 10 will use a quantity of 10, and a price of \$10.00; Student 20 will use a quantity of 20, and a price of \$20.00; Student 30 will use a quantity of 30, and a price of \$30.00; and so on.

Manufacturing and Distribution Manager Responsibility
(N) PURCHASING Purchase Orders > Purchase Orders (New)

2. Type: Standard Purchase Order
3. Supplier: Advanced Network Devices
4. Site: Santa Clara
5. Ship to: M1
6. Bill to: Accept default
7. Buyer: Accept default
8. Navigate to Items.

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Guided Practice 1-1: Creating Purchase Orders

Guided Practice 1-1: Creating Purchase Orders

1. Navigate to items (continued from previous page).

Manufacturing and Distribution Manager Responsibility

(N) PURCHASING Purchase Orders > Purchase Orders (New)

(T) Items

2. Number: 1

3. Type: Goods

4. Item: CM22680

**5. Quantity: 100 for
Student 1, 200 for
Student 2, and so on.**

6. Price: You decide

7. Promise date: Today

8. Need by date: Today

9. Choose: Shipments

10. Number: 1

11. Org: M1

12. Ship to: M1-Seattle

13. Quantity: Will default

14. Save your work.

**15. Record your PO number
here_____.**

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Guided Practice 1-1: Approving Purchase Orders

Guided Practice 1-1: Approving Purchase Orders

1. Record your PO number here _____ (continued from previous page).
 2. Choose: Approve.
 3. Submit for approval: X
 4. Click OK.
- You should see a message, "Document has been submitted for approval".

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Guided Practice 1-1: Receiving Goods to Receiving

Guided Practice 1-1: Receiving Goods to Receiving

1. Navigate to the Receipts window to receive the goods to receiving, once your purchase order has been approved.

Manufacturing and Distribution Manager Responsibility

(N) PURCHASING Receiving > Receipts

2. Purchase Order: The one you noted earlier

3. Choose: Find

4. Enable the box next to the quantity field.

5. Save your work.

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Guided Practice 1-1: Receiving Goods to Subinventory

Guided Practice 1-1: Receiving Goods to Subinventory

1. Navigate to the Receiving Transactions window to receive the goods from receiving to inventory.

Manufacturing and Distribution Manager Responsibility

(N) PURCHASING Receiving > Receipts

2. Purchase Order: The one you noted earlier

3. Choose: Find

4. Enable the box next to the quantity field.

5. Subinventory: Stores

6. Save your work.

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Guided Practice 1-1: Viewing Accounting Entries

Guided Practice 1-1: Viewing Accounting Entries

1. Navigate to the Material Transaction Distributions window, Accounts region, to review the accounting distributions once you have received the goods.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions

(F) Find Material Transactions (B) Distributions (T) Account

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > Material Distributions

2. Date: Accept the default of today's date

3. Item: CM22680

4. Choose: Find

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Guided Practice 1-1: Viewing the Inventory History

Guided Practice 1-1: Viewing the Inventory History

1. Navigate to the Material Transaction window, Transaction Type tab, to view the inventory history of your transactions.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions

(F) Find Material Transactions (T) Transaction Type

2. Date: Accept the default of today's date

3. Item: CM22680

What is the significance of the Costed column?

The Costed column indicated that the transaction has been valued by the Material Cost processor; until it is costed, you cannot view the accounting distributions.

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Guided Practice 1-1: Performing Miscellaneous Receipts

Guided Practice 1-1: Performing Miscellaneous Receipts

1. Navigate to the Miscellaneous Transaction window to perform an inventory adjustment for CM22682 using a miscellaneous receipt.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Miscellaneous Transaction

2. Date: Accept the default of today's date

3. Type: Select account alias receipt

4. Source: M1_STD_CST_ADJ

5. Choose: Transaction Lines

6. Item: CM22682

7. Subinventory: Stores

8. Quantity: Enter a quantity corresponding to your student number

9. Action: Save

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Guided Practice 1-1: Viewing Accounting Entries

Guided Practice 1-1: Viewing Accounting Entries

1. Navigate to the Material Transaction Distributions window, Accounts region, to view the accounting entries created by the miscellaneous transactions.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions

(F) Find Material Transactions (B) Distributions (T) Account

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > Material Distributions

2. Date: Accept the default of today's date

3. Item: CM22682

4. Choose: Find

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Guided Practice 1-1: Viewing Accounting Entries

Guided Practice 1-1: Viewing Accounting Entries

(Continued from previous page)

Where did the debit and credit accounts come from?

- **The debit accounts came from the definition of the subinventory into which you received the material.**
- **The credit account came from the definition of the Adjust account alias.**

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Guided Practice 1-1: Running the Material Account Distribution Detail Report

Guided Practice 1-1: Running the Material Account Distribution Detail Report

1. Navigate to the Request Transaction Reports window
Manufacturing and Distribution Manager Responsibility
(N) CST Report > Transactions
2. The Submit a new Request window opens
3. Check Select Single Request and choose OK
4. Name: Material Account Distribution Detail Report
5. Choose: OK
6. Enter parameters:
7. Sort By: Item, Account
8. Transaction Dates From/To: Today's date
9. Item From/To: CM22680 to CM22682
10. Category Set: Inv.Items
11. Exchange Rate: 1
12. Select OK and choose submit
13. Record your request number _____

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Guided Practice 1-1: Viewing the Results Online

Guided Practice 1-1: Viewing the Results Online

1. Navigate to the Requests window to check that your report request has completed and to view output online.

Manufacturing and Distribution Manager Responsibility

(N) CST Setup > Requests (B) View Output

2. Check Specific Request

3. Request ID: Enter your request number

4. Choose: Find

5. Choose: View Output

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Guided Practice 1-1: Running the Purchase Price Variance Report

Guided Practice 1-1: Running the Purchase Price Variance Report

1. Navigate to the Request Analysis Reports window
Manufacturing and Distribution Manager Responsibility
(N) CST Report > Operational Analysis > Request Analysis Reports
2. The Submit a new Request window opens
3. Check Select Single Request and choose OK
4. Name: Purchase Price Variance Report
5. Choose: OK
6. Enter parameters:
7. Title: Purchase Price Variance Report for xxx, where xxx are your initials
8. Transaction Dates From/To: Today's date
9. Organization Name: M1 Seattle Manufacturing
10. Select OK and choose submit
11. Record your request number here_____.

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Guided Practice 1-1: Viewing the Results Online

Guided Practice 1-1: Viewing the Results Online

1. Navigate to the Requests window to check that your report request has completed and to view output online.

Manufacturing and Distribution Manager Responsibility

(N) CST Setup > Requests (B) View Output

2. Check Specific Request

3. Request ID: Enter your request number

4. Choose: Find

5. Choose: View Output

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Guided Practice 1-1: Running the Inventory Value Report

Guided Practice 1-1: Running the Inventory Value Report

1. Navigate to the Request Value Reports window
Manufacturing and Distribution Manager Responsibility
(N) CST Report > Value
2. The Submit a new Request window opens
3. Check Select Single Request and choose OK
4. Name: Inventory Value Report
5. Choose: OK and enter parameters:
6. Cost Type: Frozen
7. Sort Option: Item
8. Report Option: Detail
9. Item From: CM22680
10. Item To: CM22682
11. Category Set: Inv.Items
12. Select OK and record request number here_____.

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Guided Practice 1-1: Viewing the Results Online

Guided Practice 1-1: Viewing the Results Online

1. Navigate to the Requests window to check that your report request has completed and to view output online.

Manufacturing and Distribution Manager Responsibility

(N) CST Setup > Requests (B) View Output

2. Check Specific Request

3. Request ID: Enter your request number

4. Choose: Find

5. Choose: View Output

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11i Accounting for WIP Transactions

Chapter 18

11i Accounting for WIP Transactions for Standard Costing

11i Accounting for WIP Transactions for Standard Costing

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Objectives

After completing this lesson, you should be able to do the following:

- **Account for costs incurred in WIP**
- **Account for costs relieved from WIP**
- **Calculate this-level variances and previous-level variances**
- **Describe how the standard cost update revalues WIP**

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Agenda

Agenda

- **Overview of Standard Costing in WIP**
- Accounting for costs incurred in WIP
- Accounting for costs relieved from WIP
- Calculate this-level variances and previous-level variances
- Describe how the standard cost update revalues WIP

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Overview

If you use standard costing in manufacturing, Oracle Cost Management:

- Values inventory on a transaction-based perpetual basis
- Provides full visibility and control of production costs
- Tracks and reports costs through your various stages of production as you transact



Overview

If you use standard costing in manufacturing, Oracle Work in Process:

- Collects all costs
- Reports move, issue, resource, overhead, completion, scrap, period close, and job close transactions



**Quantity
movements**



Audit trail

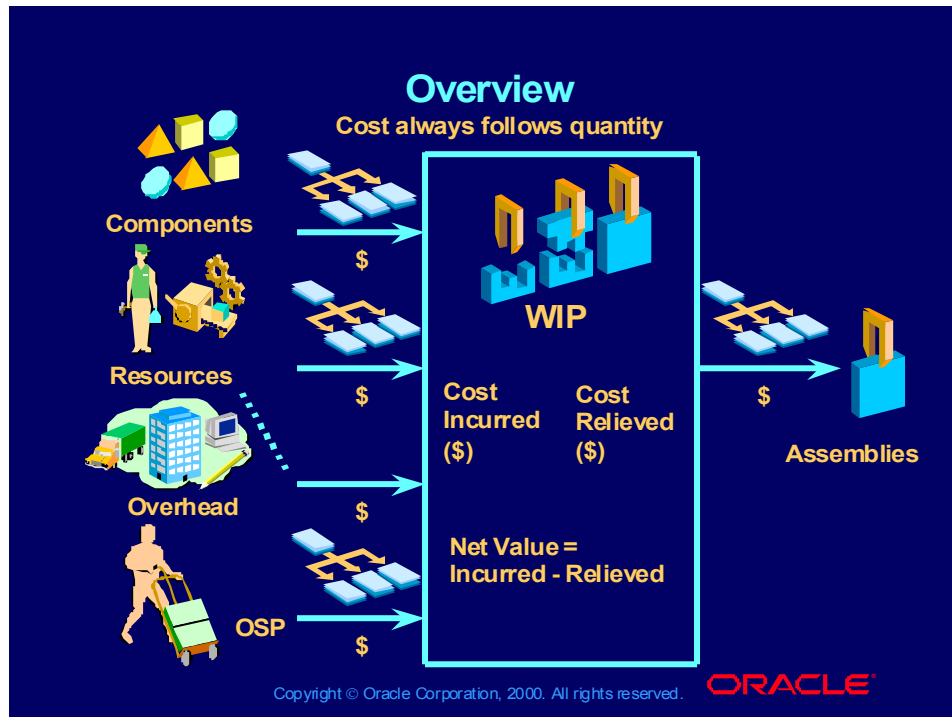


**Financial
transactions**

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Overview



Overview

- The transactions that are processed in Oracle Inventory and in Oracle WIP are costed in Oracle Cost Management



Describing the Relationship Between WIP Transactions and Cost Management

Describing the Relationship Between WIP Transactions and Cost Management

Charging Material Transactions at Standard Cost

- You issue items from inventory to jobs and return components from a job back to inventory at standard cost.

Charging WIP Resource Transactions

- Charge resources at standard rates
- Charge resources at actual rates if the employee and rate is setup in the direct labor tables for the organization and the charge type for the resource is manual
- Charges outside processing costs to a job at standard cost if the standard rate box is checked , or at purchase order price if the standard rate box is clear

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Agenda

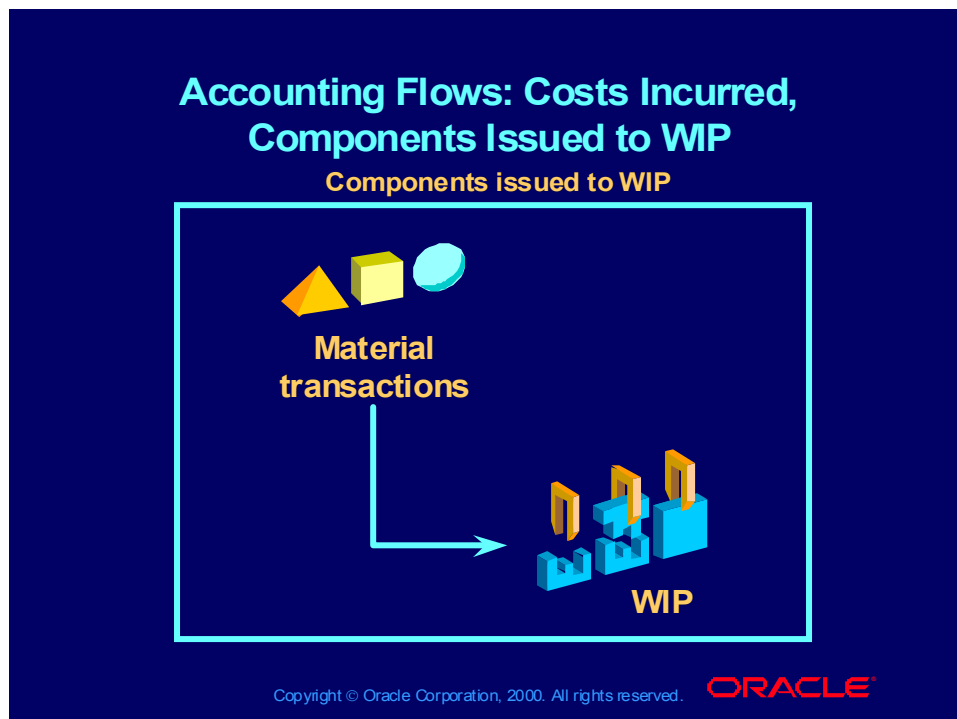
Agenda

- Overview of Average Costing in WIP
- **Accounting for costs incurred in WIP**
- Accounting for costs relieved from WIP
- Calculate this-level variances and previous-level variances
- Describe how the standard cost update revalues WIP

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Accounting Flows: Costs Incurred, Components Issued to WIP



Accounting Flows: Costs Incurred, Components Issued to WIP

Accounting Flows: Costs Incurred, Components Issued to WIP

Components Issued to WIP Using Push or Pull Transactions

Use push transactions to issue:

- All materials.
- Specific components.

Use pull (backflush) transactions to “pull” the component material from inventory into WIP:

- Operation Pull pulls material from inventory when the assembly completes the operation where the components are consumed.
- Assembly Pull pulls material from inventory when the assembly is completed from WIP into inventory.

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Accounting Flows: Costs Incurred, Components Issued to WIP

Accounting Flows: Costs Incurred, Components Issued to WIP

Viewing Charges Online

- Use the WIP Value Summary window to view material charges to a specific job or schedule.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigations >
Viewing WIP Value Summaries**

Accounting Flows: Costs Incurred, Components Issued to WIP

Accounting Flows: Costs Incurred, Components Issued to WIP

Example

- You are a stockroom clerk for Vision. In your job, you stage workorders, issuing push components to jobs. You also replace defective components with substitute components.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following WIP material transactions:
 - Issues of all push components
 - Returns of specific components
 - Issues of specific components

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Accounting Flows: Costs Incurred, Components Issued to WIP

Accounting Flows: Costs Incurred, Components Issued to WIP

Reviewing the WIP Value Summary (on the next page)

- 1. WIP material transaction (issue all material)**
Push all components into the job.
10 units at standard cost of \$250 = \$2,500.
- 2. WIP material transaction (return specific component)**
Return two defective units of component 2 to inventory.
2 units at standard cost of \$33 = \$66.
- 3. WIP material transaction (issue specific component)**
Replace defective components with substitute items.
2 units at standard cost of \$40 = \$80.

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Accounting Flows: Costs Incurred, Components Issued to WIP

Accounting Flows: Costs Incurred, Components Issued to WIP

The following table is a summary of all transactions to this point.

Work in Process Value						
Cost Element	Cost Incurred		Cost Relieved		Balance	
	This Level	Previous Level	This Level	Previous Level	This Level	Previous Level
Material		2,514				2,514
Material OH						
Resource						
OSP						
Overhead						
Total		2,514				2,514

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Review Question

Review Question

When you use the supply type of “Operation Pull”, the system pulls material from inventory when the assembly completes the operation where the components are consumed.

When you use the supply type of “Assembly Pull”, the system pulls material from inventory when the assembly is completed from WIP into inventory.

- 1. True**
- 2. False**

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Review Question

Review Question

When you use the supply type of “Operation Pull”, the system pulls material from inventory when the assembly completes the operation where the components are consumed.

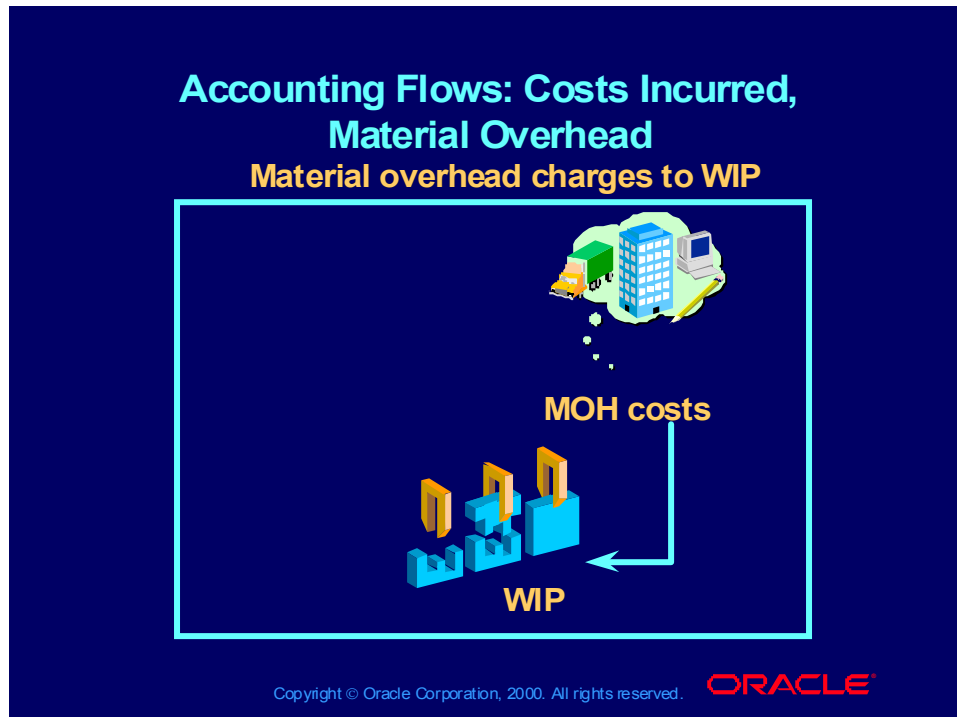
When you use the supply type of “Assembly Pull”, the system pulls material from inventory when the assembly is completed from WIP into inventory.

- 1. True**
- 2. False**

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Accounting Flows: Costs Incurred, Material Overhead



Accounting Flows: Costs Incurred, Material Overhead

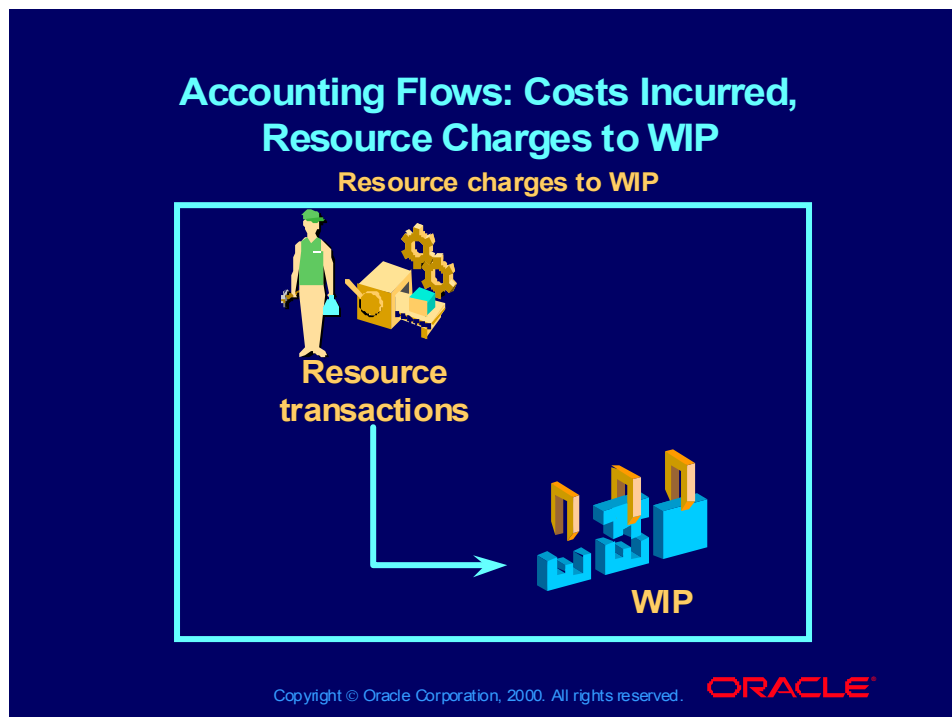
Material Overhead Application

- Define material overheads under standard costing.
- Define as many material overhead subelements as you want and base your charging in a variety of ways: by item, activity, lot, or transaction value.
- Define default material overheads to apply to selected categories of items or to all items in your organization.

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Accounting Flows: Costs Incurred, Resource Charges to WIP



Accounting Flows: Costs Incurred, Resource Charges to WIP

Resource Transactions

- Charge resources to WIP at actual cost or at the standard resource amount in a standard costing organization.
- Charge resources based on the charge type of the resource, manual or WIP move.
 - If the charge type is WIP move, the standard resource amount is charged regardless of whether you have an actual rate.
 - If the charge type is manual, the system checks to see if the standard rate box is enabled. If it is, the system charges the standard rate.

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Accounting Flows: Costs Incurred, Resource Charges to WIP

Actual Versus Standard

- Charge resources at actual resource cost or at standard resource cost, as controlled by the Standard Rate value of each resource.
- When you charge resources at actual any difference to the standard is recognized as a variance when the job or schedule is closed.
- When you charge resources at standard, and use actual labor rates, any difference is recognized as a rate variance at the time of transaction.

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Accounting Flows: Costs Incurred, Resource Charges to WIP

Accounting Flows: Costs Incurred, Resource Charges to WIP

Use the Move Transactions window to:

- Manually charge resources
- Automatically charges resources during move transactions

Manufacturing and Distribution Manager Responsibility

(N) WIP Move Transactions > Move Transactions

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Shop Floor Control > Move Transactions >
Performing Move Transactions**

Accounting Flows: Costs Incurred, Resource Charges to WIP

Accounting Flows: Costs Incurred, Resource Charges to WIP

Viewing Charges Online

- Use the WIP Value Summary window to view resource charges to a specific job or schedule.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigations >
Viewing WIP Value Summaries**

Accounting Flows: Costs Incurred, Resource Charges to WIP

Accounting Flows: Costs Incurred, Resource Charges to WIP

Example

- You are an assembler on a subassembly production line for Vision. In your job, you build assemblies on workorders, charging resources to jobs.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor resource transactions:
 - Resource transaction without rate variance
 - Resource transaction reversal
 - Resource transaction with rate variance

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Accounting Flows: Costs Incurred, Resource Charges to WIP

Recording T Accounts for Transactions (on the next page)

- 4. Shop floor transaction (resource without rate variance)
Charge resource RS1 at actual for operation 10.
11 hours at \$50 = \$550.**
- 5. Shop floor transaction (reverse resource charge)
Reverse overcharge.
1 hour at \$50 = \$50.**
- 6. Shop floor transaction (resource with rate variance)
Charge resource RS2 at standard for operation 20.
5 units at \$25 = \$125.**

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Accounting Flows: Costs Incurred, Resource Charges to WIP

Accounting Flows: Costs Incurred, Resource Charges to WIP

The following table is a summary of all transactions to this point.

Work in Process Value						
Cost Element	Cost Incurred		Cost Relieved		Balance	
	This Level	Previous Level	This Level	Previous Level	This Level	Previous Level
Material		2,514				2,514
Material OH						
Resource	625				625	
OSP						
Overhead						
Total	625	2,514			625	2,514

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Review Question

Review Question

When you charge resources at actual any difference to the standard is recognized as a variance when the job or schedule is closed.

- 1. True**
- 2. False**

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Review Question

Review Question

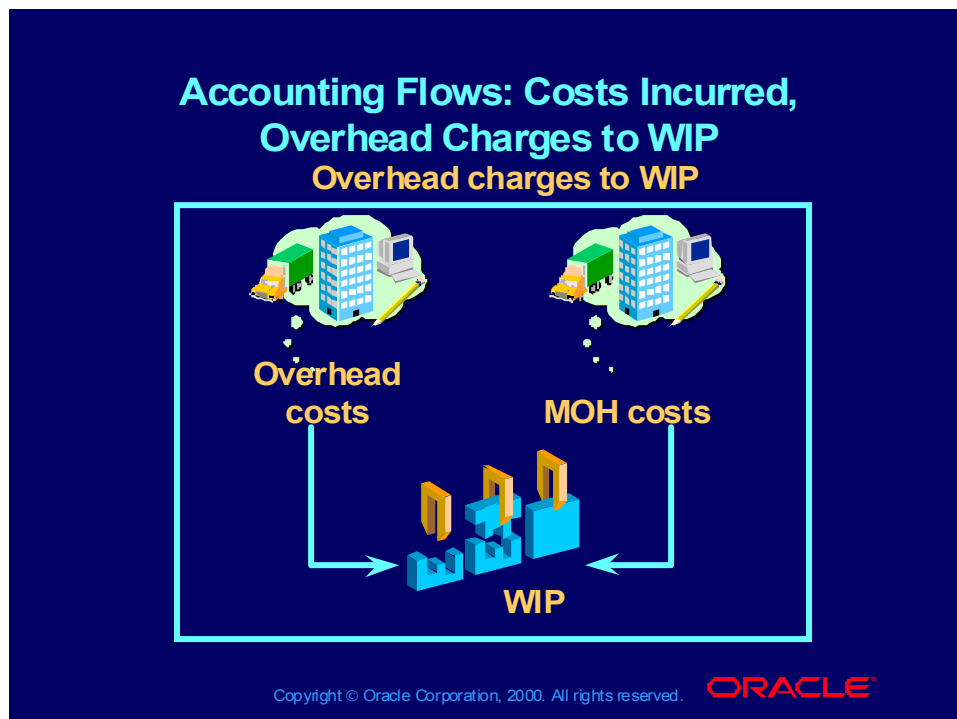
When you charge resources at actual any difference to the standard is recognized as a variance when the job or schedule is closed.

- 1. True**
- 2. False**

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Accounting Flows: Costs Incurred, Overhead Charges to WIP



Accounting Flows: Costs Incurred, Overhead Charges to WIP

Accounting Flows: Costs Incurred, Overhead Charges to WIP

Overhead Charges to WIP

- Define overheads under standard costing
- Define as many overhead subelements as you want and base your charging in a variety of ways: by item or lot, or based on resource units or value.

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Accounting Flows: Costs Incurred, Overhead Charges to WIP

Overhead Charges to WIP

- Charge overhead costs automatically based on the following:
 - A percentage of resource or outside processing value charged
 - Resource units charged
 - A fixed amount per item or lot

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Accounting Flows: Costs Incurred, Overhead Charges to WIP

Variable Overhead Charging

- Charge overhead as a percent of the resource value earned in WIP.
- When using the Standard Rate value for the resource, the overhead rate is multiplied by the standard transaction value.
- When not using the Standard Rate value for the resource (charge resource at actual), the overhead rate is multiplied by the actual transaction value.

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Accounting Flows: Costs Incurred, Overhead Charges to WIP

Example: Resource-Based Overhead

- Charge overhead for a setup activity.
- To charge a fixed amount for each hour of a setup activity performed, you assign a setup overhead based on resource units to the resource that performs the setup activity.
- Whenever you charge the setup activity, the overhead is charged as well.

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Accounting Flows: Costs Incurred, Overhead Charges to WIP

Fixed Overhead Charging

- Charge overhead as a fixed amount per item or lot moved through an operation or as a fixed amount per resource unit earned at the operation.

Example: Move-Based Overhead

- Charge overhead for a move operation.
- To charge a fixed amount each time an item is moved from an operation, you assign an overhead based on item to the department that performs the operation.
- Whenever you move the item out of the operation, the overhead is charged.

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Accounting Flows: Costs Incurred, Overhead Charges to WIP

Accounting Flows: Costs Incurred, Overhead Charges to WIP

Viewing Charges Online

- Use the WIP Value Summary window to view overhead charges to a specific job or schedule.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigations >
Viewing WIP Value Summaries**

Accounting Flows: Costs Incurred, Overhead Charges to WIP

Example

- You are an assembler on a subassembly production line for Vision. In your job, you move assemblies on workorders. When you move assemblies, the system charges overhead costs automatically based on resource units or value or by item or lot.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor overhead transactions:
 - Resource-based overhead transaction
 - Resource-based overhead transaction reversal
 - Item-based overhead transaction

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Accounting Flows: Costs Incurred, Overhead Charges to WIP

Accounting Flows: Costs Incurred, Overhead Charges to WIP

Recording T Accounts for Transactions (on the next page)

- 7. Shop floor transaction (resource-based overhead)**
Charge 250% on the resource charged in step 4.
 $\$550 * 250\% = \$1,375$.
- 8. Shop floor transaction (reverse resource-based overhead)**
Reverse overhead for resource reversed in step 5.
 $\$50 * 250\% = \125 .
- 9. Shop floor transaction (item-based overhead)**
Move through operation 20; charge item-based overhead.
 $10 \text{ units at } \$20 = \200 .

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Accounting Flows: Costs Incurred, Overhead Charges to WIP

Accounting Flows: Costs Incurred, Overhead Charges to WIP

The following table is a summary of all transactions to this point.

Work in Process Value						
Cost Element	Cost Incurred		Cost Relieved		Balance	
	This Level	Previous Level	This Level	Previous Level	This Level	Previous Level
Material		2,514				2,514
Material OH						
Resource	625				625	
OSP						
Overhead	1,450				1,450	
Total	2075	2,514			2075	2,514

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Review Question

Review Question

The system charges overhead costs automatically based on a percentage of resource or outside processing value charged, or based on resource units charged, or based on a fixed amount per item or lot.

- 1. True**
- 2. False**

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Review Question

Review Question

The system charges overhead costs automatically based on a percentage of resource or outside processing value charged, or based on resource units charged, or based on a fixed amount per item or lot.

- 1. True**
- 2. False**

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Accounting Flows: Costs Incurred, Outside Processing

Accounting Flows: Costs Incurred, Outside Processing

Outside Processing

- Charge outside processing costs to WIP at actual or at standard as controlled by the Standard Rate value of each outside processing resource.



**Outside processing
costs**



Variances

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Accounting Flows: Costs Incurred, Outside Processing

Actual Versus Standard

- When you charge outside processing resources at actual, you charge the purchase order cost to WIP and recognize any difference between actual and standard as a variance when you close the job or schedule.
- When you charge outside processing resources at standard, you recognize any difference to the purchase order cost as a rate variance at the time of transaction.

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Accounting Flows: Costs Incurred, Outside Processing

Outside Processing

- If you clear the **Standard Rate** check box, outside processing is charged to **WIP** at the purchase order unit cost.
- Associate an outside processing item to an outside processing resource. When you move assemblies into the **Queue** step of the routing operation that calls for the related outside processing resource, a purchase requisition for this item is automatically created.

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Accounting Flows: Costs Incurred, Outside Processing

Accounting Flows: Costs Incurred, Outside Processing

Viewing Charges Online

- Use the WIP Value Summary window to view outside processing (OSP) resource charges to a specific job or schedule.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigations >
Viewing WIP Value Summaries**

Accounting Flows: Costs Incurred, Outside Processing

Example

- You are a shop floor production worker for Vision. In your job, you receive assemblies on workorders from outside suppliers and subcontractors, charging outside processing resources to jobs.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor outside processing (OSP) resource transactions:
 - OSP resource transaction without rate variance
 - OSP resource transaction reversal
 - Resource overhead on OSP resource

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Accounting Flows: Costs Incurred, Outside Processing

Accounting Flows: Costs Incurred, Outside Processing

Recording T Accounts for Transactions (on the next page)

10. Shop floor transaction
(OSP resource without rate variance)
Charge OSP OS1 at actual for operation 30.
Receive 11 units at \$25 = \$275.
11. Shop floor transaction
(reverse OSP charge)
Reverse overcharge.
1 unit at \$25 = \$25.
12. Shop floor transaction
(resource overhead on OSP resource)
Charge overhead at 1 unit at \$20.

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Accounting Flows: Costs Incurred, Outside Processing

Accounting Flows: Costs Incurred, Outside Processing

The following table is a summary of all transactions to this point.

Work in Process Value						
Cost Element	Cost Incurred		Cost Relieved		Balance	
	This Level	Previous Level	This Level	Previous Level	This Level	Previous Level
Material		2,514				2,514
Material OH						
Resource	625				625	
OSP	250				250	
Overhead	1,470				1,470	
Total	2,345	2,514			2,345	2,514

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Review Question

Review Question

When you charge outside processing resources at standard, you recognize any difference to the purchase order cost as a rate variance at the time of transaction.

- 1. True**
- 2. False**

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Review Question

Review Question

When you charge outside processing resources at standard, you recognize any difference to the purchase order cost as a rate variance at the time of transaction.

- 1. True**
- 2. False**

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Accounting Flows: Costs Incurred, Viewing the WIP Value Summary

Accounting Flows: Costs Incurred, Viewing the WIP Value Summary

Use the WIP Value Summary window for a specific job to view:

- Material charges
- Material overhead charges
- Resource charges
- Outside processing charges
- Overhead charges

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigations >
Viewing WIP Value Summaries**

Accounting Flows: Costs Incurred, Summary

Elemental Cost Distribution

- Distribute previous-level costs based on their elemental cost structure and the valuation accounts assigned to the accounting class.
- Distribute this-level costs based on the cost element being charged and the valuation accounts assigned to the accounting class.
- Material costs are always previous-level costs.

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Review Question

Review Question

You use the WIP Value Summary window to view material, material overhead, resource, outside processing and overhead charges to a specific job or schedule.

- 1. True**
- 2. False**

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Review Question

Review Question

You use the WIP Value Summary window to view material, material overhead, resource, outside processing and overhead charges to a specific job or schedule.

- 1. True**
- 2. False**

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Agenda

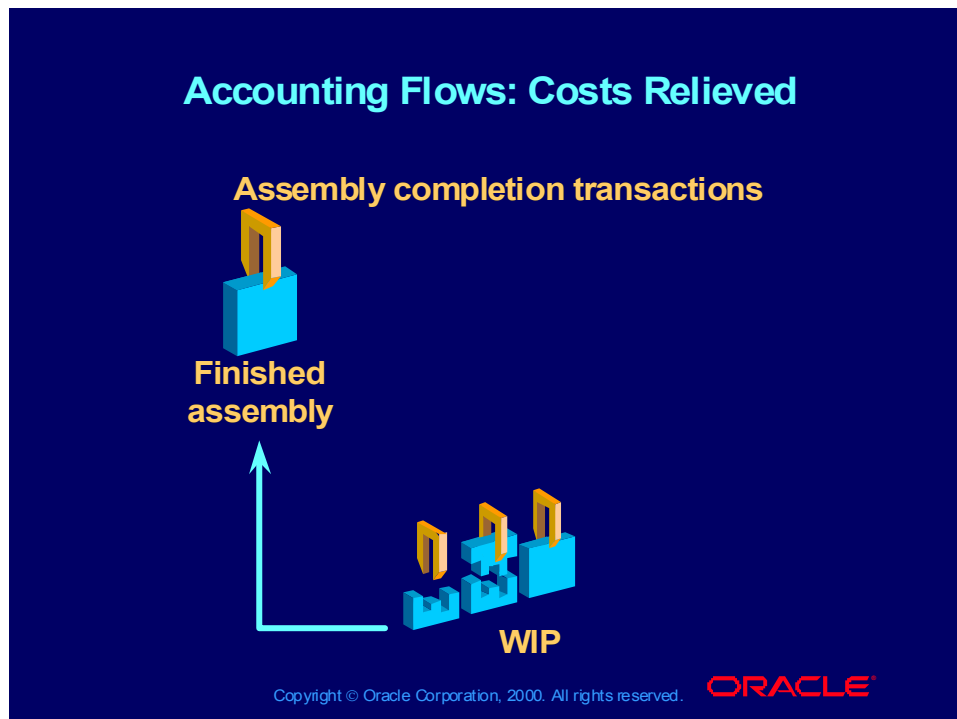
Agenda

- Overview of Average Costing in WIP
- Accounting for costs incurred in WIP
- **Accounting for costs relieved from WIP**
- Calculate this-level variances and previous-level variances
- Describe how the standard cost update revalues WIP

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Accounting Flows: Costs Relieved



Accounting Flows: Costs Relieved, Completion Transactions

Assembly Completion from WIP

- The system always relieves costs from WIP jobs and schedules at the standard cost of the assembly at the point of completion.
- You value completion transactions based on the standard cost of the assembly being produced.

Valuation of Completion Transactions

- Completion transactions relieve the valuation accounts of the WIP accounting class and charge the subinventory accounts based on the elemental cost structure of the assembly.

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Accounting Flows: Costs Relieved, Performing Completion Transactions

Accounting Flows: Costs Relieved, Performing Completion Transactions

Use the Completion Transactions window to:

- **Complete assemblies**

**Manufacturing and Distribution Manager Responsibility
(N) WIP Material Transaction > Completion Transactions**

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Material Control >
Completing and Returning Assemblies**

Accounting Flows: Costs Relieved, Completion Transactions

Accounting Flows: Costs Relieved, Completion Transactions

Viewing Charges Online

- Use the WIP Value Summary window to view relief charges from WIP completion transactions from a specific job or schedule.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigations >
Viewing WIP Value Summaries**

Accounting Flows: Costs Relieved, Overcompletion Transactions

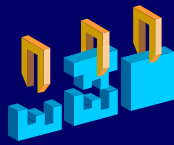
Accounting Flows: Costs Relieved, Overcompletion Transactions

Costing of WIP Overcompletions

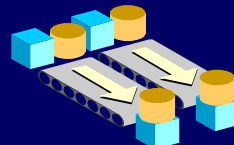
- Oracle Cost Management costs overcompletions in discrete jobs or in repetitive schedules.
- Oracle Cost Management costs overcompletions at the standard cost of the finished assemblies at the point of completion.



Costing at standard



Job costing



Period-based
costing

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Accounting Flows: Costs Relieved, Overcompletion Transactions

WIP Overcompletions

- For discrete jobs or repetitive schedules with or without routings, you can enter actual completion quantities in the job or schedule even if the quantity exceeds the job or schedule quantity.
- Charges and reliefs are based on the initial start quantity plus overcompletions so that variances are not a result of the overcompletions.
- You can complete more assemblies from one operation step to another so that you can track which operation produced the extra assemblies.

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Accounting Flows: Costs Relieved, Overcompletion Transactions

Accounting Flows: Costs Relieved, Overcompletion Transactions

- You can do an easy completion with or without overcompletions. If an easy completion is executed and the amount is greater than the start quantity of the job, the system looks at the tolerance at the job level to see whether or not the transaction can be processed.

When you do an easy completion, the following happens:

- Assemblies are moved through each of the operations defined for the job or schedule.
- Backflushes are performed.
- Resources are charged only if they are WIP move or unless you go to the resource window and manually charge resources before you save your work.

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Accounting Flows: Costs Relieved, Performing Overcompletion Transactions

Accounting Flows: Costs Relieved, Performing Overcompletion Transactions

Use the Move Transactions window to:

- Overcomplete assemblies
- Perform easy completions

Manufacturing and Distribution Manager Responsibility
(N) WIP Move Transactions > Move Transactions

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Shop Floor Control >
Move Transactions > Performing Move Transactions**

Accounting Flows: Costs Relieved, Overcompletion Transactions

Accounting Flows: Costs Relieved, Overcompletion Transactions

Setup Considerations

- You establish specific tolerance levels for overcompletions in WIP, to prevent mistakes or large quantities of completions.
- Oracle Cost Management automatically costs any overcompletions that are performed in WIP, without any additional setup requirements.

Use the Work in Process Parameters window to:

- Specify overcompletion tolerance levels for overcompletions

Manufacturing and Distribution Manager Responsibility

(N) WIP Setup > Parameters (T) Other

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Setting Up > Defining WIP Parameters**

Accounting Flows: Costs Relieved, Work Order-less Completions

Accounting Flows: Costs Relieved, Work Order-less Completions

Work Order-less Completions

- Work order-less completions can be performed in a standard costing environment. You can complete assemblies without having to create a job or schedule.
- Oracle Cost Management costs work order-less completions at the standard cost of the finished assemblies at the point of completion.

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Accounting Flows: Costs Incurred, Work Order-less Completions

Accounting Flows: Costs Incurred, Work Order-less Completions

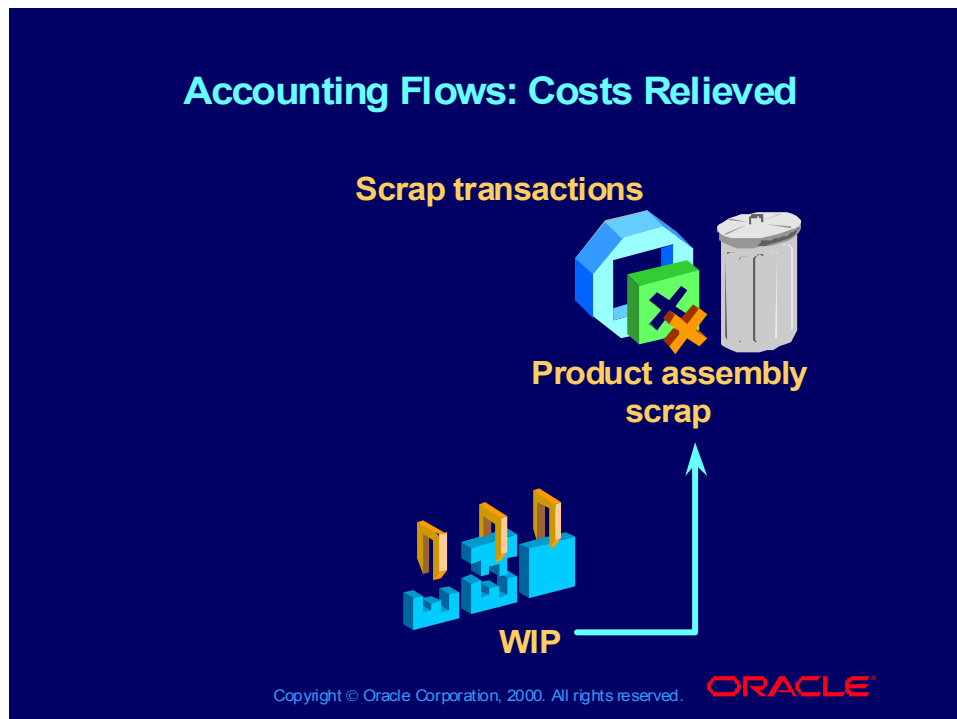
Using work order-less completions, the system does all of the following in one step at completion:

- Backflushes pull and push components
- Charges WIP move resources and overhead based on the routing
- Completes assemblies to a designated completion subinventory/locator
 - No move transactions are required since the work order-less completion backflushes and charges resources at completion versus at each operation.
- Substitutes components by adding, deleting, and substituting components that are not normally associated with the assembly you are building

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Accounting Flows: Costs Relieved



Accounting Flows: Costs Relieved, Scrap

Scrap Transactions

- The system values scrap transactions at the standard cost of the assembly through the operation where the scrap transaction is recorded.
- The scrap transaction assumes that all material required through the scrapping operation has been charged to the job or schedule and expenses that value.
- Assembly pull components are automatically charge to the job or schedule if they are at or before the operation where the scrap occurred.

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Note

If you have components that have a WIP supply type of assembly pull that are consumed at or before the scrapping operation, you need to manually push them into the job or schedule.

Accounting Flows: Costs Relieved, Scrap

Valuation of Scrap Transactions

- You control the accounting for scrap transactions based on how you set the **Require Scrap Account** check box in **WIP Parameters** of the organization.
- If the require scrap account is enabled at the organization level, a scrap account will be required before the scrap transaction is processed. This is true for workorderless completions also. The following entry will occur:

Debit Scrap Expense

Credit WIP

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Accounting Flows: Costs Relieved, Scrap

Valuation of Scrap Transactions

- If the require scrap account is not enabled, then the transaction is completed like any other move transaction and any scrap will fall out as WIP variance by cost element when the job is closed.
- If the execution is a workorderless completion then the variance will be recorded when the valuation is done for the workorderless completion.

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Accounting Flows: Costs Relieved, Performing Scrap Transactions

Accounting Flows: Costs Relieved, Performing Scrap Transactions

Use the Move Transactions window to:

- Scrap assemblies

Manufacturing and Distribution Manager Responsibility
(N) WIP Move Transactions > Move Transactions

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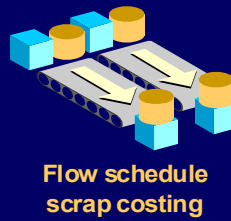
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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Shop Floor Control >
Move Transactions > Performing Move Transactions**

Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

	Scrap	WIP
Assembly scrap	X	X
Return from scrap	Y	Y



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Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

Costing of Assembly Scrap

- You can scrap an assembly at any operation. When you scrap an assembly at an operation, the system automatically issues components that are required at that operation and all prior operations.
- You can return scrapped assemblies, thus returning the issue components back to inventory.

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Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

Assembly Scrap

- You can scrap an assembly (debit scrap, credit WIP) and return scrapped assemblies (debit WIP, credit scrap) to scheduled and unscheduled flow schedules at any routing operation.
- Oracle Cost Management automatically backflushes push, operation-pull, and assembly-pull components associated with the scrap operation and prior operations.
- You can return scrapped assemblies within WIP, which returns the issue components back to inventory.

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Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

Oracle Flow Manufacturing

- You can scrap an assembly in a Flow manufacturing environment. You can scrap an assembly at any operation, which means that production is started according to the routing of the assembly and the assembly is scrapped at the specified operation.
- You can scrap an assembly from WIP, issuing the components of the assembly that are required on and prior to the scrap operation. Move-based overheads, WIP move resources (and associated overheads) used by the assembly on and prior to the scrap operation are charged.

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Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

Oracle Flow Manufacturing

- You can transfer the cost of the scrapped assembly to a scrap account.
- You can return scrapped assemblies, so that all the components issued and the resources (and overheads) charged are returned to inventory. If you return from scrap within WIP, you relieve the scrap account.
- You can perform scrap and return from scrap transactions for both scheduled and unscheduled flow schedules.

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Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

Oracle Flow Manufacturing

- You can substitute (add, delete, change) components to the assembly within WIP in a Scrap or Return from Scrap transaction.
- You can scrap an assembly at an operation that doesn't exist in its routing, including substituted components when scrapping assemblies without a routing.

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Accounting Flows: Costs Relieved, Performing Assembly Scrap Transactions

Accounting Flows: Costs Relieved, Performing Assembly Scrap Transactions

Use the Work–Orderless Completions window to:

- Perform a WIP scrap transaction or a WIP return-from-scrap transaction, using transaction types.
- Choose the WIP Scrap Transaction type to perform a WIP scrap transaction.
- Choose the WIP Return from scrap transaction type to perform a WIP return from scrap transaction.

Flow Manufacturing Responsibility

(N) FLOW Production > Work Order-less Completions

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Flow Manufacturing >
Performing Work Order-less Completions**

Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Example

- You are an assembler and a tester on a subassembly production line for Vision. In your job, you scrap defective assemblies and complete good assemblies on workorders.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor scrap transactions and WIP completion transaction:
 - Scrap transaction
 - Scrap transaction reversal
 - WIP completion transaction

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Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Recording T Accounts for Transactions (on the next page)

- 13. Shop floor transaction**
Scrap two assemblies at operation 40.
2 units at \$467 = \$934.
- 14. Shop floor transaction**
Return repaired unit from scrap.
1 unit at \$467.
- 15. WIP completion transaction**
Complete nine assemblies from WIP to inventory.
9 units at \$467 = \$4203 + 9 units at \$20 for material overhead.

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Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Accounting Flows: Costs Relieved, Assembly Completion and Scrap

The following table is a summary of all transactions to this point.

Work in Process Value						
Cost Element	Cost Incurred		Cost Relieved		Balance	
	This Level	Previous Level	This Level	Previous Level	This Level	Previous Level
Material		2,514		2,500		14
Material OH						
Resource	625		500		125	
OSP	250		200		50	
Overhead	1,470		1025		445	
Total	2,345	2,514	1725	2500	620	14

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Review Question

Review Question

Completion transactions relieve the valuation accounts of the WIP accounting class and charge the subinventory accounts based on the elemental cost structure of the assembly.

- 1. True**
- 2. False**

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Review Question

Review Question

Completion transactions relieve the valuation accounts of the WIP accounting class and charge the subinventory accounts based on the elemental cost structure of the assembly.

- 1. True**
- 2. False**

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Agenda

Agenda

- Overview of Average Costing in WIP
- Accounting for costs incurred in WIP
- Accounting for costs relieved from WIP
- Calculate this-level variances and previous-level variances
- Describe how the standard cost update revalues WIP

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Accounting Flows: Variances

Variances

- The system recognizes variances when you close your jobs and schedules.
- You do not close schedules; you close periods that then recognize variances and zero out (clear) balances on the schedule.



**Elemental variance
accounts**



Variances

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Accounting Flows: Variances

Variances

- The system recognizes variances for this-level costs and previous-level costs.

This-Level Variances

- This-level variances compare the incurred resource, outside processing, and overhead costs charged into WIP to the standard routing costs of the assembly being built.
- This-level variances are charged to the appropriate resource, outside processing, or overhead variance accounts that you defined for the accounting class.

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Accounting Flows: Variances

Previous-Level Variances

- Previous-level variances compare incurred component costs charged into WIP to the standard component cost of the assembly being built.
- For variance purposes, previous-level costs are considered to be material costs. Material overhead variances are included in the previous-level material variance.
- Previous-level variances are charged to the material variance account that you defined for the accounting class.

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Accounting Flows: Variances

Source of Variances

- **Material quantity usage variances**
 - **Material list changes**
 - **Backordered items**
 - **Variable material quality from different suppliers**
 - **Defective parts**
 - **Breakage**
 - **Incorrect standards**

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Accounting Flows: Variances

Source of Variances

- **Resource variances**
 - **Production labor inefficiencies**
 - **Inadequate repair and maintenance of machines**
 - **Wage rate differences**
 - **Incorrect standards**
 - **Outside processing price differences**
- **Overhead variances**
 - **Production volume differences**
 - **Actual spending not equal to targeted spending**

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Accounting Flows: Variances

Example

- You are a production line supervisor for Vision. In your job, you close workorders that are complete and analyze variances.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following job close transaction:
 - Job close transaction

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Review Question

Review Question

For variance purposes, previous-level costs are considered to be material costs. Material overhead variances are included in the previous-level material variance.

- 1. True**
- 2. False**

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ORACLE

Review Question

Review Question

For variance purposes, previous-level costs are considered to be material costs. Material overhead variances are included in the previous-level material variance.

- 1. True**
- 2. False**

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Agenda

Agenda

- Overview of Average Costing in WIP
- Accounting for costs incurred in WIP
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- Describe how the standard cost update revalues WIP

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Standard Cost Update



Standard Cost Update

Standard Cost Update

Automatic Revaluation and Accounting

- The cost update revalues your discrete and asset nonstandard jobs.
- Discrete and asset nonstandard jobs are automatically revalued.
- Accounting transactions are created by job by cost element valuation account.
- The cost update automatically generates the WIP Standard Cost Adjustment Report.

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Note

The system does not revalue repetitive schedules because they are based on transactions, and they may have been costed on a periodic basis that would require revaluing prior period transactions.

The system always costs expense jobs on a periodic basis, and revaluing them would require revaluing prior period transactions.

Standard Cost Update

Example: Updating previous-level costs

In the example on the next page, observe the following:

- Material cost increases by \$50.
- Material overhead rate remains at 10%, but the cost increases by \$5 because of the increase in material cost.
- Resource cost decreases by \$15.
- Overhead rate increases from 100% to 150% of resource cost.
- Overhead cost remains at \$45 because of the decrease in resource costs.
- Quantity in job = 10.

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Standard Cost Update

Standard Cost Update

Example: Updating previous-level costs

Bill of Material Costs

	Material	MOH	Resource	OSP	Overhead	Total
Old cost	150	15	45	0	45	255
New cost	200	20	30	0	45	295
Increase/ (decrease)	50	5	(15)	0	0	40

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Standard Cost Update

Example: Updating this-level costs

In the example on the next page, observe the following:

- **Changes to This-Level Costs**
- **Resource RS1 amount decreases by \$5.**
- **Outside processing OS1 amount per item increases by \$20.**
- **Overhead rate increases from 200% of RS1 value to 400% of RS1 value.**
- **10 hours of RS1 are charged to the job.**
- **10 units are received for OS1.**

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Standard Cost Update

Standard Cost Update

Example: Updating this-level costs

Routing Costs

	Resource	OSP	Overhead	Total
Old cost	35	100	70	205
New cost	30	120	120	270
Increase/(decrease)	(5)	20	50	65

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Standard Cost Update

Standard Cost Update

Example: Adjusting accounting entry

- This-level costs and previous-level costs are adjusted in the job, but all adjustments to a job are combined into one set of accounting entries.

Adjustment Recorded in the Job: Job Value						
	Material	Material Overhead	Resource	Outside Processing	Overhead	Total
This level			(50)	200	500	650
Prev level	500	50	(150)	0	0	400
Incr/Decr	500	50	(200)	200	500	1050

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Standard Cost Update

Standard Cost Update

Example: Adjusting accounting entry

- This-level costs and previous-level costs are adjusted in the job, but all adjustments to a job are combined into one set of accounting entries.

Adjusting Accounting Entry: WIP Accounts Accounting Class						
Material	Material Overhead	Resource	Outside Processing	Overhead		Standard Cost Variance Acct
500	50	200	200	500		1050

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Review Question

Review Question

The cost update revalues your discrete and asset nonstandard jobs automatically, creating accounting transactions by job and by cost element valuation account.

The cost update automatically generates the WIP Standard Cost Adjustment Report.

- 1. True**
- 2. False**

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Review Question

Review Question

The cost update revalues your discrete and asset nonstandard jobs automatically, creating accounting transactions by job and by cost element valuation account.

The cost update automatically generates the WIP Standard Cost Adjustment Report.

1. True
2. False

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Summary

In this lesson, you should have learned how to:

- **Account for costs incurred in WIP**
- **Account for costs relieved from WIP**
- **Calculate this-level variances and previous-level variances**
- **Describe how the standard cost update revalues WIP**

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Practice 1 Overview

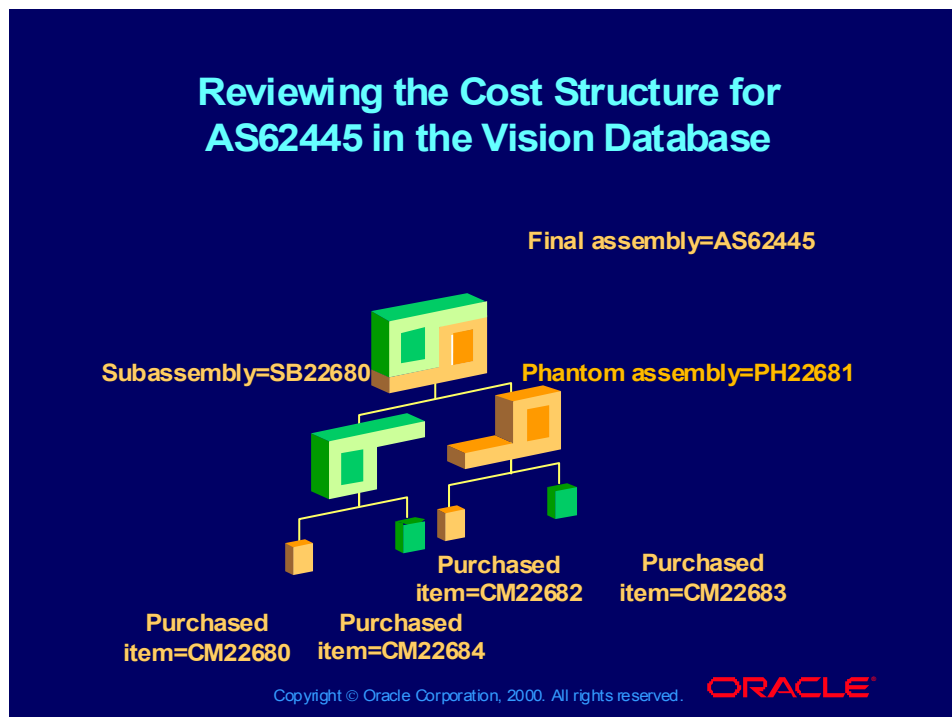
This practice covers the following topics:

- **Performing and analyzing WIP transactions in a standard costing environment**
- **Reviewing a business scenario for WIP costing, discussing the impact of overcompletions, scrap and phantom costing**
- **Performing and analyzing WIP transactions in a standard costing environment to observe the behavior of phantoms, overcompletions, and scrap**

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Reviewing the Cost Structure for AS62445 in the Vision Database



Reviewing the Cost Structure for AS62445 in the Vision Database

Reviewing the Cost Structure for AS62445 in the Vision Database

Vision Database Data

- Data was populated in the Vision database to facilitate practices and demonstrations. In this course, we will demonstrate functionality using AS62445, performing transactions and seeing their financial impact.
- For standard costing, we use the M1 organization, verifying that costs exist in the Frozen cost type.

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Reviewing the Cost Structure for AS62445 in the Vision Database

Reviewing the Cost Structure for AS62445 in the Vision Database

Assumptions

- Supply types for components:
CM22680, push; CM22682, operation pull;
CM22683, assembly pull; SB22680, operation pull.
- All resources except lead prep were person type resources having the following: UOM=HR, charge type = WIP move, basis = item and overhead = benefits. The only difference with lead prep was that it was a machine type resource.
- Existing departments were used for assembly, test, pack, and upgrade.

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Reviewing the Cost Structure for AS62445 in the Vision Database

Reviewing the Cost Structure for AS62445 in the Vision Database

Assumptions

- Routings were created with operation sequences set to backflush, usage set at 10 units per hour, and completion and supply subinventories from RIP
 - Existing overheads were used for material handling, equipment/tool, preventative maintenance, benefits, and manufacturing management.
- Ensure that the interface managers are up and running.

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Practice 1-1: Performing and Analyzing WIP Transactions in Standard Costing

Practice 1-1: Performing and Analyzing WIP Transactions in Standard Costing

In this practice, you are a cost accountant and you define and process a discrete job from release to completion. After each WIP transaction that you perform, you review the job value using the WIP Value Summary window. This will help you to analyze the impact of each transaction.

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Instructions

1. Check the status of the Material Cost transaction processor. If this processor is not running or is running at an interval greater than 10 minutes, inform the instructor.
2. Define a released, discrete job for AS62445. Set the quantity equal to 10 and the due date equal to Friday of this week.
Record the job number that the system assigns here: _____
3. Issue to the job any push material needed at the start of the job and 5 additional pieces of CM22680.
4. Move the job through its routing. Execute a scrap transaction for a quantity of 2 and verify that the assembly pull components are charged to the job.
5. Receive a partial quantity into the finished goods (FGI) subinventory.
6. Receive the balance of the job into the FGI subinventory.
7. Close the job. Be careful to close only your job, to avoid interfering with other students' jobs.
8. Review material transaction distributions and job costs in the Material Transaction Distributions window and the WIP Value Summary window. View the accounting distributions created by the transactions and item costs.
9. If time permits, run the Discrete Job Value Report for your job, and review the results online.

Guided Practice 1-1: Checking the Interface Managers

Guided Practice 1-1: Checking the Interface Managers

1. **Navigate to the Interface Managers window to check the status of the Cost Manager. If this manager is not running or is running at an interval greater than 10 minutes, inform the instructor.**

Manufacturing and Distribution Manager Responsibility

(N) INV Setup > Transactions > Interface Managers

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Guided Practice 1-1: Defining Discrete Jobs

Guided Practice 1-1: Defining Discrete Jobs

1. Navigate to the Discrete Jobs window to define a released, discrete job for AS62445, as follows:

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > Discrete Jobs (B) New

2. Job: xx-job01, where xx are your initials
3. Type: Standard
4. Assembly: AS62445
5. Class: Discrete
6. Status: Released
7. Start quantity: 10
8. MRP Net 10
9. Completion date: Friday of this week as DD-MON-YY
10. Save and record the job number that the system assigns here: _____

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Guided Practice 1-1: Checking Material Requirements

Guided Practice 1-1: Checking Material Requirements

1. Navigate to the Material Requirements window to check your material requirements for any push material needed at the start of the job.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > Discrete Jobs (F) Enter job number

(B) Components > Supply

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Guided Practice 1-1: Issuing Push Material

Guided Practice 1-1: Issuing Push Material

1. Navigate to the Material Transactions window to issue your push material needed at the start of the job.

Manufacturing and Distribution Manager Responsibility

(N) WIP Material Transactions > WIP Material Transactions

2. Job: xx-job01, where xx are your initials
3. Date: Today's date
4. Type: WIP component issue
5. Subinventory: Stores
6. Choose: Transact
7. Action: Check that your push components appear
8. Choose: Done

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Guided Practice 1-1: Valuing Push Material

Guided Practice 1-1: Valuing Push Material

1. Navigate to the Material Transaction Distributions window to verify that your push material needed at the start of the job was recorded and valued.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions (B) Distributions

2. Item: CM22680

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Guided Practice 1-1: Valuing Your Job using the WIP Value Summary

Guided Practice 1-1: Valuing Your Job using the WIP Value Summary

1. **Navigate to the WIP Value Summary window to verify that your push material needed at the start of the job was recorded and valued.**

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

2. **Job: xx-job01**
3. **Action: Verify the value of your push components and your job**
4. **Choose Cost Element: Material**
5. **Choose: Distributions**
6. **Action: Verify the distributions of your push components and your job**

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Guided Practice 1-1: Issuing Push Material

Guided Practice 1-1: Issuing Push Material

1. Navigate to the Material Transactions window to issue five additional pieces of CM22680 to the job.

Manufacturing and Distribution Manager Responsibility

(N) WIP Material Transactions > WIP Material Transactions

2. Job: xx-job01
3. Date: Today's date
4. Type: WIP component issue
5. Subinventory: Stores
6. Choose: Specific component
7. Choose: Transact
8. Item: CM22680
9. Subinventory: Stores
10. Operation: 10
11. Choose: Done

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Guided Practice 1-1: Valuing Push Material

Guided Practice 1-1: Valuing Push Material

1. Navigate to the Material Transaction Distributions window to verify that your additional five pieces of CM22680 were recorded and valued.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions (B) Distributions

2. Item: CM22680

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Guided Practice 1-1: Reviewing Job Costs Using the WIP Value Summary

Guided Practice 1-1: Reviewing Job Costs Using the WIP Value Summary

1. Navigate to the WIP Value Summary window to verify that your additional five pieces of CM22680 were recorded and valued.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

2. Job: xx-job01
3. Action: Verify the value of your push components, your additional components and your job
4. Choose Cost Element: Material
5. Choose: Distributions
6. Action: Verify the distributions of your job.

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Guided Practice 1-1: Performing Move Transactions

Guided Practice 1-1: Performing Move Transactions

1. Move all of the assemblies From Op Seq: 10, Step: Queue to Op Seq: 20, Step: To Move.

Manufacturing and Distribution Manager Responsibility

(N) WIP Move Transactions > Move Transactions

2. Job: xx-job01
3. From Op Seq: 10, Step Queue
4. Complete: No
5. To: Seq 20, Step: To move
6. Quantity: 10
7. Date: Today's date
8. Choose: Resources
9. Enter employee #
10. Quantity: 10
11. Save

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Guided Practice 1-1: Valuing Your Job using the WIP Value Summary

Guided Practice 1-1: Valuing Your Job using the WIP Value Summary

1. **Navigate to the WIP Value Summary window to verify the value of your job.**

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

2. **Job: xx-job01**

3. **Action: Verify the value of your push components, your additional components, and your moves in your job**

4. **Choose Cost Element: Material**

5. **Choose: Distributions**

6. **Action: Verify the distributions of your job**

7. **Choose Cost Element: Resource**

8. **Choose: Distributions**

9. **Action: Verify the distributions of your job**

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Guided Practice 1-1: Performing Easy Completions

Guided Practice 1-1: Performing Easy Completions

1. Perform an easy completion for five of the assemblies.

Manufacturing and Distribution Manager Responsibility

(N) WIP Move Transactions > Move Transactions

2. Job: xx-job01
3. Complete: Yes
4. From Op Seq: 10, Step Queue
5. To: Seq 20, Step: To move
6. Quantity: 5
7. Date: Today's date
8. Choose: Transact

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Guided Practice 1-1: Valuing Easy Completions

Guided Practice 1-1: Valuing Easy Completions

1. Navigate to the Material Transaction Distributions window to verify that your five easy completions were recorded and valued.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions (B) Distributions > Reason, Reference

2. Item: AS62445
3. Costed: Yes

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Guided Practice 1-1: Valuing Your Job using the WIP Value Summary

Guided Practice 1-1: Valuing Your Job using the WIP Value Summary

1. **Navigate to the WIP Value Summary window to verify the value of your job.**

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

2. **Job: xx-job01**

3. **Action: Verify the value of your push components, your additional components, your moves and your completions in your job**

4. **Choose Cost Element: Material**

5. **Choose: Distributions**

6. **Action: Verify the distributions of your job**

7. **Choose Cost Element: Resource**

8. **Choose: Distributions**

9. **Action: Verify the distributions of your job**

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Guided Practice 1-1: Verifying Item Costs

Guided Practice 1-1: Verifying Item Costs

1. Navigate to the Item Cost Details window to verify the cost of your assembly under Cost Information.

Manufacturing and Distribution Manager Responsibility

(N) CST Item Costs > Item Costs

2. Item: AS62445
3. Choose: Find
4. Choose: Open
5. Action: Review cost information

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Guided Practice 1-1: Performing Move Transactions to Scrap

Guided Practice 1-1: Performing Move Transactions to Scrap

1. Move 2 of the assemblies from Op Seq: 20, Step: To Move to Op Seq: 20, Step: Scrap
Manufacturing and Distribution Manager Responsibility
(N) WIP Move Transactions > Move Transactions
2. Job: xx-job01
3. From Op Seq: 20, Step: To move
4. Complete: No
5. To: Seq 20, Step: Scrap
6. Quantity: 2
7. Choose: Transact

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Guided Practice 1-1: Reviewing Job Costs Using the WIP Value Summary

Guided Practice 1-1: Reviewing Job Costs Using the WIP Value Summary

1. **Navigate to the WIP Value Summary window to verify the value of scrap in your job.**

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

2. **Job: xx-job01**

3. **Action: Verify the value of scrap in your job**

4. **Choose Cost Element: Material**

5. **Choose: Distributions**

6. **Action: Verify the distributions of your job**

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Guided Practice 1-1: Performing Completion Transactions

Guided Practice 1-1: Performing Completion Transactions

1. Complete the remaining assemblies into the finished goods (FGI) subinventory.

Manufacturing and Distribution Manager Responsibility
(N) WIP Material Transactions > Completion Transactions

2. Job: xx-job01
3. Type: WIP assembly completion
4. Date: Today's date
5. Job Quantity: 10
6. Job Complete: 5
7. Available to Complete: 3
8. Choose: Transact
9. Subinventory: Accept default
10. Final completion: X
11. Quantity: 3
12. Choose: Done

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Guided Practice 1-1: Valuing Completions

Guided Practice 1-1: Valuing Completions

1. Navigate to the Material Transaction Distributions window to verify that your final completions were recorded and valued.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions (B) Distributions >
Reason, Reference

2. Item: AS62445
3. Costed: Yes

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Guided Practice 1-1: Reviewing Job Costs Using the WIP Value Summary

Guided Practice 1-1: Reviewing Job Costs Using the WIP Value Summary

1. Navigate to the WIP Value Summary window to verify the value of your job.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

2. Job: xx-job01

3. Action: Verify the value of your push components, your additional components, your moves and your completions in your job

4. Choose Cost Element: Material

5. Choose: Distributions

6. Action: Verify the distributions of your job

7. Choose Cost Element: Resource

8. Choose: Distributions

9. Action: Verify the distributions of your job

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Guided Practice 1-1: Verifying Item Costs

Guided Practice 1-1: Verifying Item Costs

1. Navigate to the Item Cost Details window to verify the cost of your assembly under Cost Information.

Manufacturing and Distribution Manager Responsibility

(N) CST Item Costs > Item Costs

2. Item: AS62445
3. Choose: Find
4. Choose: Open
5. Action: Review cost information

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Guided Practice 1-1: Closing Discrete Jobs

Guided Practice 1-1: Closing Discrete Jobs

1. Navigate to the Close Discrete Jobs window to close only your job.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > Close Discrete Jobs >
Close Discrete Job (SRS)

2. Request Name: Close Discrete Jobs
3. Parameters window
4. Class Type: Standard discrete
5. From Job: xx-job01, where xx are your initials
6. To Job: xx-job01, where xx are your initials
7. OK
8. Choose: Submit Request
9. Record your request number here: _____

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Guided Practice 1-1: Reviewing Requests

Guided Practice 1-1: Reviewing Requests

1. **Navigate to the Requests window to check to make sure that your close request has completed.**

Manufacturing and Distribution Manager Responsibility

**CST (T) Help > Requests (T) Query your request number
(B) View Output**

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Guided Practice 1-1: Valuing Your Job using the WIP Value Summary

Guided Practice 1-1: Valuing Your Job using the WIP Value Summary

1. **Navigate to the WIP Value Summary window to verify the value of your job.**

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

2. **Job: xx-job01**
3. **Action: Verify the value of your job**
4. **Choose Cost Element: Material**
5. **Choose: Distributions**
6. **Action: Verify the distributions of your job for each cost element**
7. **Choose Cost Element: Resource**
8. **Choose: Distributions**
9. **Action: Verify the accounting distributions of your job created by the transactions**

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Guided Practice 1-1: Reviewing the Discrete Job Value Report

Guided Practice 1-1: Reviewing the Discrete Job Value Report

1. Run the Discrete Job Value Report for your job, and review the results online.

Manufacturing and Distribution Manager Responsibility

(N) WIP Report (Select) Discrete Job Value Report

2. Request Name: Discrete Job Value Report-Standard
3. Enter parameters:
4. Sort by: Job
5. Report Type: Summary
6. Class Type: Standard Discrete
7. Include Bulk: Yes
8. Include Vendor: Yes
9. From Job/To: xx-job01, where xx are your initials
10. OK and choose: Submit Request
11. Record your request number here: _____

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Guided Practice 1-1: Reviewing Requests

Guided Practice 1-1: Reviewing Requests

1. **Navigate to the Requests window to check to make sure that your report has completed.**

Manufacturing and Distribution Manager Responsibility

**CST (T) Help > Requests (T) Query your request number
(B) View Output**

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Practice 1-2: Business Scenario for WIP Costing

Practice 1-2: Business Scenario for WIP Costing

In this practice, you have a business scenario for WIP Costing, discussing the impact of overcompletions, scrap and phantom costing.

- **Finest Furniture is a manufacturer of casual furniture. Their product line consists of tables and chairs.**
- **One of their biggest challenges is producing a greater quantity than is on the work order. The furniture is made of wood and many times they have realized a better yield than the expected yield on the wood through the manufacturing process.**

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Practice 1-2: Business Scenario for WIP Costing

Practice 1-2: Business Scenario for WIP Costing

- For example, they anticipate being able to manufacture 20 chairs from the quantity of wood issued to WIP.
- However, because one or two pieces were longer than the standard, Finest Furniture was able to manufacture 25 chairs.
- Overcompletions provide a mechanism for Finest Furniture to keep all the assemblies manufactured at one time together with a minimal amount of work.

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Practice 1-2: Business Scenario for WIP Costing

Practice 1-2: Business Scenario for WIP Costing

- In addition, **Finest Furniture** occasionally has to scrap a chair during the production process. There is a way for the assembly pull components to be issued to the job as a part of the scrap transaction.
- They no longer need to manually issue assembly pull components.
- Since the job status changes to complete once the completed quantity plus the scrap quantity is either equal to or greater than the job start quantity, production managers have better visibility as to which jobs are truly in process.

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Practice 1-2: Business Scenario for WIP Costing

Practice 1-2: Business Scenario for WIP Costing

- Finally, **Finest Furniture** uses phantoms and is interested in seeing phantom costing of the work order.
- **AS62445** is an assembly that has been created in Vision to demonstrate the features in release 11i. Practice 1-2 will be completed using the M1 organization.

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Practice 1-3: WIP Costing

In this practice, you are a cost accountant and you define and process a discrete job from release to completion. After performing WIP transactions, you view the work order to verify material and resource requirements and review the job value using the WIP Value Summary window. This will help you to analyze the impact of each transaction.

1. Create a work order for a quantity of 100 for the final assembly AS62445. Once the work order has been created, view the work order to verify that material and resource requirements have been created for the components and resources on the phantom. Verify the overcompletion tolerance for the final assembly AS62445.

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Practice 1-3: WIP Costing

2. **Execute an easy completion using the move form for a quantity of five greater than your work order but less than the tolerance you set at the item level. You will verify that the overcompletion transaction costs the job based on the quantity of assemblies transacted.**
 - **Once the transactions have processed, view the job to verify that the system charged to the job components and resource hours based on total quantity completed, not job start quantity.**

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Practice 1-3: WIP Costing

- For each operation, you should see the hours applied to the job being computed based on the actual amount completed. In addition, when you view the resources for the operation with the phantom, verify that hours applied for the phantom resources have been computed based on the actual amount completed.
- Verify that the costing of the overcompletion and phantom resources is correct.
- Alternate between the summary level and the detail level of the WIP Value Summary. Verify that the phantom resources are considered this level costs.

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Practice 1-3: WIP Costing

3. **Execute a scrap transaction for a quantity of five and verify that the assembly pull components are charged to the job.**

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Guided Practice 1-3: Defining Discrete Jobs

Guided Practice 1-3: Defining Discrete Jobs

1. Navigate to the Discrete Jobs window to define a released, discrete job for AS62445, as follows:

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > Discrete Jobs (B) New

2. Job: xx-job02, where xx are your initials
3. Type: Standard
4. Assembly: AS62445
5. Class: Discrete
6. Status: Released
7. Start quantity: 100
8. MRP Net quantity: Defaults
9. Firm: Clear
10. Start date: Today
11. Save and record your job number here: _____

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Guided Practice 1-3: Verifying Material and Resource Requirements on Phantom

Guided Practice 1-3: Verifying Material and Resource Requirements on Phantom

1. **Verify that phantom resources and requirements have been created for your job.**

Manufacturing and Distribution Manager Responsibility

(N) Work in Process > Discrete Jobs > View Discrete Jobs

2. **Job: Your job xx-job02**
3. **Choose Find**
4. **Choose Operations**
5. **Navigate to the operation that has the phantom**
6. **Choose Resources**
7. **Choose the Quantities tab**

You should see your phantom resources and requirements being created for them.

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Guided Practice 1-3: Verifying Overcompletion Tolerance for AS62445

Guided Practice 1-3: Verifying Overcompletion Tolerance for AS62445

1. Verify the overcompletion tolerance for the final assembly AS62445.

Manufacturing and Distribution Manager Responsibility

(N) Inventory > Items > Organization Items

2. Item: AS62445
3. Choose Find
4. Choose the Work-in-Process tab
5. Make a note of the overcompletion tolerance type and amount. _____

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Guided Practice 1-3: Performing Easy Completions

Guided Practice 1-3: Performing Easy Completions

1. Perform an easy completion using the move window for a quantity of five greater than your work order but less than the tolerance you set at the item level. You will verify that the overcompletion transaction costs the job based on the quantity of assemblies transacted.

Manufacturing and Distribution Manager Responsibility

(N) WIP Move Transactions > Move Transactions

2. Job: Your job xx-job02

3. Complete: Yes

4. From Op Seq: 10, Step Queue

5. Overcompletion: X

6. Quantity: An amount of five over the job quantity but less than the tolerance

7. Date: Today's date

8. Choose: Transact

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Guided Practice 1-3: Viewing Discrete Jobs

1. Wait for the inventory and cost managers to run. Once the transactions have processed, view the job to verify that the system charged components and resource hours based on total quantity completed, not job start quantity.

Manufacturing and Distribution Manager Responsibility
(N) Work in Process > Discrete Jobs > View Discrete Jobs

2. Job: Your job xx-job02
3. Choose Find
4. Choose Components
5. Choose the Quantity tab
6. Verify the number computed
7. Return to the summary page
8. Choose Operations
9. Choose Resources
10. Choose Quantities

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Guided Practice 1-3: Viewing Discrete Jobs

- For each operation, you should see the hours applied being computed based on the actual amount completed.
- In addition, when you view the resources for the operation with the phantom, verify that hours applied for the phantom resources have been computed based on the actual amount completed.

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Guided Practice 1-3: Reviewing Job Costs Using the WIP Value Summary

Guided Practice 1-3: Reviewing Job Costs Using the WIP Value Summary

1. Navigate to the WIP Value Summary window to verify that the costing of the overcompletion and phantom resources is correct and that phantom resources are considered this level costs.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

2. Job: Your job xx-job02
3. Review the job costs by alternating between the detail and summary information in the WIP Value Summary window
4. View the accounting distributions created by the completions. Choose each cost element, and choose distributions to verify the distributions of your job.

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Guided Practice 1-3: Performing Scrap Transactions

Guided Practice 1-3: Performing Scrap Transactions

1. Execute a scrap transaction for a quantity of 5 and verify that the assembly pull components are charged to the job.

Manufacturing and Distribution Manager Responsibility

(N) Work in Process > Move Transactions > Move Transactions

2. Job: Your job xx-job02
3. Move: X
4. From operation: 10 Step: Queue
5. To operation: 20 Step: Scrap
8. Overcompletion: X
9. Choose Transact

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Guided Practice 1-3: Viewing Discrete Jobs

Guided Practice 1-3: Viewing Discrete Jobs

1. Wait for the inventory and cost managers to run. Once the transactions have processed, verify that the costs incurred reflect assembly pull material.

Manufacturing and Distribution Manager Responsibility

(N) Work in Process > Discrete Jobs > View Discrete Jobs

2. Job: Your job xx-job02

3. Choose Find

4. Choose Components

5. Choose the Quantities tab

Have the assembly pull components been issued?

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Guided Practice 1-3: Viewing Discrete Jobs

Guided Practice 1-3: Viewing Discrete Jobs

1. Verify the costing of the transaction.

Manufacturing and Distribution Manager Responsibility

(N) Work in Process > Discrete Jobs > WIP Value Summary

2. Job: Your job xx-job02

3. Choose Find

4. Choose Value Summary

Do the costs incurred reflect the cost of the assembly pull components?

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11i Appendix A: Describing T-Accounts for Inventory Transactions for Standard Costing

Chapter 19

11i Appendix A: Describing T-Accounts for Inventory Transactions for Standard Costing

11i Appendix A: Describing T-Accounts for Inventory Transactions for Standard Costing

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Objectives

Objectives

After completing this lesson, you should be able to:

- Describe T-Accounts for inventory transactions in standard costing



Purchases



Receive goods



Ship goods



Direct



Intransit



Adjustments

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Agenda

Agenda

- **Describing T-Accounts for Inventory Transactions in Standard Costing**

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Overview

Transactions

- Inventory purchasing transactions
- Expense purchasing transactions using month-end accruals
- Expense purchasing transactions using online accruals
- Miscellaneous transactions
- Interorganization transfers using intransit inventory
- Direct interorganization transfers
- Customer shipment and return transactions
- Adjustment transactions
- Internal requisitions

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T-Accounts

T-Accounts

- Graphical representation of the double-entry accounting system

Double-entry Accounting System

- Whenever you process a transaction on the production floor or in the stockroom, the transaction results in a distribution being created that will go to the general ledger.
- Every transaction creates debit and credit entries that balance.

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T-Accounts

T-Accounts

Example

- You deliver 10 units at \$15 from receiving inspection to inventory. You credit receiving inspection and debit inventory.

Receiving Inspection	Inventory
1500	1500

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Inventory Purchasing Transactions

Example

- You are a stockroom specialist for Vision. In your job, you receive material to inspection from suppliers and deliver material to inventory. When the material is defective, you return it to the suppliers from receiving.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following transactions:
 - Purchase order receipt to inspection
 - Delivery to inventory
 - Return to vendor from receiving
 - Invoice match and approval in Accounts Payable

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Inventory Purchasing Transactions

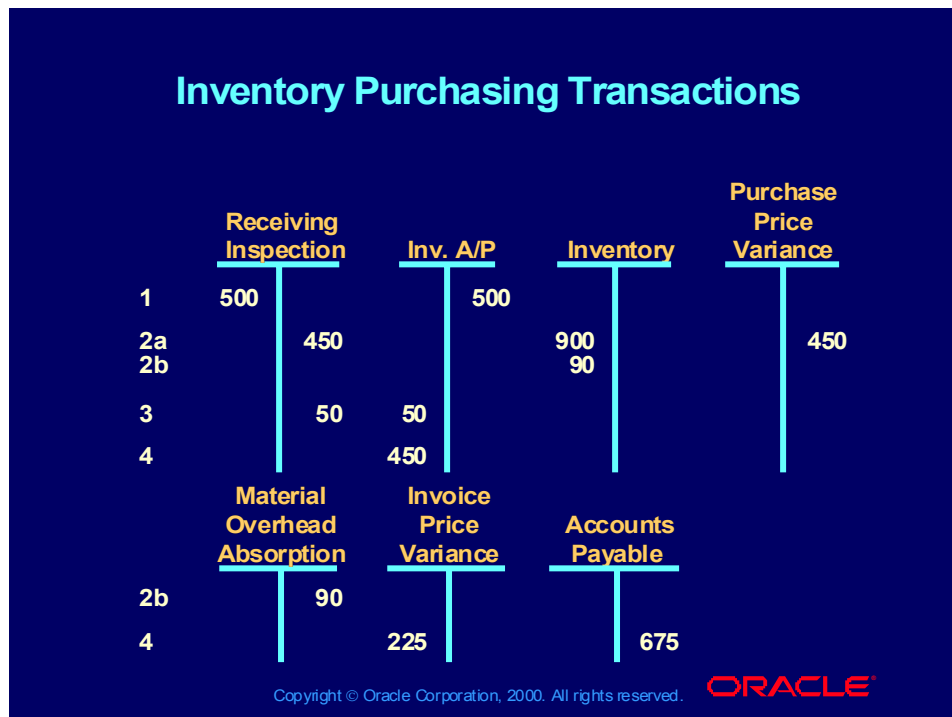
Recording T Accounts for Inventory Purchasing Transactions (on the following page)

- For requisition and PO approval, there are no accounting entries.
- 1. Purchase order receipt to receiving
50 units at \$10 (PO cost)
- 2. Delivery to inventory
45 units at \$20 (standard material cost)
45 units at 2 (standard material overhead cost)
- 3. Return to vendor from receiving
5 units at \$10 (PO cost)
- 4. Invoice match/approval in Accounts Payable
45 units at \$15 (Invoice cost)

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Inventory Purchasing Transactions



Expense Purchasing Transactions with Month-End Accruals

Expense Purchasing Transactions with Month-End Accruals

Example

- You are an Accounts Payable manager for Vision. In your job, you run the Purchasing Receipt Accrual-Period End process to debit expense and credit the expense AP accrual account.
- The controller has asked you for an analysis of the accounting flows for expense purchasing transactions with month-end accruals, including the following:
 - Purchase order receipt accrual
 - Reverse accrual after opening the next period
 - Invoice match and approval in Accounts Payable

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Expense Purchasing Transactions with Month-End Accruals

Expense Purchasing Transactions with Month-End Accruals

Recording T Accounts for Expense Purchasing Transactions (on the following page)

- For requisition, purchase order approval, and receipt to inspection, there are no accounting entries.
- 1. Purchasing receipt accrual
50 units at \$10 (Purchase order cost)
- 2. Open next period in Purchasing
Reverse accrual
- 3. Invoice match/approval in Accounts Payable
50 units at \$15 (Invoice cost)

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Expense Purchasing Transactions with Month-End Accruals

	Receiving Inspection	Expense A/P Accrual	Expense	Accounts Payable
Period 1 1		500	500	
Period 2 2		500	500	
3			750	750

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Expense Purchasing Transactions with Accruals upon Receipt

Expense Purchasing Transactions with Accruals upon Receipt

Example

- You are an Accounts Payable manager for Vision. In your job, because you accrue expense purchases upon receipt, you have more entries to reconcile in your AP accrual accounts.
- You should reclassify the expense portion of your Receiving Inspection account balance at period end.
 - You can use the Receiving Value Report by Destination Account to do this.
 - You can avoid this step by receiving all expense items as direct receipts.

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Expense Purchasing Transactions with Accruals upon Receipt

Expense Purchasing Transactions with Accruals upon Receipt

Example (continued)

- The controller has asked you for an analysis of the accounting flows for expense purchasing transactions upon receipt, including the following:
 - Purchase order receipt to inspection
 - Period end manual entry to reclassify
 - Reverse accrual after opening the next period
 - Delivery to destination
 - Invoice match and approval in Accounts Payable

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Expense Purchasing Transactions with Accruals upon Receipt

Expense Purchasing Transactions with Accruals upon Receipt

Recording T Accounts for Expense Purchasing Transactions (on the following page)

- For requisition and purchase order approval, there are no accounting entries.
- 1. Purchase order receipt to inspection
50 units at \$10 (Purchase order cost)
- 2. Period end manual entry to reclassify
Reverse journal
- 3. Open next period in General Ledger
Reverse accrual
- 4. Delivery to destination
50 units at \$10 (Purchase order cost)
- 5. Invoice match/approval in Accounts Payable
50 units at \$15 (Invoice cost)

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Expense Purchasing Transactions with Accruals upon Receipt

Expense Purchasing Transactions with Accruals upon Receipt					
	Receiving Inspection	Expense A/P Accrual	Expense	Accounts Payable	
Period 1					
1	500	500			
2	500		500		
Period 2	500				
3			500		
4	500		500		
5		500	250	750	

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Miscellaneous Inventory Transactions

Example

- You are a stockroom clerk for Vision. You are responsible for ensuring that inventory resides in correct subinventories and correct accounts.
- In your job, you do the following:
 - You perform subinventory to subinventory transfers.
 - You issue material from a subinventory to a general ledger account or to an account alias.
 - You receive material to a subinventory from a general ledger account or from an account alias.

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Miscellaneous Inventory Transactions

Example

- The controller has asked your cost accountant for an analysis of the accounting flows for the following miscellaneous inventory transactions:
 - Subinventory to subinventory transfer
 - Miscellaneous issue to expense account
 - Miscellaneous receipt from expense account
 - Miscellaneous issue to account alias
 - Miscellaneous receipt from account alias

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Miscellaneous Inventory Transactions

Miscellaneous Inventory Transactions

Recording T Accounts for Miscellaneous Inventory Transactions (on the following page)

1. Subinventory to subinventory transfer
50 units at \$10 (Standard cost)
2. Miscellaneous issue to expense account
10 units at \$10 (Standard cost)
3. Miscellaneous receipt from expense account
20 units at \$10 (Standard cost)
4. Miscellaneous issue to account alias
30 units at \$10 (Standard cost)
5. Miscellaneous receipt from account alias
40 units at \$10 (Standard cost)

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Miscellaneous Inventory Transactions

Miscellaneous Inventory Transactions				
	Inventory Sub1	Inventory Sub2	Expense	Account Alias
1	500	500		
2	100		100	
3	200		200	
4	300			300
5	400			400

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Direct Interorganization Transfers

Example

- You are a stockroom clerk for Vision. In your job, you receive direct interorganization transfers.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following transactions:
 - Direct interorganization transfer transaction
 - Receipt transaction

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Direct Interorganization Transfers

Direct Interorganization Transfers

Recording T Accounts for Direct Interorganization Transfers (on the following page)

- **Direct interorganization transfers automatically perform the issue and receipt transactions.**

	Sending Organization	Receiving Organization
Standard cost	\$10.00	\$15.00
Transfer credit	10%	
Freight	\$10.00	
Costing method	Standard costing	Standard costing
Transaction: Transfer 50 units between organizations		

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Interorganization Transfers Using Intransit FOB Receipt

Interorganization Transfers Using Intransit FOB Receipt

Example

- You are a stockroom clerk for Vision. In your job, you receive interorganization transfers using intransit FOB receipts.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following transactions:
 - Intransit interorganization transfer transaction
 - Receipt transaction

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Interorganization Transfers Using Intransit FOB Receipt

Interorganization Transfers Using Intransit FOB Receipt

Recording T Accounts for Interorganization Transfers
Using Intransit FOB Receipt (on the following page)

	Sending Organization	Receiving Organization
Standard cost	\$10.00	\$15.00
Transfer credit	10%	
Freight	\$10.00	
Costing method	Standard costing	Standard costing

Transactions:

1. Transfer transaction 50 units
2. Receipt transaction 50 units

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Interorganization Transfers Using Intransit FOB Receipt

Interorganization Transfers Using Intransit FOB Receipt

Sending organization accounts:

	Intransit Inventory	Inventory	Interorg Receivable	Transfer Credit	Freight Credit
1	500				
2		500	560	50	10

Receiving organization accounts:

	Inventory	Interorg Payable	Interorg PVC
2	750	560	190

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Interorganization Transfers Using Intransit FOB Shipment

Interorganization Transfers Using Intransit FOB Shipment

Example

- You are a stockroom clerk for Vision. In your job, you receive interorganization transfers using intransit FOB shipment.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following transactions:
 - Intransit interorganization transfer transaction
 - Receipt transaction

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Interorganization Transfers Using Intransit FOB Shipment

Interorganization Transfers Using Intransit FOB Shipment

Recording T Accounts for Interorganization Transfers
Using Intransit FOB Shipment (on the following page)

	Sending Organization	Receiving Organization
Standard cost	\$10.00	\$15.00
Transfer credit	10%	
Freight	\$10.00	
Costing method	Standard costing	Standard costing

Transactions:

1. Transfer transaction 50 units
2. Receipt transaction 50 units

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Interorganization Transfers Using Intransit FOB Shipment

Interorganization Transfers Using Intransit FOB Shipment

Sending organization accounts:

	Inventory	Interorg Receivable	Transfer Credit
1	500	550	50

Receiving organization accounts:

	Intransit Inventory	Inventory	Interorg Payable	Interorg PPV	Freight Credit
1	750		550	190	10
2		750			

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Customer Shipments and Returns

Customer Shipments and Returns

Example

- You are a shipping clerk for Vision. In your job, you ship material from FGI to customers.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following transactions:
 - Shipment to customer
 - Invoice customer
 - Return from customer
 - Issue credit memo to customer

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Customer Shipments and Returns

Customer Shipments and Returns

**Recording T Accounts for Customer Shipments
(on the following page)**

Customer Shipments

- 1. Shipment to customer
50 units at \$10 (standard cost)**
- 2. Invoice customer
50 units at \$15 (price)**
- 3. Return from customer
10 units at \$10 (standard cost)**
- 4. Issue credit memo to customer
10 units at \$15 (price)**

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Customer Shipments and Returns

Customer Shipments and Returns				
	Inventory	COGS	Revenue	Accounts Receivable
1	500	500		
2			750	750
3	100	100		
4			150	150

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Inventory Adjustments

Example

- You are a stockroom clerk for Vision. In your job, you cycle count valuable items in subinventories once a quarter. You also perform a physical inventory of all asset items in subinventories once a year.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following transactions:
 - Cycle count adjustment
 - Physical inventory adjustment

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Inventory Adjustments

Inventory Adjustments

Recording T Accounts for Inventory Adjustments

1. Cycle count adjustment
-5 units at \$20 (standard cost)
2. Physical inventory adjustment
10 units at \$30 (price)

	Inventory	Inventory Adjustment
1	100	100
2	300	300

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Summary

Summary

In this lesson, you should have learned how to:

- Describe T-Accounts for inventory transactions in standard costing



Purchases



Receive goods



Ship goods



Direct



Intransit



Adjustments

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Practice 1 Overview

Practice 1 Overview

This practice covers the following topics:

- **Recording postings for an inventory purchasing flow**
- **Recording postings for transfer and receipt transactions**

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Practice 1-1: Recording Postings for an Inventory Purchasing Flow

Practice 1-1: Recording Postings for an Inventory Purchasing Flow

In this practice, you record the postings for an inventory purchasing flow.

- You are the cost accountant for Vision in Seattle. The controller has asked you for an analysis of the purchasing process. He wants to understand the accounting flows for purchasing receipts to inspection and deliveries to inventory and for invoice matching and approval.

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Practice 1-1: Recording Postings for an Inventory Purchasing Flow

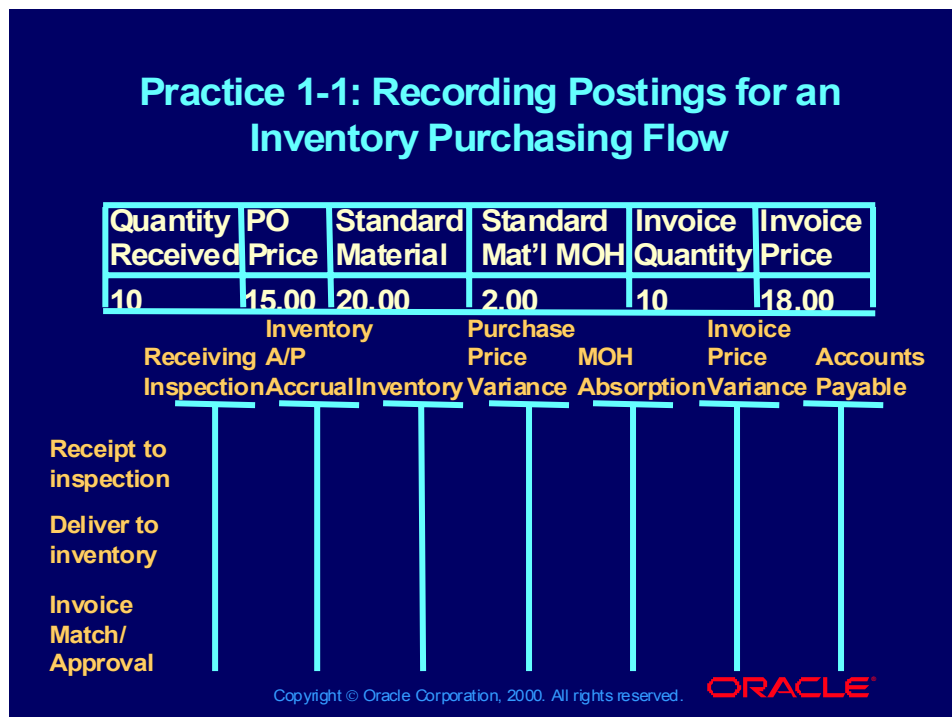
Practice 1-1: Recording Postings for an Inventory Purchasing Flow

Recording T Accounts for Inventory Purchasing Transactions (on the following page)

- For requisition and PO approval, there are no accounting entries.
- 1. Purchase order receipt to receiving
10 units at \$15 (purchase order price)
- 2. Delivery to inventory
10 units at \$20 (standard material cost)
10 units at 2 (standard material overhead cost)
- 3. Invoice match/approval in Accounts Payable
10 units at \$18 (Invoice cost)

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Practice 1-1: Recording Postings for an Inventory Purchasing Flow



Practice 1-1 Solution: Recording Postings for an Inventory Purchasing Flow

Practice 1-1 Solution: Recording Postings for an Inventory Purchasing Flow

	Quantity Received	PO Price	Standard Material	Standard Mat'l MOH	Invoice Quantity	Invoice Price	
	10	15.00	20.00	2.00	10	18.00	
	Inventory		Purchase		Invoice		
	Receiving A/P		Price	MOH	Price		Accounts
	Inspection	Accrual	Inventory	Variance	Absorption	Variance	Payable
Receipt to inspection	150		150				
Deliver to inventory		150	220	50	20		
Invoice Match/Approval		150				30	180

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Practice 1-2: Recording Postings for Transfer and Receipt Transactions

Practice 1-2: Recording Postings for Transfer and Receipt Transactions

In this practice, you record postings for transfer and receipt transactions.

- You are the cost accountant for Vision. The controller has asked you for an analysis of the Oracle Manufacturing system. He wants to understand the accounting flows for interorganization transfers.

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Practice 1-2: Recording Postings for Transfer and Receipt Transactions

Practice 1-2: Recording Postings for Transfer and Receipt Transactions

In this practice, you do the following:

- 1. Transfer 10 Sentinel Multimedia systems from Seattle to Chicago.**
- 2. Use intransit inventory.**
- 3. Use FOB point of receipt.**
- 4. Add transfer charges of 1%.**
- 5. Add a freight charge of 100.00.**
- 6. Look up the standard cost of the item in each organization. You find that the cost in Seattle is 1500.00 and the cost in Chicago is 1600.00.**

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Practice 1-2: Recording Postings for Transfer and Receipt Transactions

Practice 1-2: Recording Postings for Transfer and Receipt Transactions

Assumptions

<u>Standard Cost</u>	<u>Transfer Credit</u>	<u>Freight</u>
Sending organization	1500.00 1%	100.00
Receiving organization	1600.00	
1. Transfer transaction	10 units	
2. Receipt transaction	10 units	

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Practice 1-2: Recording Postings for Transfer and Receipt Transactions

Practice 1-2: Recording Postings for Transfer and Receipt Transactions

Use the following transfer accounts to prepare the account postings for both Seattle and Chicago for both the transfer and the receipt transactions.

Seattle accounts:	Intransit Inventory	Inventory	Interorg Receivable	Transfer Credit	Freight Credit
1					
2					
Chicago accounts:	Inventory	Interorg Payable	Interorg PVC		
1					

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Practice 1-2 Solution: Recording Postings for Transfer and Receipt Transactions

Practice 1-2 Solution: Recording Postings for Transfer and Receipt Transactions

Use the following transfer accounts to prepare the account postings for both Seattle and Chicago for both the transfer and the receipt transactions.

Seattle accounts:		Intransit Inventory	Inventory	Interorg Receivable	Transfer Credit	Freight Credit
1	15000		15000			
2		15000		15250	150	100
Chicago accounts:		Inventory	Interorg Payable	Interorg PVC		
1	16000		15250	750		

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11i Appendix B: Describing T-Accounts for WIP Transactions for Standard Costing

Chapter 20

11i Appendix B: Describing T-Accounts for WIP Transactions for Standard Costing

11i Appendix B: Describing T-Accounts for WIP Transactions for Standard Costing

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Objectives

Objectives

After completing this lesson, you should be able to do the following:

- **Describe T-Accounts for WIP transactions in standard costing**

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Agenda

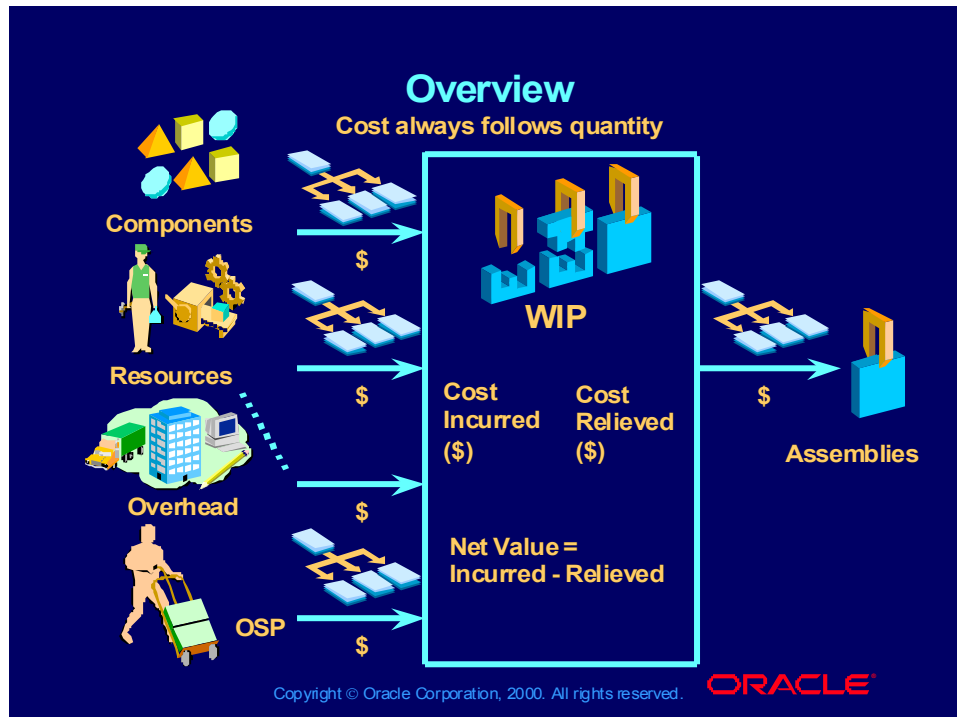
Agenda

- **Describing T-Accounts for WIP Transactions in Standard Costing**

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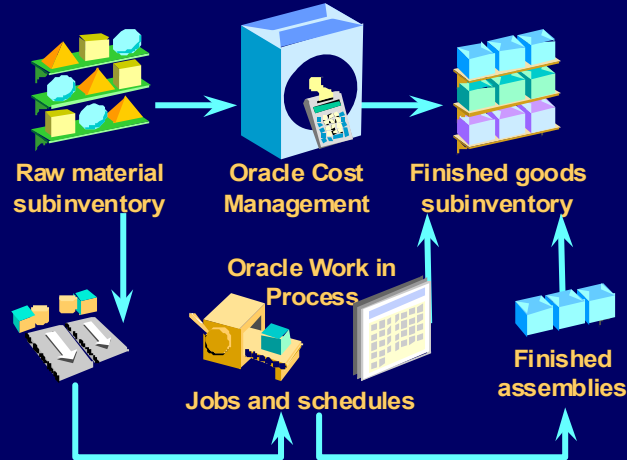
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Overview



Overview

Issue material; relieve inventory and charge WIP at standard cost



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Accounting Flows: Costs Incurred, Components Issued to WIP

Accounting Flows: Costs Incurred, Components Issued to WIP

Example

- You are a stockroom clerk for Vision. In your job, you stage workorders, issuing push components to jobs. You also replace defective components with substitute components.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following WIP material transactions:
 - Issues of all push components
 - Returns of specific components
 - Issues of specific components

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Accounting Flows: Costs Incurred, Components Issued to WIP

Accounting Flows: Costs Incurred, Components Issued to WIP

Recording T Accounts for Transactions (on the next page)

1. **WIP material transaction (issue all material)**
Push all components into the job.
10 units at standard cost of \$250 = \$2,500.
2. **WIP material transaction (return specific component)**
Return two defective units of component 2 to inventory.
2 units at standard cost of \$33 = \$66.
3. **WIP material transaction (issue specific component)**
Replace defective components with substitute items.
2 units at standard cost of \$40 = \$80.

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Accounting Flows: Costs Incurred, Components Issued to WIP

Accounting Flows: Costs Incurred, Components Issued to WIP

Material transactions record the component cost of material used in WIP.

1. WIP material transaction (issue all material)
2. WIP material transaction (return specific component)
3. WIP material transaction (issue specific component)

Material Transactions				
	Inventory Accounts		WIP Accounts	
1		2,500	2,500	
2	66			66
3		80	80	

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Accounting Flows: Costs Incurred, Resource Charges to WIP

Accounting Flows: Costs Incurred, Resource Charges to WIP

Example

- You are an assembler on a subassembly production line for Vision. In your job, you build assemblies on workorders, charging resources to jobs.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor resource transactions:
 - Resource transaction without rate variance
 - Resource transaction reversal
 - Resource transaction with rate variance

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Accounting Flows: Costs Incurred, Resource Charges to WIP

Accounting Flows: Costs Incurred, Resource Charges to WIP

Recording T Accounts for Transactions (on the next page)

- 4. Shop floor transaction (resource without rate variance)
Charge resource RS1 at actual for operation 10.
11 hours at \$50 = \$550.**
- 5. Shop floor transaction (reverse resource charge)
Reverse overcharge.
1 hour at \$50 = \$50.**
- 6. Shop floor transaction (resource with rate variance)
Charge resource RS2 at standard for operation 20.
5 units at \$25 = \$125.**

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Accounting Flows: Costs Incurred, Resource Charges to WIP

Accounting Flows: Costs Incurred, Resource Charges to WIP

Resource transactions record the internal cost to convert raw material into finished assemblies.

4. Shop floor transaction (resource without rate variance)
5. Shop floor transaction (reverse resource charge)
6. Shop floor transaction (resource with rate variance)

	Resource Transactions			
	WIP Accounts	Resource Absorption	Subinventory Accounts	Rate Variance
4	550		550	
5		50		
6	125		125	25

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Accounting Flows: Costs Incurred, Overhead Charges to WIP

Accounting Flows: Costs Incurred, Overhead Charges to WIP

Example

- You are an assembler on a subassembly production line for Vision. In your job, you move assemblies on workorders. When you move assemblies, the system charges overhead costs automatically based on resource units or value or by item or lot.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor overhead transactions:
 - Resource-based overhead transaction
 - Resource-based overhead transaction reversal
 - Item-based overhead transaction

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Accounting Flows: Costs Incurred, Overhead Charges to WIP

Accounting Flows: Costs Incurred, Overhead Charges to WIP

Recording T Accounts for Transactions (on the next page)

- 7. Shop floor transaction (resource-based overhead)**
Charge 250% on the resource charged in step 4.
 $\$550 * 250\% = \$1,375$.
- 8. Shop floor transaction (reverse resource-based overhead)**
Reverse overhead for resource reversed in step 5.
 $\$50 * 250\% = \125 .
- 9. Shop floor transaction (item-based overhead)**
Move through operation 20; charge item-based overhead.
 $10 \text{ units at } \$20 = \200 .

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Accounting Flows: Costs Incurred, Overhead Charges to WIP

Accounting Flows: Costs Incurred, Overhead Charges to WIP

Overhead transactions record the indirect cost of WIP.

7. Shop floor transaction (resource-based overhead)
8. Shop floor transaction (reverse resource-based overhead)
9. Shop floor transaction (item-based overhead)

Overhead Transactions			
	WIP Accounts		Overhead Absorption
7	1375		1375
8		125	125
9	200		200

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Accounting Flows: Costs Incurred, Outside Processing

Example

- You are a shop floor production worker for Vision. In your job, you receive assemblies on workorders from outside suppliers and subcontractors, charging outside processing resources to jobs.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor outside processing (OSP) resource transactions:
 - OSP resource transaction without rate variance
 - OSP resource transaction reversal
 - Resource overhead on OSP resource

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Accounting Flows: Costs Incurred, Outside Processing

Accounting Flows: Costs Incurred, Outside Processing

Recording T Accounts for Transactions (on the next page)

10. Shop floor transaction
(OSP resource without rate variance)
Charge OSP OS1 at actual for operation 30.
Receive 11 units at \$25 = \$275.
11. Shop floor transaction
(reverse OSP charge)
Reverse overcharge.
1 unit at \$25 = \$25.
12. Shop floor transaction
(resource overhead on OSP resource)
Charge overhead at 1 unit at \$20.

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Accounting Flows: Costs Incurred, Outside Processing

Accounting Flows: Costs Incurred, Outside Processing

Outside processing transactions record the external cost to convert raw material into finished assemblies.

10. Shop floor transaction (OSP)
11. Shop floor transaction (reverse OSP charge)
12. Shop floor transaction (resource overhead on OSP)

Outside Processing Transactions						
	WIP Accounts		Receiving Inspection		Purchase Price Var	Inventory AP Accrual
10	275		275	275		275
11		25	25	25		25
12	20			100	20	100

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Note

The Organization Receiving Inspection account is used as the absorption account for outside processing subelements. The Purchase Price Variance account is the variance account for the outside processing resource being charged.

Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Example

- You are an assembler and a tester on a subassembly production line for Vision. In your job, you scrap defective assemblies and complete good assemblies on workorders.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor scrap transactions and WIP completion transaction:
 - Scrap transaction
 - Scrap transaction reversal
 - WIP completion transaction

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Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Recording T Accounts for Transactions (on the next page)

- 13. Shop floor transaction**
Scrap two assemblies at operation 40.
2 units at \$467 = \$934.
- 14. Shop floor transaction**
Return repaired unit from scrap.
1 unit at \$467.
- 15. WIP completion transaction**
Complete nine assemblies from WIP to inventory.
9 units at \$467 = \$4203 + 9 units at \$20 for material overhead.

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Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Accounting Flows: Costs Relieved, Assembly Completion and Scrap

- You relieve costs from WIP when you complete assemblies to inventory or scrap assemblies at an operation.
- Completion and scrap transactions relieve costs from WIP on a this-level basis and on a previous-level basis.

Completion and Scrap Transactions

	Subinventory Accounts	WIP Accounts	Material OH Absorption	Scrap Account
13			934	934
14		467		
15	4,383	4,383	180	467

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Accounting Flows: Variances

Example

- You are a production line supervisor for Vision. In your job, you close workorders that are complete and analyze variances.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following job close transaction:
 - Job close transaction

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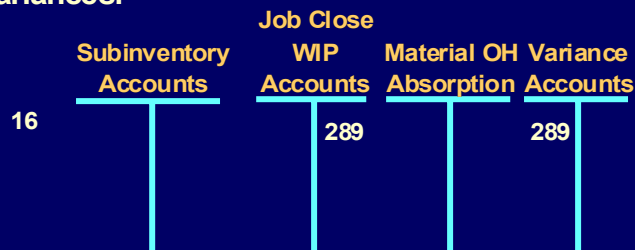
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Accounting Flows: Variances

Recording T Accounts for Transactions

16. Job close or schedule

Recognize this-level variances and previous-level variances.



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Summary

Summary

In this lesson, you should have learned how to:

- **Describe T-Accounts for WIP transactions in standard costing**

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Note: This is an example of a summary slide that includes the objectives that were stated earlier.

Practice 2 Overview

Practice 2 Overview

This practice covers the following topics:

- **Recording postings for manufacturing transactions in a standard costing environment**

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Practice 2-1: Recording Postings for Standard Costing Transactions

Practice 2-1: Recording Postings for Standard Costing Transactions

In this practice, you record postings for a variety of manufacturing transactions.

- **You are an assembler on a subassembly production line. After performing a variety of manufacturing transactions to complete a workorder to produce ten loaded boards, you look at the postings of these transactions.**

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Practice 2-1: Recording Postings for Standard Costing Transactions

Practice 2-1: Recording Postings for Standard Costing Transactions

- After opening a workorder, you issue material (push components), charge in-house resources, and charge outside processing resources as you convert unloaded boards into finished boards.
- When you complete the workorder, you perform WIP completions to move the finished boards from WIP to Inventory. Then you close the workorder and record variances to remove the residual charges in WIP.

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Practice 2-1: Recording Postings for Standard Costing Transactions

Practice 2-1: Recording Postings for Standard Costing Transactions

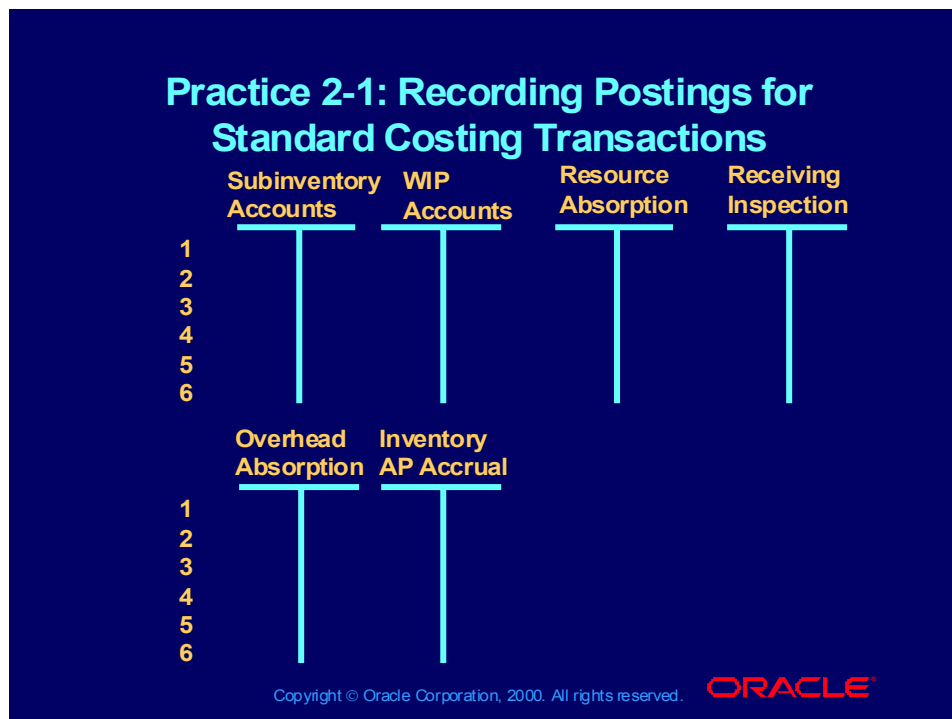
After opening the workorder, you do the following:

1. Issue material (push components) at standard cost into the job.
10 units at \$300 = \$3,000.
2. Charge resources without rate variance.
10 units at \$20 = \$200.
3. Charge outside processing resources without rate variance.
10 units at \$10 = \$100.
4. Charge resource-based overhead at 250% on the resource charged in step 2.
 $200.00 * 250\% = \$50$.
5. Complete ten units to inventory.
10 at \$350 = \$3,500.
6. Close the job and post the variances.

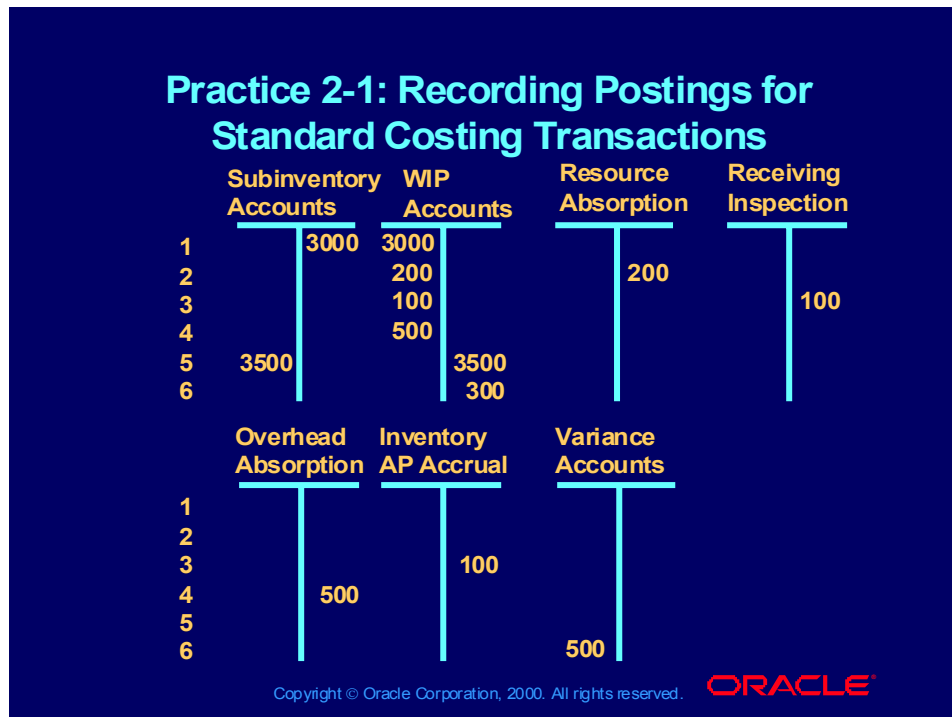
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Practice 2-1: Recording Postings for Standard Costing Transactions



Practice 2-1: Recording Postings for Standard Costing Transactions



11i Analyzing Inventory Transactions

Chapter 21

11i Analyzing Inventory Transactions

11i Analyzing Inventory Transactions

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Objectives

After completing this lesson, you should be able to:

- **Use inventory distribution inquiries**
- **Resubmit errored transactions**
- **Use margin analysis reports**
- **Use inventory distribution reports**
- **Perform inventory input/output analysis**
- **Analyze purchase price variance (PPV) and invoice price variance (IPV)**

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Agenda

Agenda

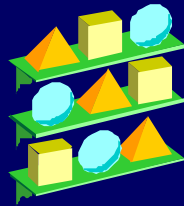
- **Overview of Analyzing Inventory Transactions**
- **Inventory Distribution Inquiry**
- **Resubmit Errored Transactions for Costing**
- **Generating Margin Reports**
- **Analyzing Inventory Transactions**

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Overview

- Use various inquiries and reports to help you analyze the accounting impact of your material transactions.



Material transactions



Inquiries and analysis

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Agenda

Agenda

- Overview of Analyzing Inventory Transactions
- **Inventory Distribution Inquiry**
- Resubmit Errored Transactions for Costing
- Generating Margin Reports
- Analyzing Inventory Transactions

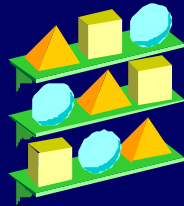
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Inventory Distribution Inquiry

Use the Material Transaction Distributions window to:

- Review the accounting distributions of your material transactions
- Analyze the accounting impact of your material transactions



Material transactions



Inquiries and analysis

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Inventory Distribution Inquiry

Inventory Distribution Inquiry

Use the Account Tab of the Material Transaction Distributions window to view:

- Transaction date
- Account distributions associated with your material transactions performed within a date range
- Accounting distribution values in the functional currency of the organization
- Transacted item
- Accounting type for each accounting entry associated with your material transactions

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions >

Find Material Transactions (B) Distributions (T) Account

(N) CST View Transactions > Material Distributions

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(Help) Oracle Manufacturing Applications > Oracle Inventory > Transactions > Viewing Material Transaction Distributions

Inventory Distribution Inquiry

Inventory Distribution Inquiry

Use the Type Tab of the Material Transaction Distributions window to view:

- Transaction type associated with your material transactions performed within a date range
- Source type for your transactions, showing the origin of the inventory transaction, like purchase order, sales order, or account
- Source of your transactions, such as purchase order number, sales order number, or account number
- Primary UOM of the item and transaction quantity in the primary UOM of the item

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions >

Find Material Transactions (B) Distributions (T) Type

(N) CST View Transactions > Material Distributions

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(Help) Oracle Manufacturing Applications > Oracle Inventory > Transactions > Viewing Material Transaction Distributions

Inventory Distribution Inquiry

Inventory Distribution Inquiry

Use the **Location** Tab of the **Material Transaction Distributions** window to determine the subinventory and locator for your transactions performed within a date range and to view:

- Subinventory name associated with the transaction
- Location information
- Operation sequence associated with the transaction
- Transaction number assigned to the transaction

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions >

Find Material Transactions (B) Distributions (T) Location

(N) CST View Transactions > Material Distributions

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(Help) Oracle Manufacturing Applications > Oracle Inventory > Transactions > Viewing Material Transaction Distributions

Inventory Distribution Inquiry

Inventory Distribution Inquiry

Use the Currency Tab of the Material Transaction Distributions window to view:

- Exchange rate information for your transactions performed within a date range
- Transaction date
- Transaction currency
- Distribution value in the transaction currency
- Transaction exchange rate
- Transaction conversion type

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions >
Find Material Transactions (B) Distributions (T) Currency

(N) CST View Transactions > Material Distributions

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(Help) Oracle Manufacturing Applications > Oracle Inventory >
Transactions > Viewing Material Transaction Distributions

Inventory Distribution Inquiry

Inventory Distribution Inquiry

Use the Comments Tab of the Material Transaction Distributions window to view:

- Comments for transactions performed within a date range
- Transaction information, such as transaction reason, transaction reference, and general ledger batch ID (if transferred to the general ledger)

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions >

Find Material Transactions (B) Distributions (T) Comments

(N) CST View Transactions > Material Distributions

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(Help) Oracle Manufacturing Applications > Oracle Inventory > Transactions > Viewing Material Transaction Distributions

Agenda

Agenda

- Overview of Analyzing Inventory Transactions
- Inventory Distribution Inquiry
- **Resubmit Errored Transactions for Costing**
- Generating Margin Reports
- Analyzing Inventory Transactions

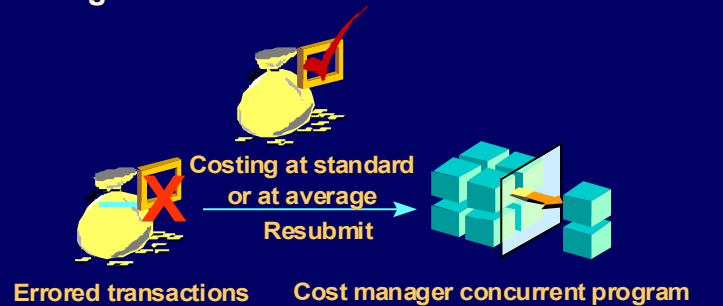
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Resubmitting Errored Transactions for Costing

Resubmitting Errored Transactions for Costing

- After you correct the sources of errors in other windows, you can resubmit errored material transactions for costing in the Cost View Material Transactions window in standard or average costing environments.



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Resubmitting Errored Transactions for Costing

Timely Costed Transactions

- You can resubmit errored transactions and cost transactions on a timely basis. Timely costed transactions are important:
 - To provide up-to-date cost information to management
 - To allow on-time period closing
- Failed transactions must be resolved promptly. This is particularly critical for average costing because no further transactions will be costed for an entire organization if there is a single failed transaction.

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Resubmitting Errored Material Transactions for Costing

Resubmitting Errored Material Transactions for Costing

Use the Cost View Material Transactions window to:

- View transactions that were not costed successfully in either standard or average costing organizations
- Submit cost transactions that have failed to process
- Identify the error, fix the source of the error using other windows, and resubmit the transaction using the error code and error explanation columns, selecting and submitting the transaction from the Tools pull-down menu

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > Material Transactions >
Find Material Transactions

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(Help) Oracle Manufacturing Applications > Oracle Inventory >
Transactions > Viewing Material Transactions

Resubmitting Errored Resource Transactions for Costing

Resubmitting Errored Resource Transactions for Costing

Use the Pending Resource Transactions window to:

- Select a single transaction or multiple transactions from the displayed transactions to resubmit for reprocessing

1. In the Pending Resource Transactions window, from the Tools pull-down menu, choose **Select All for Resubmit**. You can deselect selected transactions as required.

2. Save your work to resubmit the transactions.

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > Pending Resource Transactions >

Find Resource Transactions (T) Comments

(M) Tools > **Select All for Resubmit**

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(Help) Oracle Manufacturing Applications > Oracle WIP >
Transactions > Viewing Resource Transactions

Resubmitting Errored Transactions for Costing

Error Messages

- At resubmission time, you see messages with meaningful information about the errored transactions:
 - For standard costing
 - For average costing



Messages

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Resubmitting Errored Transactions for Costing

Standard Costing Error Messages

- Error in localized costing
- Error in getting currency conversion type profile option
- Error in converting unit of measures for cost
- Error in converting unit of measures for quantity
- Error in getting concurrent who information from user profile
- Error in computing scrap value
- Error in getting operating unit
- Error processing continuous flow manufacturing (CFM) completion

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Resubmitting Errored Transactions for Costing

Resubmitting Errored Transactions for Costing

Average Costing Error Messages

- Creating a row in WIP_PERIOD_BALANCE failed
- Failed in WIP completion or scrap transaction
- Backflush transaction failed



Messages

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Review Question

Review Question

Failed transactions must be resolved promptly for average costing because no further transactions will be costed for an entire organization if there is a single failed transaction.

- 1. True**
- 2. False**

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Review Question

Review Question

Failed transactions must be resolved promptly for average costing because no further transactions will be costed for an entire organization if there is a single failed transaction.

1. True
2. False

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Agenda

Agenda

- Overview of Analyzing Inventory Transactions
- Inventory Distribution Inquiry
- Resubmit Errored Transactions for Costing
- **Generating Margin Reports**
- Analyzing Inventory Transactions

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Margin Analysis Reports

- Use the Margin Analysis Reports to report sales revenue, cost of goods sold, and gross margin information for each item shipped/invoiced within the specified date range.
- You can print reports in summary and in detail.
 - The detail report provides information by customer, order, and line number.
- The costing method of the organization is independent of margin analysis reporting or any of the margin analysis concepts. The costing method does not affect the procedure to run margin analysis reports.

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Margin Analysis Reporting Concepts

You have two Margin Analysis Reports which provide the same detail:

- **Margin Analysis Report**
 - Uses builds (also known as margin analysis load runs) in which costs are saved to generate margin reports
 - Provides backward compatibility, allowing you to create reports from old builds
- Upgrade customers may continue to run reports from old builds, however, they cannot create any new builds. The old builds are retained until the builds are deliberately purged by name, one at a time.

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Margin Analysis Reporting Concepts

Margin Analysis Report with Order Management

- **Margin Analysis Report with Order Management**
 - Uses a continuous build that only uses transactional costs
 - Generates a margin analysis from a cost type
 - Uses intelligent dates; no need to purge builds
- This report cannot be generated from old builds because the build name does not appear in the report parameters.

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Margin Analysis Reporting Concepts

Implications

- In Release 11, you could save costs by saving builds.
- In Release 11i, you need to save a specific cost type, other than the transactional cost type, in order to be able to rerun a margin analysis against that cost type.
- For example, if you have target cost types for different years, you need to save each target cost type in order to be able to run a margin analysis report against target costs from different years.

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Margin Analysis Reporting Concepts for Both Margin Reports

Margin Analysis Reporting Concepts for Both Margin Reports

Multi-org

- If you enable Multi-org, the Margin Analysis Reports display sales revenue, cost of goods sold, and gross margin information for all inventory organizations within an operating unit.
- If you do not enable Multi-org, the Margin Analysis Reports display sales revenue, cost of goods sold, and gross margin information for the operating unit in which the current organization belongs.

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Margin Analysis Reporting Concepts for Both Margin Reports

Margin Analysis Reporting Concepts for Both Margin Reports

Marketing Parameters

- You can combine the Customer Name, Sales Representative, Sales Channel, and Industry parameters to restrict the report to a single customer, sales representative, sales channel, and industry.

Cost of Goods Sold

- Cost of goods is displayed at the historical transaction cost unless you enter a value in the cost type parameter. If you enter a cost type, cost of goods sold is calculated by extending the quantity shipped times the current item cost in the chosen cost type.

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Generating Margin Analysis Reports

Generating Margin Analysis Reports

Use the Margin Analysis Report or the Margin Analysis Report with Order Management (OM) to:

- Report sales revenue, cost of goods sold, and gross margin information for each item shipped and invoiced within a specified date range.
- In the Submit Requests window, you select the report name.

Manufacturing and Distribution Manager Responsibility

(N) CST Report > Operational Analysis > Request Analysis Reports

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(Help) Oracle Manufacturing Applications > Oracle Inventory > Reports and Processes > Margin Analysis Report

Margin Analysis Report for Order Management, Prerequisites

Margin Analysis Report for Order Management, Prerequisites

- If you are missing one of these applications, you cannot run the report:
 - Oracle Order Management (OM)
 - Oracle Inventory
 - Oracle Receivables
- In addition, for accurate margin reporting, in Receivables, use the derived date option to set invoice dates:
 - The invoice date automatically defaults to the shipment date.
 - You recognize revenue and cost in the same accounting period.

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Margin Analysis Report for Order Management, Prerequisites

Margin Analysis Report for Order Management, Prerequisites

- You run this report from tables populated by submission of the Margin Analysis Load Run program.
 - The first time that this program runs under Order Management, it populates empty tables.
 - Subsequent submission of the program appends data to the tables, but the tables are never purged. A continuous build is created.
- Since the continuous build is based on valuation cost types (standard or average), the cost type is selected when you submit the report. You cannot purge continuous builds.

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Submitting a Margin Analysis Load Run

Submitting a Margin Analysis Load Run

- You must run the Margin Analysis Load Run program in order to create the build from which Margin Analysis reports are derived.
- When you upgraded to Release 11i with Order Management, all the Order Entry data was migrated to Order Management tables, allowing you to create a new margin build.
- You create this new margin build the first time that you run the Margin Analysis Load Run program.
- Subsequently, you rerun the Margin Analysis Load Run program to increment or refresh the build.

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Note

When Oracle Order Management is installed, the Margin Analysis Load Run (or Build) tables are continuous and ongoing. The build cannot be purged.

Submitting a Margin Analysis Load Run

Submitting a Margin Analysis Load Run

After “loading” data generated by transactions, you can run the Margin Analysis Reports.

Use the Margin Analysis Load Run window to:

- Load data from a series of transactions have been performed
- Enter parameters:
 - From date
 - To date
 - Overlap days
 - Load Option: increment or refresh

Manufacturing and Distribution Manager Responsibility

(N) CST Report > Operational Analysis >

Request Analysis Reports > Margin Analysis Load Run

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(Help) Oracle Manufacturing Applications > Oracle Inventory >
Reports and Processes > Margin Analysis Load Run

Loading Data for Margin Analysis Report for a Regular Order with a Standard Item

Loading Data for Margin Analysis Report for a Regular Order with a Standard Item

Business Flow

- Create an order (header and line) for a standard item.
- Create an invoice for that item with AutoInvoice.
- Ensure that the corresponding revenue distribution is created.
- Pick release the order.
- Ship the item (Ship Confirm Deliveries and Update Shipping) and cost it (Cost manager up).
- Run INV interface and AR interface to synchronize INV, OM and AR.
- Ensure that COGS accounting distribution is created.
- Repeat the above bullets with an order with multiple lines and multiple standard items.
- Run the Margin Analysis Load program and check table CST_MARGIN_TEMP for results.

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Purging a Margin Analysis Load Run

Purging a Margin Analysis Load Run

Use the Purge Margin Analysis Run window to:

- Enter the load name to purge the build generated prior to Release 11i with Oracle Order Management
- Enter parameters:
 - Build Name
 - Build Description
 - From date
 - To date
 - Order Number
 - Cost Type

Manufacturing and Distribution Manager Responsibility

(N) CST Report > Operational Analysis >

Request Analysis Reports > Purge Margin Analysis Run

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(Help) Oracle Manufacturing Applications > Oracle Inventory >
Reports and Processes > Purge Margin Analysis Run

Review Question

Review Question

The Margin Analysis Report with Order Management cannot be generated from old builds because the build name does not appear in the report parameters.

The Margin Analysis Report provides backward compatibility to upgrade customers, since you can create margin reports from old builds.

- 1. True**
- 2. False**

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Review Question

Review Question

The Margin Analysis Report with Order Management cannot be generated from old builds because the build name does not appear in the report parameters.

The Margin Analysis Report provides backward compatibility to upgrade customers, since you can create margin reports from old builds.

1. True
2. False

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Agenda

Agenda

- Overview of Analyzing Inventory Transactions
- Inventory Distribution Inquiry
- Resubmit Errored Transactions for Costing
- Generating Margin Reports
- **Analyzing Inventory Transactions**

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Account Distribution Reports

- Receiving Account Distribution Report
- Material Account Distribution Detail Report
- Transaction Historical Summary Report
- Purchase Price Variance Report
- Invoice Price Variance Report

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Account Distribution Reports

Receiving Account Distribution Report

- Use the Receiving Account Distribution Report to display accounting information associated with your receiving transactions.

Manufacturing and Distribution Manager Responsibility

(N) CST Report > Transactions > Request Transaction Reports

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(Help) Oracle Manufacturing Applications > Oracle Inventory > Reports and Processes > Receiving Account Distribution Report

Account Distribution Reports

Material Account Distribution Detail Report

- You can review inventory transaction values transferred to the general ledger by GL batch to aid in your inventory to general ledger reconciliation.
 - Select a specific GL batch and report only the entries transferred in that batch.

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Account Distribution Reports

Submitting the Material Account Distribution Detail Report

- Use the Material Account Distribution Detail Report to display accounting information associated with your inventory transactions.

Manufacturing and Distribution Manager Responsibility

(N) CST Report > Transactions > Request Transaction Reports

1. Use the Transaction Reports, Cost and Period Close Reports, or Submit Requests window and enter "Material account distribution detail" in the Name field to submit the report.
2. Enter the report parameters.
3. Submit the report.

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(Help) Oracle Manufacturing Applications > Oracle Inventory >
Reports and Processes >
Material Account Distribution Detail Report

Transaction Historical Summary Report

Rollback Transaction Quantities and Values

- Rollback transaction quantities and values to any date you choose and report the beginning balance and the transaction values.

Multiple Open Periods

- When you have multiple periods, you can use this report to determine the inventory quantity or value as of the end date of your prior periods using the balance option of the report.

Throughput Analysis

- You can analyze the quantity and value throughput using the quantity or value options of the report.

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Transaction Historical Summary Report

Transaction Historical Summary Report

- Use the Transaction Historical Summary Report to analyze historical item quantities, values, or historical inventory balances.

Manufacturing and Distribution Manager Responsibility

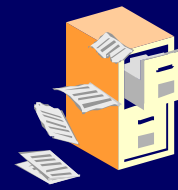
(N) CST Report > Transactions > Request Transaction Reports



Balances



Values



Audit trail

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Inventory Input/Output Analysis

Material Account Distribution Reports

- You can analyze the sources and uses of your inventory using the material account distribution reports run by transaction type or source type.



Beginning balance + sources - uses = Ending balance

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Inventory Input/Output Analysis

Sources

- Purchase order receipts
- WIP completions
- Interorganization receipts
- Miscellaneous receipts

Uses

- Customer shipments
- WIP issues
- Interorganization issues
- Miscellaneous issues

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Analyzing PPV/IPV

Purchase Price Variance (PPV)

- PPV only applies to standard costing organizations.
- Each time you deliver material from a purchase order to a subinventory, the PO price is compared to the standard cost of the item and a variance is calculated.
- Average cost organizations are valued at purchase price and have no PPV, except with outside processing which is charged at standard cost in an average cost organization.

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Analyzing PPV/IPV

Invoice Price Variance (IPV)

- IPV applies to both standard costing and average costing organizations.
- Each time an invoice is matched (approved) to a purchase order, the invoice price is compared to the PO price and a variance is calculated.
- IPV is calculated when the Payables Accounting Process is run, not when the invoice is matched.

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Analyzing PPV/IPV

Use the Purchase Price Variance Report to:

- **Analyze purchase price variance (PPV)**

Manufacturing and Distribution Manager Responsibility

(N) CST Report > Operational Analysis > Request Analysis Reports

Use the Invoice Price Variance Report to:

- **Analyze invoice price variance (IPV)**

Manufacturing and Distribution Manager Responsibility

(N) CST Report > Operational Analysis > Request Analysis Reports

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Review Question

Review Question

You can analyze the sources and uses of your inventory using the material account distribution reports run by transaction type or source type.

- 1. True**
- 2. False**

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Review Question

Review Question

You can analyze the sources and uses of your inventory using the material account distribution reports run by transaction type or source type.

- 1. True**
- 2. False**

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Summary

In this lesson, you should have learned how to:

- Use inventory distribution inquiries and reports
- Resubmit errored transactions
- Use margin analysis reports
- Use inventory distribution reports
- Perform inventory input/output analysis
- Analyze purchase price variance (PPV) and invoice price variance (IPV)

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Practice 1 Overview

Practice 1 Overview

This practice covers the following topics:

- **Reviewing inventory transaction analysis**
- **Performing and analyzing inventory transactions**

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Practice 1-1

Reviewing Inventory Transaction Analysis

1. Which window do you use to determine the transaction currency, conversion rate, and conversion rate type for your inventory transactions?
2. What are the sources and uses of inventory?
3. What formula is used to calculate the ending inventory balance?

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Practice 1-1 Solution

Reviewing Inventory Transaction Analysis

1. Which window do you use to determine the transaction currency, conversion rate, and conversion rate type for your inventory transactions?

Use the Currency region of the View Transaction Distributions window to determine the transaction currency, conversion rate, and conversion rate type.

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Practice 1-1: Solution

Reviewing Inventory Transaction Analysis

2. What are the sources and uses of inventory?

Sources: PO Receipts, Interorganization Receipts, Receipts from WIP, Miscellaneous Receipts

Uses: Issues to WIP, interorganization transfers, sales order shipments, cost update, miscellaneous issues

3. What formula is used to calculate the ending inventory balance?

Ending inventory = Beginning inventory + sources – uses

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Practice 1-2: Performing and Analyzing Inventory Transactions

Practice 1-2: Performing and Analyzing Inventory Transactions

In this practice, you are a buyer and will be doing the following in the screens that follow:

1. Verify that the transaction processor is running.
2. Verify that the current period is open.
3. Create a purchase order for CM22680.
4. Approve your purchase order and receive goods.
5. View accounting entries.
6. Perform an inventory adjustment for CM22682 using a miscellaneous receipt.
7. View accounting entries.
8. Run the Material Account Distribution Detail Report.
9. Run the Purchase Price Variance Report.

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Guided Practice 1-2: Checking the Interface Managers

Guided Practice 1-2: Checking the Interface Managers

1. **Navigate to the Interface Managers window in Seattle, M1, to check the status of the Cost Manager. If this manager is not running or is running at an interval greater than 10 minutes, inform the instructor.**

Manufacturing and Distribution Manager Responsibility
(N) INV Setup > Transactions > Interface Managers

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Guided Practice 1-2: Checking Current Period is Open

Guided Practice 1-2: Checking Current Period is Open

1. **Navigate to the Inventory Accounting Periods window to check that the current period is open. If it is not open, open it and all preceding unopened periods.**

Manufacturing and Distribution Manager Responsibility

(N) INV Accounting Close Cycle > Inventory Accounting Periods

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Guided Practice 1-2: Creating Purchase Orders

Guided Practice 1-2: Creating Purchase Orders

1. Navigate to the Purchase Orders window to create a purchase order for CM22680 in the M1 organization. Student 10 will use a quantity of 10, and a price of \$10.00; Student 20 will use a quantity of 20, and a price of \$20.00; Student 30 will use a quantity of 30, and a price of \$30.00; and so on.

Manufacturing and Distribution Manager Responsibility

(N) PURCHASING Purchase Orders > Purchase Orders (New)

2. Type: Standard Purchase Order
3. Supplier: Advanced Network Devices
4. Site: Santa Clara
5. Ship to: M1
6. Bill to: Accept default
7. Buyer: Accept default
8. Navigate to Items.

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Guided Practice 1-2: Creating Purchase Orders

Guided Practice 1-2: Creating Purchase Orders

1. Navigate to items (continued from previous page).

Manufacturing and Distribution Manager Responsibility

(N) PURCHASING Purchase Orders > Purchase Orders (New)

(T) Items

2. Number: 1

3. Type: Goods

4. Item: CM22680

**5. Quantity: 100 for
Student 1, 200 for
Student 2, and so on.**

6. Price: You decide

7. Promise date: Today

8. Need by date: Today

9. Choose: Shipments

10. Number: 1

11. Org: M1

12. Ship to: M1-Seattle

13. Quantity: Will default

14. Save your work.

**15. Record your PO number
here_____.**

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Guided Practice 1-2: Approving Purchase Orders

Guided Practice 1-2: Approving Purchase Orders

1. Record your PO number here _____ (continued from previous page).
 2. Choose: Approve.
 3. Submit for approval: X
 4. Click OK.
- You should see a message, "Document has been submitted for approval".

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Guided Practice 1-2: Receiving Goods to Receiving

Guided Practice 1-2: Receiving Goods to Receiving

1. Navigate to the Receipts window to receive the goods to receiving, once your purchase order has been approved.

Manufacturing and Distribution Manager Responsibility

(N) PURCHASING Receiving > Receipts

2. Purchase Order: The one you noted earlier

3. Choose: Find

4. Enable the box next to the quantity field.

5. Save your work.

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Guided Practice 1-2: Receiving Goods to Subinventory

Guided Practice 1-2: Receiving Goods to Subinventory

1. Navigate to the Receiving Transactions window to receive the goods from receiving to inventory.

Manufacturing and Distribution Manager Responsibility

(N) PURCHASING Receiving > Receipts

2. Purchase Order: The one you noted earlier

3. Choose: Find

4. Enable the box next to the quantity field.

5. Subinventory: Stores

6. Save your work.

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Guided Practice 1-2: Viewing Accounting Entries

Guided Practice 1-2: Viewing Accounting Entries

1. Navigate to the Material Transaction Distributions window, Accounts region, to review the accounting distributions once you have received the goods.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions

(F) Find Material Transactions (B) Distributions (T) Account

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > Material Distributions

2. Date: Accept the default of today's date

3. Item: CM22680

4. Choose: Find

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Guided Practice 1-2: Performing Miscellaneous Receipts

Guided Practice 1-2: Performing Miscellaneous Receipts

1. Navigate to the Miscellaneous Transaction window to perform an inventory adjustment for CM22682 using a miscellaneous receipt.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Miscellaneous Transaction

2. Date: Accept the default of today's date

3. Type: Select account alias receipt

4. Source: M1_STD_CST_ADJ

5. Choose: Transaction Lines

6. Item: CM22682

7. Subinventory: Stores

8. Quantity: Enter a quantity corresponding to your student number

9. Action: Save

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Guided Practice 1-2: Viewing Accounting Entries

Guided Practice 1-2: Viewing Accounting Entries

1. Navigate to the Material Transaction Distributions window, Accounts region, to view the accounting entries created by the miscellaneous transactions.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions

(F) Find Material Transactions (B) Distributions (T) Account

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > Material Distributions

2. Date: Accept the default of today's date

3. Item: CM22682

4. Choose: Find

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Guided Practice 1-2: Running the Material Account Distribution Detail Report

Guided Practice 1-2: Running the Material Account Distribution Detail Report

1. Navigate to the Request Transaction Reports window
Manufacturing and Distribution Manager Responsibility
(N) CST Report > Transactions
2. The Submit a new Request window opens
3. Check Select Single Request and choose OK
4. Name: Material Account Distribution Detail Report
5. Choose: OK and enter parameters:
6. Sort By: Item, Account
7. Transaction Dates From: Today's date
8. Transaction Dates To: Today's date
9. Item From/To: CM22680 to CM22682
10. Category Set: Inv.Items
11. Exchange Rate: 1
12. Select OK and choose submit
13. Record your request number _____.

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Guided Practice 1-2: Viewing the Results Online

Guided Practice 1-2: Viewing the Results Online

1. Navigate to the Requests window to check that your report request has completed and to view output online.

Manufacturing and Distribution Manager Responsibility

(N) CST Setup > Requests (B) View Output

2. Check Specific Request

3. Request ID: Enter your request number

4. Choose: Find

5. Choose: View Output

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Guided Practice 1-2: Running the Purchase Price Variance Report

Guided Practice 1-2: Running the Purchase Price Variance Report

1. Navigate to the Request Analysis Reports window
Manufacturing and Distribution Manager Responsibility
(N) CST Report > Operational Analysis > Request Analysis Reports
2. The Submit a new Request window opens
3. Check Select Single Request and choose OK
4. Name: Purchase Price Variance Report
5. Choose: OK and enter parameters:
6. Title: Purchase Price Variance Report for xxx, where xxx are your initials
7. Transaction Dates From: Today's date
8. Transaction Dates To: Today's date
9. Organization Name: M1 Seattle Manufacturing
10. Select OK and choose submit
11. Record your request number here _____.

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Guided Practice 1-2: Viewing the Results Online

Guided Practice 1-2: Viewing the Results Online

1. Navigate to the Requests window to check that your report request has completed and to view output online.

Manufacturing and Distribution Manager Responsibility

(N) CST Setup > Requests (B) View Output

2. Check Specific Request

3. Request ID: Enter your request number

4. Choose: Find

5. Choose: View Output

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11i Analyzing WIP Transactions

Chapter 22

11i Analyzing WIP Transactions

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Objectives

Objectives

After completing this lesson, you should be able to do the following:

- View WIP values online
- Report and analyze WIP values



Inquiries and analysis



Reports

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Agenda

Agenda

- **Overview of analyzing WIP transactions**
- Viewing Job and Schedule Values Online
- Reporting and Analyzing WIP Values

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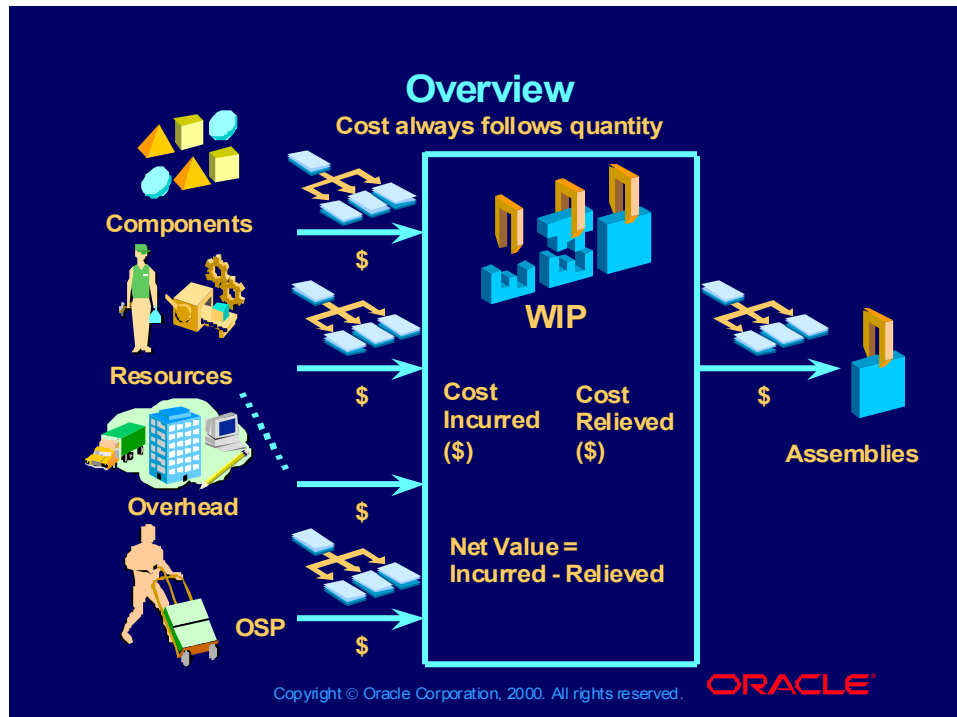
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Overview

The transactions that are processed in Oracle Inventory and in Oracle WIP are costed in Oracle Cost Management.



Overview



Overview

You use various inquiries and reports to help you analyze the accounting impact of your WIP transactions.



Inquiries and analysis



Reports

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Agenda

Agenda

- Overview of analyzing WIP transactions
- Viewing Job and Schedule Values Online
- Reporting and Analyzing WIP Values

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Viewing Job and Schedule Values Online

Use the WIP Value Summary window, Summary Tab:

- To analyze your jobs and schedules
- To view charges to a specific job or schedule
- To view your work-in-process values by cost element, and drill down to your accounting transactions

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary
(T) Summary

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > WIP Value Summary (B) Find >
Value Summary (T) Summary

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigation >
Viewing WIP Value Summaries**

Viewing Job and Schedule Values Online

Use the WIP Value Summary window, Level Tab:

- To view your work-in-process values by level, and drill down to your accounting transactions

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary
(T) Level

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > WIP Value Summary (B) Find >
Value Summary (T) Level

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigation >
Viewing WIP Value Summaries**

Viewing Job and Schedule Values Online

Viewing Job and Schedule Values Online

Use the WIP Transaction Distributions window,
Account Tab:

- To view your work-in-process values in summary by account, and drill down to your accounting transactions

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Distributions
(T) Account

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > WIP Value Summary (B) Find >
Distributions (T) Account

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigation >
Viewing WIP Value Summaries**

Viewing Job and Schedule Values Online

Viewing Job and Schedule Values Online

Use the WIP Transaction Distributions window,
Transaction Tab:

- To view your work-in-process accounting transactions for both material and resource/overhead transactions

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Distributions
(T) Transaction

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > WIP Value Summary (B) Find >
Distributions (T) Transaction

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigation >
Viewing WIP Value Summaries**

Agenda

Agenda

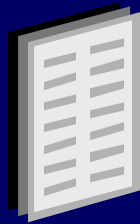
- Overview of analyzing WIP transactions
- Viewing Job and Schedule Values Online
- Reporting and Analyzing WIP Values
 - WIP Value Report
 - Repetitive Value Report
 - Expense Job Value Report
 - Account Distribution Reports

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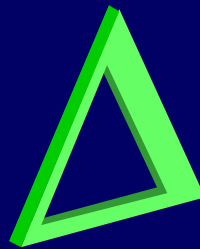
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Reporting and Analyzing WIP Values

Use work-in-process reports to analyze variances.



Reports



Variances

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WIP Value Report


WIP Value Report

Transaction Values

- The WIP Value Report shows work-in-process transaction values for the chosen period or all transaction values for jobs and schedules.



WIP Value Report



Variances

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(Help) Oracle Manufacturing Applications > Oracle WIP > Reports and Processes > WIP Value Report

WIP Value Report

Report Options

- Select the **Period-to-Date** option for expense jobs and repetitive schedules, when you recognize repetitive variances on all schedules at period end. This choice reflects the activity for the period and ties to the variance entries booked at period close.
- Select the **Cumulative-to-Date** option for discrete jobs, asset nonstandard jobs, and repetitive schedules, when you recognize repetitive variances when schedules are completed or canceled. This choice reflects all activity and reports the net value of the job or schedule.

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Note

The report displays period-to-date and cumulative-to-date totals.

Review Question

WIP Value Report

When you recognize repetitive variances on all schedules at period end, select the Period-to-Date option for expense jobs and repetitive schedules.

When you recognize repetitive variances when schedules are completed or canceled, select the Cumulative-to-Date option for discrete jobs, asset nonstandard jobs, and repetitive schedules.

1. True
2. False

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Review Question

WIP Value Report

When you recognize repetitive variances on all schedules at period end, select the Period-to-Date option for expense jobs and repetitive schedules.

When you recognize repetitive variances when schedules are completed or canceled, select the Cumulative-to-Date option for discrete jobs, asset nonstandard jobs, and repetitive schedules.

1. True
2. False

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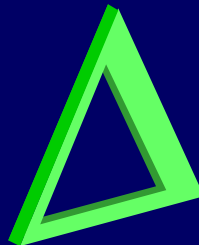
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Discrete Job Value Report

- The Discrete Job Value Report details the costs incurred by, and relieved from, a job.



**Discrete Job
Value Report**



Variances

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Discrete Job Value Report

Job Costs

- Compare incurred costs to requirements based on the planned start quantity or on the quantity completed.

Planned Start Quantity

- This report option extends at standard the required components, resources, and overheads to build the planned start quantity. This value is then compared to the costs incurred at the time the report was submitted.
- Select this option to determine the remaining cost to be incurred to complete a job.

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Discrete Job Value Report

Completed Quantity

- This report option extends at standard the required components, resources, and overheads to build the quantity completed to inventory at the time the report was submitted. This value is then compared to the costs incurred at the time the report was submitted.
- Select this option to analyze a job prior to closing and recognizing the variances.
- Use this option only when you have completed most or all of the assemblies.

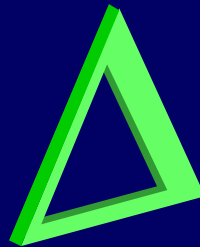
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Discrete Job Value Report

Variances

- Analyze your usage, efficiency, methods and configuration variances.



Variances

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Discrete Job Value Report

Usage and Configuration Variances

- Usage variances are calculated in the material transaction section and in the cumulative-to-date section of the report. Usage variances compare the bill of material requirements at the time the job was opened and the material actually issued to the job.
- Configuration variances can be calculated by comparing the usage variance from the transaction section to the usage variance in the cumulative-to-date section. The difference is configuration variance.

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Discrete Job Value Report

Usage and Configuration Variances

- The difference between the cumulative variance and the usage variance is due to the standard bill requirements and the WIP Bill requirements. This could be because the Bill has changed since the standard was rolled up, or because the Job was manually altered upon creation.

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Discrete Job Value Report

Efficiency and Methods Variances

- Efficiency variances are calculated in the resource transaction section of the report and compare the routing operations at the time the job was opened and the resources and overheads earned.
- You also have an efficiency variance in the cumulative-to-date section. This variance compares the standard resource cost to the cost of the resources charged to the job.
- Methods variances can be calculated by comparing the efficiency variance from the transaction section to the efficiency variance in the cumulative-to-date section. The difference is your methods variance.

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Discrete Job Value Report

Efficiency and Methods Variances

- The difference between the cumulative variance and the efficiency and methods variance is due to the standard Routing requirements and the WIP Routing requirements. This could be because the Routing has changed since the standard was rolled up, or because the Job was manually altered upon creation.

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Review Question

Discrete Job Value Report

Select the **Planned Start Quantity** option to determine the remaining cost to be incurred to complete a job.

Select the **Completed Quantity** option to analyze a job prior to closing a job when you have completed most or all of the assemblies.

1. True
2. False

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Review Question

Discrete Job Value Report

Select the **Planned Start Quantity** option to determine the remaining cost to be incurred to complete a job.

Select the **Completed Quantity** option to analyze a job prior to closing a job when you have completed most or all of the assemblies.

1. True
2. False

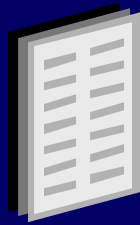
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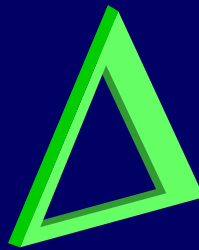
Repetitive Value Report

Repetitive Value Report

- The Repetitive Value Report details the costs incurred by and relieved from your repetitive schedules.



**Repetitive Value
Report**



Variances

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Repetitive Value Report

Repetitive Assembly

- The Repetitive Value Report displays the sum of all transactions associated with a repetitive assembly on a line for the period you select.

Planned Start Quantity

- When you select this option, the report extends at standard, the required components, resources, and overheads to build the planned start quantity for all schedules for an assembly on the line. This value is then compared to the costs incurred at the time the report was submitted.
- This option is useful for determining the remaining cost to be incurred to complete all schedules for this assembly on this line.

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Repetitive Value Report

Completed Quantity

- When you select this option, the report extends at standard the required components, resources, and overheads to build the quantity completed at the time the report was submitted. This value is then compared to the costs incurred at the time the report was submitted.
- Select this option to analyze a schedule or line prior to period close or canceling your schedule depending on your WIP parameters.
- Select this option to analyze variances when you backflush your material requirements upon completion or when you have completed most of the assemblies.

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Review Question

Repetitive Value Report

The Planned Start Quantity is useful for determining the remaining cost to be incurred to complete all schedules for this assembly on this line.

Select the Completed Quantity option to analyze a schedule or line prior to period close or canceling your schedule, depending on your WIP parameters.

Select the Completed Quantity option to analyze variances when you backflush your material requirements upon completion or when you have completed most of the assemblies.

- 1. True**
- 2. False**

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Review Question

Repetitive Value Report

The Planned Start Quantity is useful for determining the remaining cost to be incurred to complete all schedules for this assembly on this line.

Select the Completed Quantity option to analyze a schedule or line prior to period close or canceling your schedule, depending on your WIP parameters.

Select the Completed Quantity option to analyze variances when you backflush your material requirements upon completion or when you have completed most of the assemblies.

- 1. True**
- 2. False**

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Expense Job Value Report

- The Expense Job Value Report details current period and job to date expenses.



Expense Job Value Report

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Expense Job Value Report

Expenses

- The Expense Job Value Report reports transactions at the standard cost in effect when the transaction occurred.

Period Cost Tracking

- The Expense Job Value Report adds up current period transaction values to report the expense incurred for the period.

Cumulative Cost Tracking

- The Expense Job Value Report adds up all transaction values to report the expense incurred over the life of the job.

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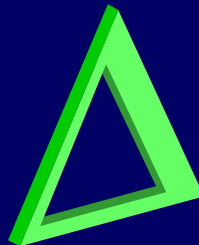
Account Distribution Reports

Account Distribution Reports

- The Account Distribution Reports show current transactions.



**Account Distribution
reports**



Variances

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Account Distribution Reports

Material Account Distribution Detail Report

- Use the Material Account Distribution Detail Report to analyze specific material transactions that create variances.

WIP Account Distribution Report

- Use the WIP Account Distribution Report to analyze specific resource, outside processing, or overhead transactions that create variances.

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Reporting WIP Values

Reporting WIP Values

Use the WIP Value Report to:

- Identify your significant variances with one line per job or repetitive assembly

Manufacturing and Distribution Manager Responsibility
(N) CST Report > Value

Use the Discrete, Repetitive, and Expense Value Reports to:

- Analyze costs incurred, costs relieved, and variances

Manufacturing and Distribution Manager Responsibility
(N) CST Report > Value

Use the Material Account Distribution Detail Report and the WIP Account Distribution Report to:

- Analyze specific transactions

Manufacturing and Distribution Manager Responsibility
(N) CST Report > Transactions

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(Help) Oracle Manufacturing Applications > Oracle WIP > Reports and Processes > WIP Value Report

(Help) Oracle Manufacturing Applications > Oracle WIP > Reports and Processes >

Discrete Job Value Report - Standard Costing

(Help) Oracle Manufacturing Applications > Oracle WIP > Reports and Processes > Repetitive Value Report

(Help) Oracle Manufacturing Applications > Oracle WIP > Reports and Processes > Expense Job Value Report

(Help) Oracle Manufacturing Applications > Oracle Inventory > Reports and Processes >

Material Account Distribution Detail Report

(Help) Oracle Manufacturing Applications > Oracle Inventory > Reports and Processes > WIP Account Distribution Report

Note

On these reports, you see favorable variances as negative values.

Summary

Summary

- In this lesson, you should have learned how to:
 - View WIP values online
 - Report and analyze WIP values



Inquiries and analysis



Reports

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Practice 1 Overview

This practice covers the following topics:

- **Reviewing WIP costing analysis**
- **Reviewing the WIP Value Summary using examples**
- **Performing and analyzing WIP transactions in a standard costing environment**

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Practice 1-1: Reviewing WIP Costing Analysis

Practice 1-1: Reviewing WIP Costing Analysis

In this practice, you provide short answers to questions:

- 1. Which report do you run to identify your significant variances?**
- 2. Why would you select the Planned Start Quantity option for the Discrete Job Value Report?**
- 3. Why would you select the Completed Quantity option for the Discrete Job Value Report?**

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Practice 1-1: Reviewing WIP Costing Analysis Solution

Practice 1-1: Reviewing WIP Costing Analysis Solution

Reviewing WIP Costing Analysis

1. Which report do you run to identify your significant variances?

Use the WIP Value report to identify your significant variances.

2. Why would you select the Planned Start Quantity option for the Discrete Job Value Report?

Select the Planned Start Quantity option when you want to determine the remaining costs to be incurred to complete a job. You run it at the beginning of a job.

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Practice 1-1: Reviewing WIP Costing Analysis Solution

Practice 1-1: Reviewing WIP Costing Analysis Solution

Reviewing WIP Costing Analysis

3. Why would you select the Completed Quantity option for the Discrete Job Value Report?

Select the Completed Quantity option when you want to analyze the job prior to job close. This report is useful in determining the causes of variances in your discrete jobs.

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Practice 1-2: Reviewing the WIP Value Summary using Examples

Practice 1-2: Reviewing the WIP Value Summary using Examples

In this practice, examples are used for you to review the charges that appear in the WIP Value Summary for the following:

- Material
- Material overhead
- Resource
- Outside processing
- Overhead

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigation >
Viewing WIP Value Summaries**

Practice 1-2: Reviewing the WIP Value Summary, Components Issued to WIP

Practice 1-2: Reviewing the WIP Value Summary, Components Issued to WIP

Example

- You are a stockroom clerk for Vision. In your job, you stage workorders, issuing push components to jobs. You also replace defective components with substitute components.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following WIP material transactions:
 - Issues of all push components
 - Returns of specific components
 - Issues of specific components

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Practice 1-2: Reviewing the WIP Value Summary, Components Issued to WIP

Practice 1-2: Reviewing the WIP Value Summary, Components Issued to WIP

1. **WIP material transaction (issue all material)**
Push all components into the job.
10 units at standard cost of \$250 = \$2,500.
2. **WIP material transaction (return specific component)**
Return two defective units of component 2 to inventory.
2 units at standard cost of \$33 = \$66.
3. **WIP material transaction (issue specific component)**
Replace defective components with substitute items.
2 units at standard cost of \$40 = \$80.

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Practice 1-2: Reviewing the WIP Value Summary, Components Issued to WIP

Practice 1-2: Reviewing the WIP Value Summary, Components Issued to WIP

The following table is a summary of all transactions to this point.

Work in Process Value						
Cost Element	Cost Incurred		Cost Relieved		Balance	
	This Level	Previous Level	This Level	Previous Level	This Level	Previous Level
Material		2,514				2,514
Material OH						
Resource						
OSP						
Overhead						
Total		2,514				2,514

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Practice 1-2: Reviewing the WIP Value Summary, Resource Charges to WIP

Practice 1-2: Reviewing the WIP Value Summary, Resource Charges to WIP

Example

- You are an assembler on a subassembly production line for Vision. In your job, you build assemblies on workorders, charging resources to jobs.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor resource transactions:
 - Resource transaction without rate variance
 - Resource transaction reversal
 - Resource transaction with rate variance

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Practice 1-2: Reviewing the WIP Value Summary, Resource Charges to WIP

Practice 1-2: Reviewing the WIP Value Summary, Resource Charges to WIP

4. Shop floor transaction (resource without rate variance)
Charge resource RS1 at actual for operation 10.
11 hours at \$50 = \$550.
5. Shop floor transaction (reverse resource charge)
Reverse overcharge.
1 hour at \$50 = \$50.
6. Shop floor transaction (resource with rate variance)
Charge resource RS2 at standard for operation 20.
5 units at \$25 = \$125.

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Practice 1-2: Reviewing the WIP Value Summary, Resource Charges to WIP

Practice 1-2: Reviewing the WIP Value Summary, Resource Charges to WIP

The following table is a summary of all transactions to this point.

Work in Process Value						
Cost Element	Cost Incurred		Cost Relieved		Balance	
	This Level	Previous Level	This Level	Previous Level	This Level	Previous Level
Material		2,514				2,514
Material OH						
Resource	625				625	
OSP						
Overhead						
Total	625	2,514			625	2,514

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Practice 1-2: Reviewing the WIP Value Summary, Overhead Charges to WIP

Practice 1-2: Reviewing the WIP Value Summary, Overhead Charges to WIP

Example

- You are an assembler on a subassembly production line for Vision. In your job, you move assemblies on workorders. When you move assemblies, the system charges overhead costs automatically based on resource units or value or by item or lot.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor overhead transactions:
 - Resource-based overhead transaction
 - Resource-based overhead transaction reversal
 - Item-based overhead transaction

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Practice 1-2: Reviewing the WIP Value Summary, Overhead Charges to WIP

Practice 1-2: Reviewing the WIP Value Summary, Overhead Charges to WIP

7. **Shop floor transaction (resource-based overhead)**
Charge 250% on the resource charged in step 4.
 $\$550 * 250\% = \$1,375$.
8. **Shop floor transaction (reverse resource-based overhead)**
Reverse overhead for resource reversed in step 5.
 $\$50 * 250\% = \125 .
9. **Shop floor transaction (item-based overhead)**
Move through operation 20; charge item-based overhead.
10 units at $\$20 = \200 .

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Practice 1-2: Reviewing the WIP Value Summary, Overhead Charges to WIP

Practice 1-2: Reviewing the WIP Value Summary, Overhead Charges to WIP

The following table is a summary of all transactions to this point.

Work in Process Value						
Cost Element	Cost Incurred		Cost Relieved		Balance	
	This Level	Previous Level	This Level	Previous Level	This Level	Previous Level
Material		2,514				2,514
Material OH						
Resource	625				625	
OSP						
Overhead	1,450				1,450	
Total	2075	2,514			2075	2,514

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Practice 1-2: Reviewing the WIP Value Summary, Outside Processing to WIP

Practice 1-2: Reviewing the WIP Value Summary, Outside Processing to WIP

Example

- You are a shop floor production worker for Vision. In your job, you receive assemblies on workorders from outside suppliers and subcontractors, charging outside processing resources to jobs.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor outside processing (OSP) resource transactions:
 - OSP resource transaction without rate variance
 - OSP resource transaction reversal
 - Resource overhead on OSP resource

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Practice 1-2: Reviewing the WIP Value Summary, Outside Processing to WIP

Practice 1-2: Reviewing the WIP Value Summary, Outside Processing to WIP

10. Shop floor transaction
(OSP resource without rate variance)
Charge OSP OS1 at actual for operation 30.
Receive 11 units at \$25 = \$275.
11. Shop floor transaction
(reverse OSP charge)
Reverse overcharge.
1 unit at \$25 = \$25.
12. Shop floor transaction
(resource overhead on OSP resource)
Charge overhead at 1 unit at \$20.

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Practice 1-2: Reviewing the WIP Value Summary, Outside Processing to WIP

Practice 1-2: Reviewing the WIP Value Summary, Outside Processing to WIP

The following table is a summary of all transactions to this point.

Work in Process Value						
Cost Element	Cost Incurred		Cost Relieved		Balance	
	This Level	Previous Level	This Level	Previous Level	This Level	Previous Level
Material		2,514				2,514
Material OH						
Resource	625				625	
OSP	250				250	
Overhead	1,470				1,470	
Total	2,345	2,514			2,345	2,514

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Practice 1-2: Reviewing the WIP Value Summary, Completion Transactions

Practice 1-2: Reviewing the WIP Value Summary, Completion Transactions

Viewing Charges Online

- Use the WIP Value Summary window to view relief charges from WIP completion transactions from a specific job or schedule.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

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**Help: Oracle Manufacturing Applications >
Oracle Work in Process > Windows and Navigation's >
Viewing WIP Value Summaries**

Practice 1-2: Reviewing the WIP Value Summary, Completions and Scrap

Practice 1-2: Reviewing the WIP Value Summary, Completions and Scrap

Example

- You are an assembler and a tester on a subassembly production line for Vision. In your job, you scrap defective assemblies and complete good assemblies on workorders.
- The controller has asked your cost accountant for an analysis of the accounting flows for the following shop floor scrap transactions and WIP completion transaction:
 - Scrap transaction
 - Scrap transaction reversal
 - WIP completion transaction

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Practice 1-2: Reviewing the WIP Value Summary, Completions and Scrap

Practice 1-2: Reviewing the WIP Value Summary, Completions and Scrap

13. Shop floor transaction
Scrap two assemblies at operation 40.
2 units at \$467 = \$934.
14. Shop floor transaction
Return repaired unit from scrap.
1 unit at \$467.
15. WIP completion transaction
Complete nine assemblies from WIP to inventory.
9 units at \$467 = \$4203 + 9 units at \$20 for material overhead.

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Practice 1-2: Reviewing the WIP Value Summary, Completions and Scrap

Practice 1-2: Reviewing the WIP Value Summary, Completions and Scrap

The following table is a summary of all transactions to this point.

Work in Process Value						
Cost Element	Cost Incurred		Cost Relieved		Balance	
	This Level	Previous Level	This Level	Previous Level	This Level	Previous Level
Material		2,514		2,500		14
Material OH						
Resource	625		500		125	
OSP	250		200		50	
Overhead	1,470		1025		445	
Total	2,345	2,514	1725	2500	620	14

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Practice 1-3: Performing and Analyzing WIP Transactions in Standard Costing

Practice 1-3: Performing and Analyzing WIP Transactions in Standard Costing

In this practice, you are a cost accountant and you define and process a discrete job from release to completion for assembly AS62445 in the Vision Database.

- After each WIP transaction that you perform, you review the job value using the WIP Value Summary window. This will help you to analyze the impact of each transaction.
- After the discrete job is closed, you run various reports to analyze variances.

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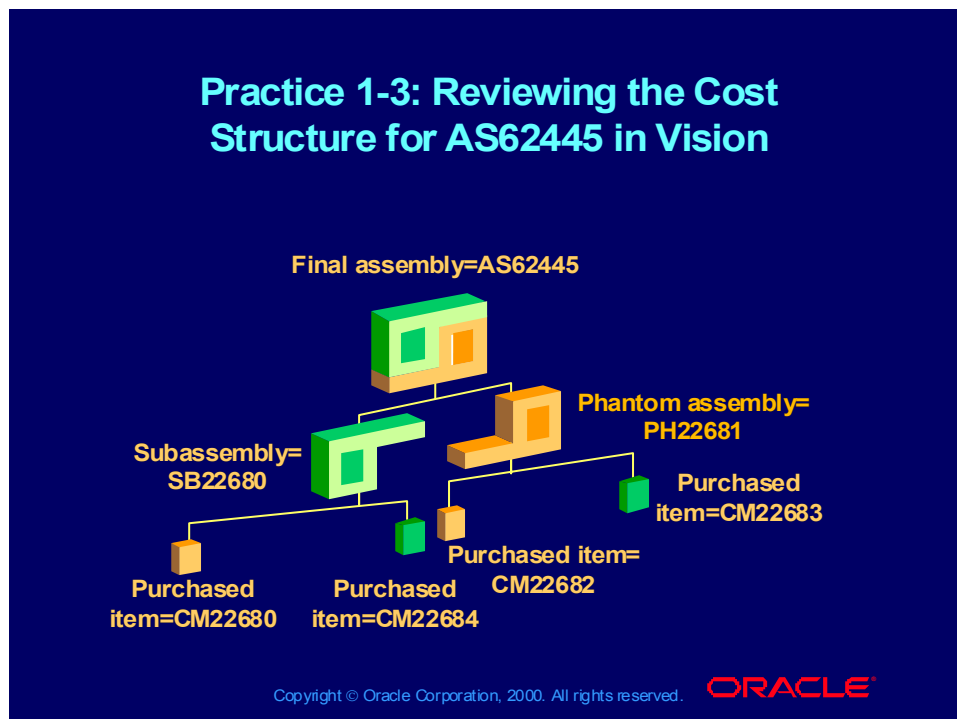
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Instructions

1. Check the status of the Material Cost transaction processor. If this processor is not running or is running at an interval greater than 10 minutes, inform the instructor.
2. Define a released, discrete job for AS62445. Set the quantity equal to 10 and the due date equal to Friday of this week.
Record the job number that the system assigns here: _____
3. Issue to the job any push material needed at the start of the job and 5 additional pieces of CM22680.
4. Move the job through its routing. Execute a scrap transaction for a quantity of 2 and verify that the assembly pull components are charged to the job.
5. Receive a partial quantity into the finished goods (FGI) subinventory.
6. Receive the balance of the job into the FGI subinventory.
7. Close the job. Be careful to close only your job, to avoid interfering with other students' jobs.
8. Review material transaction distributions and job costs in the Material Transaction Distributions window and the WIP Value Summary window. View the accounting distributions created by the transactions and item costs.
9. If time permits, run the Discrete Job Value Report for your job, and review the results online.

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Practice 1-3: Reviewing the Cost Structure for AS62445 in Vision



Practice 1-3: Reviewing the Cost Structure for AS62445 in Vision

Practice 1-3: Reviewing the Cost Structure for AS62445 in Vision

Vision Database Data

- Data was populated in the Vision database to facilitate practices and demonstrations. In this course, we will demonstrate functionality using SB22680, performing transactions and seeing their financial impact.
- For standard costing, we use the M1 organization, verifying that costs exist in the Frozen cost type.
- In M1, you do not have to worry about having onhand balances because the organization allows negative balances.

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Practice 1-3: Reviewing the Cost Structure for AS62445 in Vision

Practice 1-3: Reviewing the Cost Structure for AS62445 in Vision

Assumptions

- Supply types for components:
CM22680, push; CM22682, operation pull;
CM22683, assembly pull; SB22680, operation pull.
- All resources except lead prep were person type resources having the following: UOM=HR, charge type = WIP move, basis = item and overhead = benefits. The only difference with lead prep was that it was a machine type resource.
- Existing departments were used for assembly, test, pack, and upgrade.

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Practice 1-3: Reviewing the Cost Structure for AS62445 in Vision

Practice 1-3: Reviewing the Cost Structure for AS62445 in Vision

Assumptions

- Routings were created with operation sequences set to backflush, usage set at 10 units per hour, and completion and supply subinventories from RIP.
 - Existing overheads were used for material handling, equipment/tool, preventative maintenance, benefits, and manufacturing management.
- Ensure that the interface managers are up and running.

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Practice 1-2: Performing and Analyzing Inventory Transactions

Practice 1-2: Performing and Analyzing Inventory Transactions

In this practice, you will be doing the following in the screens that follow:

1. Verify that the transaction processor is running.
2. Create a discrete job.
3. Check material requirements.
4. Review job costs using the Discrete Job Value Report.
5. Issue push material and issue additional push material.
6. Verify that push material was recorded and valued.
7. Perform move transactions.
8. Perform completion transactions.
9. Verify WIP charges in the WIP Value Summary.
10. Close your job.
11. Run the Discrete Job Value Report.
12. Run the WIP Value Report.

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Guided Practice 1-3: Checking the Interface Managers

Guided Practice 1-3: Checking the Interface Managers

1. **Navigate to the Interface Managers window to check the status of the Cost Manager. If this manager is not running or is running at an interval greater than 10 minutes, inform the instructor.**

Manufacturing and Distribution Manager Responsibility

(N) INV Setup > Transactions > Interface Managers

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Guided Practice 1-3: Defining Discrete Jobs

Guided Practice 1-3: Defining Discrete Jobs

1. Navigate to the Discrete Jobs window to define a released, discrete job for SB22680, as follows:

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > Discrete Jobs (B) New

2. Job: xx-job01, where xx are your initials
3. Type: Standard
4. Assembly: SB22680
5. Class: Discrete
6. Status: Released
7. Start quantity: 10
8. MRP Net: 10
9. Start date: Today's date
10. Save and record the job number that the system assigns here: _____

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Guided Practice 1-3: Checking Material Requirements

Guided Practice 1-3: Checking Material Requirements

1. **Navigate to the Material Requirements window to check your material requirements for any push material needed at the start of the job.**

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > Discrete Jobs (F) Enter job number (B) Components > Supply

- **At this point, you haven't issued any material to your job.**

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Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

Run the Discrete Job Value Report - Standard Costing to determine the remaining cost to be incurred to complete your job.

- 1. Navigate to the Request Value Reports window**
Manufacturing and Distribution Manager Responsibility
(N) CST Report > Value
- 2. The Submit a new Request window opens**
- 3. Check Select Single Request and choose OK**
- 4. Name: Discrete Job Value Report - Standard Costing**
- 5. Choose: OK**

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Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

(Continued from previous page)

6. Enter parameters:
7. Sort By: Job
8. Report Type: Detail with requirements based on Planned Start Quantity
9. Class Type: Standard Discrete
10. Job From: Your job
11. Job To: Your job
12. Exchange Rate: 1
13. Select OK and choose submit
14. Record your request number here_____.

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Guided Practice 1-3: Viewing the Results Online

Guided Practice 1-3: Viewing the Results Online

1. Navigate to the Requests window to check that your report request has completed and to view output online.

Manufacturing and Distribution Manager Responsibility

(N) CST Setup > Requests (B) View Output

2. Check Specific Request

3. Request ID: Enter your request number

4. Choose: Find

5. Choose: View Output

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Guided Practice 1-3: Issuing Push Material

Guided Practice 1-3: Issuing Push Material

1. Navigate to the Material Transactions window to issue your push material needed at the start of the job.

Manufacturing and Distribution Manager Responsibility

(N) WIP Material Transactions > WIP Material Transactions

2. Job: xx-job01, where xx are your initials
3. Date: Today's date
4. Type: WIP component issue
5. Subinventory: Stores
6. Choose: Continue
7. Action: Check that your push components appear
8. Choose: Done

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Guided Practice 1-3: Valuing Push Material

1. Navigate to the Material Transaction Distributions window to verify that your push material needed at the start of the job was recorded and valued.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions (B) Distributions
(T) Accounts > Type

2. Transaction Dates: Today's date

3. Item: CM22680

4. Choose: Find

- Observe that WIP Valuation material and material overhead accounts were charged while only the inventory material valuation was credited.

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Guided Practice 1-3: Valuing Your Job using the WIP Value Summary

Guided Practice 1-3: Valuing Your Job using the WIP Value Summary

1. **Navigate to the WIP Value Summary window to verify that your push material needed at the start of the job was recorded and valued.**

Manufacturing and Distribution Manager Responsibility
(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

2. **Job: xx-job01**
3. **Choose: Value Summary**
4. **Select Cost Element: Material**
5. **Choose: Distributions**
6. **Action: Verify the distributions of the push components in your job**
7. **Select Cost Element: Material Overhead**
8. **Choose: Distributions**
9. **Action: Verify the distributions of the push components in your job**

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Guided Practice 1-3: Issuing Push Material

Guided Practice 1-3: Issuing Push Material

1. Navigate to the Material Transactions window to issue five additional pieces of CM22680 to the job.

Manufacturing and Distribution Manager Responsibility
(N) WIP Material Transactions > WIP Material Transactions

2. Job: xx-job01
3. Date: Today's date
4. Type: WIP component issue
5. Subinventory: Stores
6. Choose: Specific component
7. Choose: Continue
8. Item: CM22680
9. Subinventory: Stores
10. Operation: 10
11. Quantity: 5
11. Choose: Done

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Guided Practice 1-3: Valuing Push Material

1. Navigate to the Material Transaction Distributions window to verify that your additional five pieces of CM22680 were recorded and valued.

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Material Transactions (B) Distributions
(T) Accounts > Type

2. Transaction Dates: Today's date
3. Item: CM22680
4. Choose: Find
5. Select the transaction with the primary quantity of -5
6. Choose distributions
 - Observe that WIP Valuation material and material overhead accounts were charged while only the inventory material valuation was credited.

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Guided Practice 1-3: Reviewing Job Costs Using the WIP Value Summary

Guided Practice 1-3: Reviewing Job Costs Using the WIP Value Summary

1. Navigate to the WIP Value Summary window to verify that your additional five pieces of CM22680 were recorded and valued.

Manufacturing and Distribution Manager Responsibility
(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

2. Job: xx-job01
3. Choose: Value Summary
4. Select Cost Element: Material
5. Choose: Distributions
6. Action: Verify the distributions of the additional push components in your job
7. Select Cost Element: Material Overhead
8. Choose: Distributions
9. Action: Verify the distributions of the additional push components in your job

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Guided Practice 1-3: Performing Move Transactions

Guided Practice 1-3: Performing Move Transactions

1. Navigate to the Move Transactions window to move all of the assemblies From Op Seq: 10, Step: Queue to Op Seq: 20, Step: To Move.

Manufacturing and Distribution Manager Responsibility

(N) WIP Move Transactions > Move Transactions

2. Job: xx-job01
3. From Op Seq: 10, Step Queue
4. Transaction Type Move: Check Move
5. To: Seq 20, Step: To move
6. Quantity: 10
7. Date: Today's date
8. Quantity: 10
9. Save

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Guided Practice 1-3: Performing Completions

Guided Practice 1-3: Performing Completions

1. Navigate to the Completion Transactions window to perform a completion for all ten of SB22680.

Manufacturing and Distribution Manager Responsibility

(N) WIP Material Transactions > Completion Transactions

2. Job: xx-job01
3. Type: WIP assembly completion
4. Date: Today's date
5. Job Quantity: 10
6. Job Complete: 0
7. Available to Complete: 10
8. Choose: Continue
9. Subinventory: RIP
11. Quantity: 10
12. Choose: Done

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Guided Practice 1-3: Valuing Completions

1. **Navigate to the Material Transaction Distributions window to verify that your ten completions were recorded and valued.**

Manufacturing and Distribution Manager Responsibility

**(N) INV Transactions > Material Transactions (B) Distributions
(T) Reason, Reference**

2. **Item: SB22680**
3. **Choose: Find**
4. **Costed: Yes**

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Guided Practice 1-3: Valuing Your Job using the WIP Value Summary

Guided Practice 1-3: Valuing Your Job using the WIP Value Summary

1. Navigate to the WIP Value Summary window to verify the value of your job.
Manufacturing and Distribution Manager Responsibility
(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary
2. Job: xx-job01
3. Action: Verify the value of your push components, your additional components, your moves and your completions in your job
4. Choose: Value Summary
5. Choose Cost Element: Material
6. Choose: Distributions
7. Action: Verify the distributions of your job.
8. Choose Cost Element: Resource
9. Choose: Distributions
10. Action: Verify the distributions of your job.

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Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

Run the Discrete Job Value Report - Standard Costing to analyze your job prior to closing and recognizing variances.

- 1. Navigate to the Request Value Reports window**
Manufacturing and Distribution Manager Responsibility
(N) CST Report > Value
- 2. The Submit a new Request window opens**
- 3. Check Select Single Request and choose OK**
- 4. Name: Discrete Job Value Report - Standard Costing**
- 5. Choose: OK**

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Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

(Continued from previous page)

6. Enter parameters:
7. Sort By: Job
8. Report Type: Detail with requirements based on Actual Quantity Completed
9. Class Type: Standard Discrete
10. Job From: Your job
11. Job To: Your job
12. Exchange Rate: 1
13. Select OK and choose submit
14. Record your request number here_____.

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Guided Practice 1-3: Viewing the Results Online

Guided Practice 1-3: Viewing the Results Online

1. Navigate to the Requests window to check that your report request has completed and to view output online.

Manufacturing and Distribution Manager Responsibility

(N) CST Setup > Requests (B) View Output

2. Check Specific Request

3. Request ID: Enter your request number

4. Choose: Find

5. Choose: View Output

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Guided Practice 1-3: Closing Discrete Jobs

Guided Practice 1-3: Closing Discrete Jobs

1. Navigate to the Close Discrete Jobs window to close only your job.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > Close Discrete Jobs > Close Discrete Job (SRS)

2. Request Name: Close Discrete Jobs
3. Parameters window
4. Class Type: Standard discrete
5. From Job: Your job number
6. To Job: Your job number
7. Report Type: Summary
7. OK
8. Choose: Submit
9. Record your request number here: _____

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Guided Practice 1-3: Reviewing Requests

Guided Practice 1-3: Reviewing Requests

1. **Navigate to the Requests window to check to make sure that your close request has completed.**

Manufacturing and Distribution Manager Responsibility

CST Setup > Requests (T) Query your request number (B) View Output

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Guided Practice 1-3: Valuing Your Job using the WIP Value Summary

Guided Practice 1-3: Valuing Your Job using the WIP Value Summary

1. Navigate to the WIP Value Summary window to verify the value of your job.

Manufacturing and Distribution Manager Responsibility

(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

2. Job: xx-job01
3. Action: Verify the value of your job
4. Choose Cost Element: Material
5. Choose: Distributions
6. Action: Verify the distributions of your job for each cost element
7. Choose Cost Element: Resource
8. Choose: Distributions
9. Action: Verify the accounting distributions of your job created by the transactions.

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Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

Run the Discrete Job Value Report - Standard Costing after you have closed your job.

1. Navigate to the Request Value Reports window
Manufacturing and Distribution Manager Responsibility
(N) CST Report > Value
2. The Submit a new Request window opens
3. Check Select Single Request and choose OK
4. Name: Discrete Job Value Report - Standard Costing
5. Choose: OK

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Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report

(Continued from previous page)

6. Enter parameters:
7. Sort By: Job
8. Report Type: Summary
9. Class Type: Standard Discrete
10. Job From: Your job
11. Job To: Your job
12. Exchange Rate: 1
13. Select OK and choose submit
14. Record your request number here_____.

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Guided Practice 1-3: Viewing the Results Online

Guided Practice 1-3: Viewing the Results Online

1. Navigate to the Requests window to check that your report request has completed and to view output online.

Manufacturing and Distribution Manager Responsibility

(N) CST Setup > Requests (B) View Output

2. Check Specific Request

3. Request ID: Enter your request number

4. Choose: Find

5. Choose: View Output

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Guided Practice 1-3: Reviewing Job Costs Using the WIP Value Report

Guided Practice 1-3: Reviewing Job Costs Using the WIP Value Report

Run the WIP Value Report to identify your significant variances with one line per job or repetitive assembly.

- 1. Navigate to the Request Value Reports window**
Manufacturing and Distribution Manager Responsibility
(N) CST Report > Value
- 2. The Submit a new Request window opens**
- 3. Check Select Single Request and choose OK**
- 4. Name: WIP Value Report**
- 5. Choose: OK**

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Guided Practice 1-3: Reviewing Job Costs Using the WIP Value Report

Guided Practice 1-3: Reviewing Job Costs Using the WIP Value Report

(Continued from previous page)

6. Enter parameters:
7. Report Type: Cumulative-to-Date
8. Period: Current period
9. Include Closed Jobs: Yes
10. Job/Schedules From: Your job number
11. To: Your job number
12. Exchange Rate: 1
13. Select OK and choose submit
14. Record your request number here_____.

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Guided Practice 1-3: Viewing the Results Online

Guided Practice 1-3: Viewing the Results Online

1. Navigate to the Requests window to check that your report request has completed and to view output online.

Manufacturing and Distribution Manager Responsibility

(N) CST Setup > Requests (B) View Output

2. Check Specific Request

3. Request ID: Enter your request number

4. Choose: Find

5. Choose: View Output

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