

11i Implement and Use Cost Management Average and Standard Costing

Student Guide – Volume 4

14860GC10
Production 1.0
February 2001
D31555

ORACLE®

Copyright © Oracle Corporation, 2001. All rights reserved.

This documentation contains proprietary information of Oracle Corporation. It is provided under a license agreement containing restrictions on use and disclosure and is also protected by copyright law. Reverse engineering of the software is prohibited. If this documentation is delivered to a U.S. Government Agency of the Department of Defense, then it is delivered with Restricted Rights and the following legend is applicable:

Restricted Rights Legend

Use, duplication or disclosure by the Government is subject to restrictions for commercial computer software and shall be deemed to be Restricted Rights software under Federal law, as set forth in subparagraph (c)(1)(ii) of DFARS 252.227-7013, Rights in Technical Data and Computer Software (October 1988).

This material or any portion of it may not be copied in any form or by any means without the express prior written permission of the Education Products group of Oracle Corporation. Any other copying is a violation of copyright law and may result in civil and/or criminal penalties.

If this documentation is delivered to a U.S. Government Agency not within the Department of Defense, then it is delivered with "Restricted Rights," as defined in FAR 52.227-14, Rights in Data-General, including Alternate III (June 1987).

The information in this document is subject to change without notice. If you find any problems in the documentation, please report them in writing to Worldwide Education Services, Oracle Corporation, 500 Oracle Parkway, Box SB-6, Redwood Shores, CA 94065. Oracle Corporation does not warrant that this document is error-free.

Oracle and all references to Oracle Products are trademarks or registered trademarks of Oracle Corporation.

All other products or company names are used for identification purposes only, and may be trademarks of their respective owners.

Authors

Anisa King

Technical Reviewers and Contributors

Barry Kurl, Tom Marik, Pam Freeman, John Paramore, and Sid Ordog

This book was published using:

Oracle® Tutor™



Table of Contents

11i Overview of Cost Management	1-1
11i Overview of Cost Management	1-2
Course Objectives	1-3
Agenda	1-4
Product Overview	1-5
Agenda	1-8
Role of Cost Management	1-9
Agenda	1-10
Product Costing	1-11
Product Costing Method: Average Costing	1-12
Product Costing Method: Periodic Costing	1-14
Product Costing Method: Periodic Average Costing	1-16
Product Costing Method: Periodic Incremental LIFO Costing	1-17
Product Costing Method: Standard Costing	1-18
Agenda	1-20
Inventory Control and Valuation	1-21
Agenda	1-23
Profit Analysis	1-24
Agenda	1-26
Management Reporting	1-27
Agenda	1-30
Budgeting and Planning	1-31
Agenda	1-35
Cost Management Business Flow	1-36
Agenda	1-40
Oracle Cost Management Integration	1-41
Review Question	1-46
Summary	1-48
 11i Overview of Implementing and Setup for Cost Management.....	2-1
11i Overview of Implementing and Setup for Cost Management	2-2
Objectives	2-3
Agenda	2-4
Overview	2-5
Cost Management Business Flow	2-6
Integration	2-7
 11i Describing General Ledger Cost Controls	3-1
11i Describing General Ledger Cost Controls	3-2
Objectives	3-3
Agenda	3-4
Overview	3-5
Agenda	3-7
Functional Currency and Currency Controls	3-8
Functional Currency and Currency Controls: Precision	3-9
Functional Currency and Currency Controls: Minimum Accountable Unit	3-11
Functional Currency and Currency Controls: Currencies	3-12
Enabling Currencies or Defining Non-ISO Currencies	3-13
Review Question	3-14
Agenda	3-16
General Ledger Chart of Accounts	3-17
Agenda	3-18
Accounting Periods	3-19

Accounting Calendar	3-21
Open Accounting Periods	3-22
Review Question.....	3-25
Agenda.....	3-27
Exchange Rates.....	3-28
Review Question.....	3-34
Agenda.....	3-36
Set of Books.....	3-37
Interorganization Transfers Across Sets of Books.....	3-41
Interorganization Transfers with Multiple SOBs.....	3-42
Set of Books: Customization	3-43
Review Question.....	3-44
Summary.....	3-46
Practice 1-1 Overview	3-47
Practice 1-1	3-48
Guided Practice 1-2 Overview.....	3-50
Guided Practice 1-2: Opening Accounting Periods	3-51
Guided Practice 1-3 Overview.....	3-53
Guided Practice 1-3: Entering Daily Rates.....	3-54
Guided Practice 1-3: Entering Period Rates	3-55
11i Describing Organizational Cost Controls.....	4-1
11i Describing Organizational Cost Controls	4-2
Objectives	4-3
Agenda.....	4-4
Overview	4-5
Agenda.....	4-7
Inventory Organization Controls	4-8
Agenda.....	4-10
Cost Control Level.....	4-11
Review Question.....	4-15
Cost Control Level: Attribute Names	4-17
Review Question.....	4-21
Defining Item Attribute Controls.....	4-23
Organization Parameters: Entering a Master Organization.....	4-26
Review Question.....	4-28
Organization Parameters: Costing Information	4-30
Review Question.....	4-32
Agenda.....	4-34
Organization Parameters: Costing Method.....	4-35
Costing Method: Standard Costing.....	4-36
Costing Method: Average Costing.....	4-37
Agenda.....	4-38
Organization Parameters: General Ledger Transfer Options	4-39
Review Question.....	4-41
Agenda.....	4-43
Organization Parameters: Speed Item Cost Entry.....	4-44
Organization Parameters: Organization-Level Default and System Accounts	4-46
Review Question.....	4-56
Organization Parameters: Interorganization Information	4-58
Organization Parameters: Interorganization Information	4-62
Review Question.....	4-63
Agenda.....	4-65
Interorganization Transfer Information	4-66
Shipping Network Interorganization Transfer Accounts	4-70
Review Question.....	4-72
Summary.....	4-74

Practice 1-1 Overview	4-75
Practice 1-1	4-76
Guided Practice 1-2 Overview	4-78
Guided Practice 1-2: Defining Item Attribute Controls	4-79
11i Describing Financial Cost Controls	5-1
11i Describing Financial Cost Controls	5-2
Objectives	5-3
Agenda	5-4
Overview	5-5
Agenda	5-7
Subinventory Accounts and Controls	5-8
Review Question	5-18
Agenda	5-20
Receiving Options and Controls	5-21
Review Question	5-26
Noninventory versus Inventory Items	5-28
Noninventory Expense Items	5-29
Inventory Expense Items	5-30
Review Question	5-31
Agenda	5-33
Units of Measure	5-34
Review Question	5-36
Agenda	5-38
Categories for Product-Line Costing	5-39
Review Question	5-52
Agenda	5-54
Account Aliases	5-55
Review Question	5-58
Agenda	5-60
Cost Security Profiles	5-61
Review Question	5-66
Summary	5-68
Practice 1-1 Overview	5-69
Practice 1-1	5-70
Guided Practice 1-2 Overview	5-72
Guided Practice 1-2	5-73
11i Describing WIP Cost Controls	6-1
11i Describing WIP Cost Controls	6-2
Objectives	6-3
Agenda	6-4
Overview	6-5
Agenda	6-7
Job Costing Versus Period-Based Costing	6-8
Review Question	6-11
This-Level and Previous-Level Costing	6-13
Review Question	6-16
WIP Parameters: Repetitive Variance Timing	6-18
Review Question	6-26
WIP Parameters: Assembly Scrap Costing	6-28
Defining WIP Parameters	6-30
Review Question	6-31
Agenda	6-33
Valuation and Variance Accounts: WIP Accounting Class	6-34
Review Question	6-41
WIP Accounting Classes	6-43
Defining WIP Accounting Classes	6-48

Work-in-Process Costing Differences	6-49
Review Question.....	6-50
Summary.....	6-52
Practice 1-1 Overview	6-53
Practice 1-1	6-54
Practice 1-2 Overview	6-56
Guided Practice 1-2: Defining WIP Accounting Classes for Standard Costing	6-57
Guided Practice 1-3 Overview.....	6-59
Guided Practice 1-3: Defining WIP Accounting Classes for Average Costing	6-60
11i Summary of Implementing and Setup for Cost Management.....	7-1
11i Summary of Implementing and Setup for Cost Management.....	7-2
Objectives	7-3
Agenda Summary	7-4
11i Overview of Costing Information.....	8-1
11i Overview of Costing Information.....	8-2
Objectives	8-3
Agenda.....	8-4
Overview	8-5
Cost Management Business Flow.....	8-6
Unit Integration.....	8-7
11i Defining Cost Types.....	9-1
11i Defining Cost Types.....	9-2
Objectives	9-3
Agenda.....	9-4
Overview	9-5
Agenda.....	9-7
Unlimited Cost Types.....	9-8
Predefined Cost Types.....	9-10
Cost Types Available for Standard Costing.....	9-11
Cost Types Available for Average Costing	9-13
Agenda.....	9-16
Cost Type Controls for Inventory and Manufacturing.....	9-17
Agenda.....	9-20
Cost Type Controls with Bills of Material.....	9-21
Agenda.....	9-24
Defining Cost Types	9-25
Review Question.....	9-26
Summary.....	9-28
Practice 1 Overview.....	9-29
Practice 1-1	9-30
Guided Practice 1-2	9-31
11i Describing Cost Elements	10-1
11i Describing Cost Elements.....	10-2
Objectives	10-3
Agenda.....	10-4
Overview	10-5
Agenda.....	10-7
Cost Elements	10-8
Subelements.....	10-12
Basis Types.....	10-13
Subelements.....	10-14
Review Question.....	10-16
Basis Types.....	10-18
Review Question.....	10-24
Summary.....	10-26

Practice 1 Overview	10-27
Practice 1-1	10-28
Practice 1-2	10-29
Practice 1-2 Solution.....	10-30
Practice 1-3	10-31
11i Defining Item Costs	11-1
11i Defining Item Costs.....	11-2
Objectives	11-3
Agenda.....	11-4
Overview	11-5
Agenda.....	11-6
Material Subelements	11-7
Defining Material Subelements	11-8
Material Overhead Subelements	11-9
Defining Material Overhead Subelements.....	11-11
Review Question.....	11-12
Material Overhead Defaults.....	11-14
Defining Material Overhead Defaults.....	11-19
Review Question.....	11-20
Agenda.....	11-22
Item Cost Controls.....	11-23
Viewing Item Cost Controls	11-31
Review Question.....	11-32
Agenda.....	11-34
Item Costs	11-35
Summary.....	11-37
Practice 1 Overview.....	11-38
Practice 1-1	11-39
Practice 1-2	11-40
Guided Practice: 1-3 Defining Material Subelements	11-41
Guided Practice: 1-4 Defining Material Overhead	11-42
Guided Practice: 1-5 Defining Material Overhead Defaults	11-43
Guided Practice: 1-6 Defining Items and Item Costs.....	11-44
Guided Practice: 1-6 Defining Items	11-45
Guided Practice: 1-6 Defining Items	11-48
Guided Practice: 1-6 Defining Item Costs	11-49
11i Defining Resource and Overhead Costs	12-1
11i Defining Resource and Overhead Costs	12-2
Objectives	12-3
Agenda.....	12-4
Overview	12-5
Agenda.....	12-6
BOM Parameters	12-7
Agenda.....	12-8
Resource Subelements and Costs.....	12-9
Defining Resources.....	12-10
Review Question.....	12-11
Unlimited Cost Types for Resources	12-13
Defining Resource Costs	12-16
Review Question.....	12-17
Overhead Subelements	12-19
Defining Overhead.....	12-26
Review Question.....	12-27
Agenda.....	12-29
Defining Departments and Associating Resources	12-30
Agenda.....	12-33

Defining Overhead Rates by Department	12-34
Associating Overheads with Resources	12-35
Three-Way Association	12-36
Review Question.....	12-37
Agenda.....	12-39
Defining Routings.....	12-40
Defining Routings and Operation Resources.....	12-42
Defining Routings: Routing Cost Example	12-43
Agenda.....	12-45
Bills of Material.....	12-46
Defining Bills of Material.....	12-49
Review Question.....	12-50
Summary.....	12-52
Practice 1 Overview.....	12-53
Practice 1-1	12-54
Practice 1-2	12-55
Practice 1-3	12-56
Guided Practice: 1-4 Defining Departments.....	12-57
Guided Practice: 1-4 Defining Resources.....	12-58
Guided Practice: 1-4 Defining Resources.....	12-59
Guided Practice: 1-4 Defining Overheads	12-60
Guided Practice: 1-4 Associating Departments to Resources to Overheads.....	12-62
Guided Practice: 1-4 Defining Routings.....	12-64
Guided Practice: 1-4 Defining Bills.....	12-66
11i Summary of Costing Information	13-1
11i Summary of Costing Information.....	13-2
Objectives	13-3
Agenda Summary	13-4
11i Rolling Up and Updating Costs	14-1
11i Rolling Up and Updating Costs	14-2
Objectives	14-3
Agenda.....	14-4
Overview	14-5
Agenda.....	14-6
This-Level and Previous-Level Costing	14-7
Agenda.....	14-10
Single-Level Versus Full Cost Rollup	14-11
Cost Rollup	14-14
Cost Rollup Options	14-18
Performing the Cost Rollup	14-20
Practice 1 Overview.....	14-21
Practice 1-1: Reviewing the Costed Indented BOM in Frozen Costs	14-22
Practice 1-2: Defining Cost Types.....	14-23
Demonstration: Performing a Full Assembly Cost Rollup	14-24
Demonstration: Performing a Single-Level Assembly Cost Rollup	14-25
Viewing Indented Cost Rollup Results Online	14-26
Viewing Item Costs by Cost Type.....	14-28
Practice 1-3: Viewing Item Costs and Inventory Value.....	14-30
Reporting Rolled-Up Structures	14-31
Review Question.....	14-33
Cost Rollup Checklist.....	14-35
Practice 2 Overview.....	14-37
Practice 2-1	14-38
Agenda.....	14-39
Phantom Costing.....	14-40
Setting Up Phantom Costing.....	14-47

Phantom Costing Reports	14-50
Review Question.....	14-52
Demonstration: Changing Parameters for Phantom Costing	14-54
Agenda.....	14-55
How the Standard Cost Update Works	14-56
Updating Standard Costs	14-58
Demonstration: Performing a Standard Cost Update.....	14-65
Agenda.....	14-67
Item Cost Inquiries	14-68
Viewing Item Standard Cost History.....	14-69
All Costs are Transferred.....	14-72
Cost Update Checklist	14-73
Purging Cost Update Details.....	14-74
Practice 3 Overview.....	14-75
Practice 3-1: Viewing Standard Cost History	14-76
Practice 3-2: Reviewing the Cost Update	14-77
Agenda.....	14-78
Copying Costs.....	14-79
Practice 3-3: Copying Item Costs Between Cost Types	14-83
Copy Cost Options: Example	14-85
Agenda.....	14-88
Editing Item Costs using Mass Edits	14-89
Demonstration: Editing Item Costs Using Mass Edits.....	14-96
Agenda.....	14-98
Purging Nonvaluation Cost Types	14-99
Review Question.....	14-102
Agenda.....	14-104
Editing Item Control Accounts using Mass Edits.....	14-105
Review Question.....	14-108
Summary.....	14-110
Practice 4 Overview.....	14-111
Practice 4-1	14-112
Practice 5 Overview.....	14-113
Practice 5-1: Defining Items	14-115
Practice 5-2: Defining Item Costs.....	14-119
Practice 5-3: Defining Departments.....	14-121
Practice 5-3: Defining Resources.....	14-122
Practice 5-3: Defining Overheads.....	14-124
Practice 5-3: Associating Departments to Resources to Overheads.....	14-126
Practice 5-4: Defining Routings.....	14-128
Practice 5-5: Defining Bills	14-130
Practice 5-6: Performing a Full Assembly Cost Rollup.....	14-132
Practice 5-7: Performing a Standard Cost Update	14-134
Practice 5-8: Reviewing the Costed Indented Bills of Material in xpxending.....	14-136
11i Accounting for Inventory Transactions for Average Costing.....	15-1
11i Accounting for Inventory Transactions for Average Costing.....	15-2
Objectives	15-3
Agenda.....	15-4
Overview	15-5
Agenda.....	15-8
Describing Average Costing	15-9
Review Question.....	15-17
Agenda.....	15-19
Setting Up Average Costing	15-20
Review Question.....	15-34
Agenda.....	15-36

Average Cost Update	15-37
Review Question.....	15-48
Agenda.....	15-50
Accounting for Inventory Transactions	15-51
Accounting for Material Transactions	15-52
Transaction Processing	15-60
Viewing Item Cost History	15-64
Item Unit Cost History.....	15-65
Viewing Item Cost History	15-66
Inventory Purchasing Transactions.....	15-67
Transferring Invoice Price Variance	15-76
Review Question.....	15-79
Subinventory Transfers.....	15-81
Miscellaneous Issues and Receipts	15-83
Interorganization Transfers	15-89
Direct Interorganization Transfers.....	15-91
Interorganization Transfers Using Intransit FOB Receipt	15-96
Interorganization Transfers Using Intransit FOB Receipt	15-97
Interorganization Transfers Using Intransit FOB Receipt	15-98
Interorganization Transfers Using Intransit FOB Receipt	15-100
Interorganization Transfers Using Intransit FOB Shipment	15-104
Interorganization Transfers Using Intransit FOB Shipment	15-107
Interorganization Transfers Using Intransit FOB Shipment	15-109
Review Question.....	15-110
Customer Shipments and Returns	15-112
Inventory Adjustments.....	15-115
Average Cost Variance Account.....	15-116
Internal Requisitions	15-122
Review Question.....	15-126
Summary.....	15-128
Practice 1 Overview.....	15-129
Practice 1-1: Describing Average Costing.....	15-130
Practice 1-2: Recording Postings for an Inventory Purchasing Flow	15-131
Practice 1-2 Solution: Recording Postings for an Inventory Purchasing Flow	15-133
Practice 1-2: Recording Postings for an Inventory Purchasing Flow	15-134
Practice 1-2 Solution: Recording Postings for an Inventory Purchasing Flow	15-135
Practice 1-3: Recalculating the Average Unit Cost for Purchase Order Receipts.....	15-136
Practice 1-3 Solution: Recalculating the Average Unit Cost for PO Receipts.....	15-137
Practice 1-4: Transferring Invoice Price Variance (IPV) to Inventory	15-138
Guided Practice 1-4: Defining Items	15-139
Guided Practice 1-4: Creating Purchase Orders	15-140
Guided Practice 1-4: Approving Purchase Orders.....	15-142
Guided Practice 1-4: Receiving Goods.....	15-143
Guided Practice 1-4: Creating Invoices	15-144
Guided Practice 1-4: Running the Payables Accounting Process	15-146
Guided Practice 1-4: Running the IPV Report.....	15-147
Guided Practice 1-4: Transferring IPV to the Item in Inventory	15-148
Guided Practice 1-4: Viewing the Item Cost for the Items	15-149
11i Accounting for WIP Transactions.....	16-1
11i Accounting for WIP Transactions for Average Costing.....	16-2
Objectives	16-3
Agenda.....	16-4
Overview	16-5
Agenda.....	16-8
Describing the Relationship Between Oracle WIP Transactions and OCM	16-9
Agenda.....	16-18

Phantom Costing.....	16-19
Setting Up Phantom Costing.....	16-26
Phantom Costing Reports	16-29
Review Question.....	16-31
Demonstration: Changing Parameters for Phantom Costing	16-33
Agenda.....	16-34
Review of Manufacturing Cost Setup.....	16-35
BOM Parameters	16-36
Resource Subelements and Costs.....	16-37
Defining Resources.....	16-38
Review Question.....	16-39
Average Rates Cost Types for Resources	16-41
Unlimited Cost Types for Resources	16-42
Defining Resource Costs	16-44
Review Question.....	16-45
Overhead Subelements	16-47
Defining Overhead.....	16-54
Review Question.....	16-55
Defining Departments and Associating Resources.....	16-57
Defining Overhead Rates by Department	16-60
Associating Overheads with Resources	16-61
Three-Way Association	16-62
Review Question.....	16-63
Defining Routings.....	16-65
Defining Routings and Operation Resources.....	16-67
Bills of Material.....	16-68
Defining Bills of Material.....	16-71
Summary of Review of Manufacturing Cost Setup	16-72
Practice Overview.....	16-73
Guided Practice: Defining Departments	16-74
Guided Practice: Defining Resources	16-75
Guided Practice: Defining Overheads	16-76
Guided Practice: Associating Departments to Resources to Overheads	16-77
Agenda.....	16-79
Accounting Flows: Costs Incurred, Components Issued to WIP	16-80
Accounting Flows: Costs Incurred, Material Overhead.....	16-84
Accounting Flows: Costs Incurred, Resource Charges to WIP	16-89
Accounting Flows: Costs Incurred, Resource Charges to WIP	16-94
Accounting Flows: Costs Incurred, Resource Charges to WIP	16-99
Accounting Flows: Costs Incurred, Overhead Charges to WIP.....	16-101
Accounting Flows: Costs Incurred, Outside Processing	16-109
Accounting Flows: Costs Incurred, Outside Processing	16-110
Review Question.....	16-114
Accounting Flows: Costs Incurred, Viewing the WIP Value Summary.....	16-116
Accounting Flows: Costs Incurred, Summary	16-117
Agenda.....	16-119
Accounting Flows: Costs Relieved, Assembly Completion from WIP	16-120
Accounting Flows: Costs Relieved, Performing Completion Transactions.....	16-131
Review Question.....	16-133
Accounting Flows: Costs Relieved, Defining WIP Parameters.....	16-135
Accounting Flows: Costs Relieved, Work Order-less Completions	16-139
Accounting Flows: Costs Relieved, Assembly Returns to WIP	16-142
Accounting Flows: Costs Relieved, Scrap.....	16-144
Accounting Flows: Costs Relieved, Assembly Scrap	16-146
Accounting Flows: Costs Relieved, Scrap Reversals	16-147
Accounting Flows: Costs Relieved, Assembly Completion and Scrap	16-148
Accounting Flows: Costs Relieved, Summary	16-150

Accounting Flows: Variances.....	16-151
Summary.....	16-154
Practice 1 Overview.....	16-155
Practice 1-1: Recording Postings for Average Costing Transactions	16-157
Practice 1-1 Solution: Recording Postings for Average Costing Transactions.....	16-160
Practice 1-2: Performing and Analyzing WIP Transactions in Average Costing	16-161
Guided Practice 1-2: Checking the Interface Managers	16-162
Guided Practice 1-2: Defining Discrete Jobs.....	16-163
Guided Practice 1-2: Checking Material Requirements.....	16-164
Guided Practice 1-2: Issuing Push Material.....	16-165
Guided Practice 1-2: Valuing Push Material	16-166
Guided Practice 1-2: Valuing Your Job using the WIP Value Summary	16-167
Guided Practice 1-2: Issuing Push Material.....	16-168
Guided Practice 1-2: Valuing Push Material	16-169
Guided Practice 1-2: Valuing Your Job using the WIP Value Summary	16-170
Guided Practice 1-2: Performing Move Transactions.....	16-171
Guided Practice 1-2: Valuing Your Job using the WIP Value Summary	16-172
Guided Practice 1-2: Performing Easy Completions	16-173
Guided Practice 1-2: Valuing Easy Completions	16-174
Guided Practice 1-2: Valuing Your Job using the WIP Value Summary	16-175
Guided Practice 1-2: Verifying Item Costs.....	16-176
Guided Practice 1-2: Performing Move Transactions to Scrap.....	16-177
Guided Practice 1-2: Valuing Your Job using the WIP Value Summary	16-178
Guided Practice 1-2: Performing Completion Transactions	16-179
Guided Practice 1-2: Valuing Completions	16-180
Guided Practice 1-2: Valuing Your Job using the WIP Value Summary	16-181
Guided Practice 1-2: Verifying Item Costs.....	16-182
Guided Practice 1-2: Closing Discrete Jobs.....	16-183
Guided Practice 1-2: Reviewing Requests.....	16-184
Guided Practice 1-2: Valuing Your Job using the WIP Value Summary	16-185
Guided Practice 1-2: Reviewing the Discrete Job Value Report	16-186
Guided Practice 1-2: Reviewing Requests.....	16-187
Guided Practice 1-3: Costing of Assembly Returns to WIP	16-188
Guided Practice 1-3: Defining Discrete Jobs.....	16-189
Guided Practice 1-3: Performing Easy Completions	16-190
Guided Practice 1-3: Valuing Easy Completions	16-191
Guided Practice 1-3: Valuing Your Job using the WIP Value Summary	16-192
Guided Practice 1-3: Verifying Item Costs.....	16-193
Guided Practice 1-3: Issuing Push Material.....	16-194
Guided Practice 1-3: Valuing Push Material	16-195
Guided Practice 1-3: Valuing Your Job using the WIP Value Summary	16-196
Guided Practice 1-3: Performing Easy Completions	16-197
Guided Practice 1-3: Valuing Easy Completions	16-198
Guided Practice 1-3: Valuing Your Job using the WIP Value Summary	16-199
Guided Practice 1-3: Viewing Item Cost History	16-200
Guided Practice 1-3: Performing Returns.....	16-201
Guided Practice 1-3: Viewing Item Cost History	16-202
11i Accounting for Inventory Transactions for Standard Costing.....	17-1
11i Accounting for Inventory Transactions for Standard Costing	17-2
Objectives	17-3
Agenda.....	17-4
Overview	17-5
Describing the Relationship Between Transactions and Cost Management	17-10
Review Question.....	17-16
Agenda.....	17-18
Setting Up Standard Costing.....	17-19

Agenda.....	17-23
Transaction Account Reference.....	17-24
Inventory Transactions	17-29
Inventory Purchasing Transactions.....	17-30
Review Question.....	17-41
Expense Purchasing Transactions.....	17-43
Review Question.....	17-46
Subinventory Transactions	17-48
Miscellaneous Inventory Transactions	17-49
Subinventory Transactions and Miscellaneous Inventory Transactions	17-51
Review Question.....	17-52
Inter-organization Transfers	17-54
Direct Inter-organization Transfers.....	17-56
Review Question.....	17-58
Inter-organization Transfers Using Intransit FOB Receipt.....	17-60
Inter-organization Transfers Using Intransit FOB Receipt.....	17-61
Inter-organization Transfers Using Intransit FOB Receipt.....	17-63
Review Question.....	17-64
Inter-organization Transfers Using Intransit FOB Shipment.....	17-66
Inter-organization Transfers	17-69
Review Question.....	17-70
Customer Shipments and Returns.....	17-72
Review Question.....	17-75
Inventory Adjustments.....	17-77
Inventory Transactions	17-79
Review Question.....	17-80
Internal Sales Orders.....	17-82
Internal Requisitions.....	17-83
Review Question.....	17-89
Summary.....	17-91
Practice 1 Overview.....	17-92
Practice 1-1: Performing and Analyzing Inventory Transactions.....	17-93
Guided Practice 1-1: Checking the Interface Managers	17-94
Guided Practice 1-1: Checking Current Period is Open	17-95
Guided Practice 1-1: Creating Purchase Orders	17-96
Guided Practice 1-1: Approving Purchase Orders.....	17-98
Guided Practice 1-1: Receiving Goods to Receiving.....	17-99
Guided Practice 1-1: Receiving Goods to Subinventory	17-100
Guided Practice 1-1: Viewing Accounting Entries.....	17-101
Guided Practice 1-1: Viewing the Inventory History	17-102
Guided Practice 1-1: Performing Miscellaneous Receipts.....	17-103
Guided Practice 1-1: Viewing Accounting Entries.....	17-104
Guided Practice 1-1: Running the Material Account Distribution Detail Report	17-106
Guided Practice 1-1: Viewing the Results Online	17-107
Guided Practice 1-1: Running the Purchase Price Variance Report	17-108
Guided Practice 1-1: Viewing the Results Online	17-109
Guided Practice 1-1: Running the Inventory Value Report.....	17-110
Guided Practice 1-1: Viewing the Results Online	17-111
11i Accounting for WIP Transactions.....	18-1
11i Accounting for WIP Transactions for Standard Costing	18-2
Objectives	18-3
Agenda.....	18-4
Overview	18-5
Describing the Relationship Between WIP Transactions and Cost Management.....	18-9
Agenda.....	18-10
Accounting Flows: Costs Incurred, Components Issued to WIP	18-11

Review Question.....	18-17
Accounting Flows: Costs Incurred, Material Overhead.....	18-19
Accounting Flows: Costs Incurred, Resource Charges to WIP	18-21
Accounting Flows: Costs Incurred, Resource Charges to WIP	18-26
Review Question.....	18-29
Accounting Flows: Costs Incurred, Overhead Charges to WIP.....	18-31
Review Question.....	18-41
Accounting Flows: Costs Incurred, Outside Processing.....	18-43
Review Question.....	18-50
Accounting Flows: Costs Incurred, Viewing the WIP Value Summary.....	18-52
Accounting Flows: Costs Incurred, Summary	18-53
Review Question.....	18-54
Agenda.....	18-56
Accounting Flows: Costs Relieved.....	18-57
Accounting Flows: Costs Relieved, Completion Transactions.....	18-58
Accounting Flows: Costs Relieved, Performing Completion Transactions.....	18-59
Accounting Flows: Costs Relieved, Completion Transactions.....	18-60
Accounting Flows: Costs Relieved, Overcompletion Transactions.....	18-61
Accounting Flows: Costs Relieved, Performing Overcompletion Transactions.....	18-64
Accounting Flows: Costs Relieved, Overcompletion Transactions.....	18-65
Accounting Flows: Costs Relieved, Work Order-less Completions	18-66
Accounting Flows: Costs Incurred, Work Order-less Completions.....	18-67
Accounting Flows: Costs Relieved.....	18-68
Accounting Flows: Costs Relieved, Scrap.....	18-69
Accounting Flows: Costs Relieved, Performing Scrap Transactions.....	18-72
Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap	18-73
Accounting Flows: Costs Relieved, Performing Assembly Scrap Transactions.....	18-79
Accounting Flows: Costs Relieved, Assembly Completion and Scrap	18-80
Review Question.....	18-83
Agenda.....	18-85
Accounting Flows: Variances.....	18-86
Review Question.....	18-92
Agenda.....	18-94
Standard Cost Update	18-95
Review Question.....	18-103
Summary.....	18-105
Practice 1 Overview.....	18-106
Reviewing the Cost Structure for AS62445 in the Vision Database.....	18-107
Practice 1-1: Performing and Analyzing WIP Transactions in Standard Costing.....	18-111
Guided Practice 1-1: Checking the Interface Managers	18-112
Guided Practice 1-1: Defining Discrete Jobs.....	18-113
Guided Practice 1-1: Checking Material Requirements.....	18-114
Guided Practice 1-1: Issuing Push Material.....	18-115
Guided Practice 1-1: Valuing Push Material	18-116
Guided Practice 1-1: Valuing Your Job using the WIP Value Summary	18-117
Guided Practice 1-1: Issuing Push Material.....	18-118
Guided Practice 1-1: Valuing Push Material	18-119
Guided Practice 1-1: Reviewing Job Costs Using the WIP Value Summary	18-120
Guided Practice 1-1: Performing Move Transactions.....	18-121
Guided Practice 1-1: Valuing Your Job using the WIP Value Summary	18-122
Guided Practice 1-1: Performing Easy Completions	18-123
Guided Practice 1-1: Valuing Easy Completions	18-124
Guided Practice 1-1: Valuing Your Job using the WIP Value Summary	18-125
Guided Practice 1-1: Verifying Item Costs.....	18-126
Guided Practice 1-1: Performing Move Transactions to Scrap.....	18-127
Guided Practice 1-1: Reviewing Job Costs Using the WIP Value Summary	18-128
Guided Practice 1-1: Performing Completion Transactions	18-129

Guided Practice 1-1: Valuing Completions	18-130
Guided Practice 1-1: Reviewing Job Costs Using the WIP Value Summary	18-131
Guided Practice 1-1: Verifying Item Costs.....	18-132
Guided Practice 1-1: Closing Discrete Jobs.....	18-133
Guided Practice 1-1: Reviewing Requests.....	18-134
Guided Practice 1-1: Valuing Your Job using the WIP Value Summary	18-135
Guided Practice 1-1: Reviewing the Discrete Job Value Report	18-136
Guided Practice 1-1: Reviewing Requests.....	18-137
Practice 1-2: Business Scenario for WIP Costing.....	18-138
Practice 1-3: WIP Costing	18-142
Guided Practice 1-3: Defining Discrete Jobs.....	18-146
Guided Practice 1-3: Verifying Material and Resource Requirements on Phantom.....	18-147
Guided Practice 1-3: Verifying Overcompletion Tolerance for AS62445.....	18-148
Guided Practice 1-3: Performing Easy Completions	18-149
Guided Practice 1-3: Viewing Discrete Jobs	18-150
Guided Practice 1-3: Reviewing Job Costs Using the WIP Value Summary	18-152
Guided Practice 1-3: Performing Scrap Transactions.....	18-153
Guided Practice 1-3: Viewing Discrete Jobs	18-154
11i Appendix A: Describing T-Accounts for Inventory Trans for Standard Costing.....	19-1
11i Appendix A: Describing T-Accounts for Inventory Trans.for Standard Costing	19-2
Objectives	19-3
Agenda.....	19-4
Overview	19-5
T-Accounts	19-6
Inventory Purchasing Transactions.....	19-8
Expense Purchasing Transactions with Month-End Accruals	19-11
Expense Purchasing Transactions with Accruals upon Receipt.....	19-14
Miscellaneous Inventory Transactions	19-18
Direct Interorganization Transfers.....	19-22
Interorganization Transfers Using Intransit FOB Receipt	19-24
Interorganization Transfers Using Intransit FOB Receipt	19-26
Interorganization Transfers Using Intransit FOB Shipment	19-27
Interorganization Transfers Using Intransit FOB Shipment	19-29
Customer Shipments and Returns.....	19-30
Inventory Adjustments.....	19-33
Summary.....	19-35
Practice 1 Overview.....	19-36
Practice 1-1: Recording Postings for an Inventory Purchasing Flow	19-37
Practice 1-1 Solution: Recording Postings for an Inventory Purchasing Flow	19-40
Practice 1-2: Recording Postings for Transfer and Receipt Transactions.....	19-41
Practice 1-2 Solution: Recording Postings for Transfer and Receipt Transactions	19-45
11i Appendix B: Describing T-Accounts for WIP Transactions for Standard Costing...	20-1
11i Appendix B: Describing T-Accounts for WIP Transactions for Standard Costing	20-2
Objectives	20-3
Agenda.....	20-4
Overview	20-5
Accounting Flows: Costs Incurred, Components Issued to WIP	20-7
Accounting Flows: Costs Incurred, Resource Charges to WIP	20-10
Accounting Flows: Costs Incurred, Overhead Charges to WIP	20-13
Accounting Flows: Costs Incurred, Outside Processing	20-16
Accounting Flows: Costs Relieved, Assembly Completion and Scrap	20-19
Accounting Flows: Variances.....	20-22
Summary.....	20-24
Practice 2 Overview.....	20-25
Practice 2-1: Recording Postings for Standard Costing Transactions.....	20-26

11i Analyzing Inventory Transactions	21-1
11i Analyzing Inventory Transactions	21-2
Objectives	21-3
Agenda	21-4
Overview	21-5
Agenda	21-6
Inventory Distribution Inquiry	21-7
Agenda	21-13
Resubmitting Errored Transactions for Costing	21-14
Resubmitting Errored Material Transactions for Costing	21-16
Resubmitting Errored Resource Transactions for Costing	21-17
Resubmitting Errored Transactions for Costing	21-18
Review Question	21-21
Agenda	21-23
Margin Analysis Reports	21-24
Margin Analysis Reporting Concepts	21-25
Margin Analysis Reporting Concepts for Both Margin Reports	21-28
Generating Margin Analysis Reports	21-30
Margin Analysis Report for Order Management, Prerequisites	21-31
Submitting a Margin Analysis Load Run	21-33
Loading Data for Margin Analysis Report for a Regular Order with a Standard Item	21-35
Purging a Margin Analysis Load Run	21-36
Review Question	21-37
Agenda	21-39
Account Distribution Reports	21-40
Transaction Historical Summary Report	21-44
Inventory Input/Output Analysis	21-46
Analyzing PPV/IPV	21-48
Review Question	21-51
Summary	21-53
Practice 1 Overview	21-54
Practice 1-1	21-55
Practice 1-1 Solution	21-56
Practice 1-1: Solution	21-57
Practice 1-2: Performing and Analyzing Inventory Transactions	21-58
Guided Practice 1-2: Checking the Interface Managers	21-59
Guided Practice 1-2: Checking Current Period is Open	21-60
Guided Practice 1-2: Creating Purchase Orders	21-61
Guided Practice 1-2: Approving Purchase Orders	21-63
Guided Practice 1-2: Receiving Goods to Receiving	21-64
Guided Practice 1-2: Receiving Goods to Subinventory	21-65
Guided Practice 1-2: Viewing Accounting Entries	21-66
Guided Practice 1-2: Performing Miscellaneous Receipts	21-67
Guided Practice 1-2: Viewing Accounting Entries	21-68
Guided Practice 1-2: Running the Material Account Distribution Detail Report	21-69
Guided Practice 1-2: Viewing the Results Online	21-70
Guided Practice 1-2: Running the Purchase Price Variance Report	21-71
Guided Practice 1-2: Viewing the Results Online	21-72
11i Analyzing WIP Transactions	22-1
11i Analyzing WIP Transactions	22-2
Objectives	22-3
Agenda	22-4
Overview	22-6
Agenda	22-8
Viewing Job and Schedule Values Online	22-9
Agenda	22-13

Reporting and Analyzing WIP Values.....	22-14
WIP Value Report	22-15
Review Question.....	22-17
Discrete Job Value Report.....	22-19
Review Question.....	22-27
Repetitive Value Report	22-29
Review Question.....	22-32
Expense Job Value Report.....	22-34
Account Distribution Reports	22-36
Reporting WIP Values	22-38
Summary.....	22-39
Practice 1 Overview.....	22-40
Practice 1-1: Reviewing WIP Costing Analysis	22-41
Practice 1-1: Reviewing WIP Costing Analysis Solution.....	22-42
Practice 1-2: Reviewing the WIP Value Summary using Examples.....	22-44
Practice 1-2: Reviewing the WIP Value Summary, Components Issued to WIP	22-45
Practice 1-2: Reviewing the WIP Value Summary, Resource Charges to WIP.....	22-48
Practice 1-2: Reviewing the WIP Value Summary, Overhead Charges to WIP	22-51
Practice 1-2: Reviewing the WIP Value Summary, Outside Processing to WIP.....	22-54
Practice 1-2: Reviewing the WIP Value Summary, Completion Transactions.....	22-57
Practice 1-2: Reviewing the WIP Value Summary, Completions and Scrap.....	22-58
Practice 1-3: Performing and Analyzing WIP Transactions in Standard Costing.....	22-61
Practice 1-3: Reviewing the Cost Structure for AS62445 in Vision.....	22-62
Practice 1-2: Performing and Analyzing Inventory Transactions.....	22-66
Guided Practice 1-3: Checking the Interface Managers	22-67
Guided Practice 1-3: Defining Discrete Jobs.....	22-68
Guided Practice 1-3: Checking Material Requirements.....	22-69
Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report	22-70
Guided Practice 1-3: Viewing the Results Online	22-72
Guided Practice 1-3: Issuing Push Material.....	22-73
Guided Practice 1-3: Valuing Push Material	22-74
Guided Practice 1-3: Valuing Your Job using the WIP Value Summary	22-75
Guided Practice 1-3: Issuing Push Material.....	22-76
Guided Practice 1-3: Valuing Push Material	22-77
Guided Practice 1-3: Reviewing Job Costs Using the WIP Value Summary	22-78
Guided Practice 1-3: Performing Move Transactions.....	22-79
Guided Practice 1-3: Performing Completions.....	22-80
Guided Practice 1-3: Valuing Completions	22-81
Guided Practice 1-3: Valuing Your Job using the WIP Value Summary	22-82
Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report	22-83
Guided Practice 1-3: Viewing the Results Online	22-85
Guided Practice 1-3: Closing Discrete Jobs.....	22-86
Guided Practice 1-3: Reviewing Requests.....	22-87
Guided Practice 1-3: Valuing Your Job using the WIP Value Summary	22-88
Guided Practice 1-3: Reviewing Job Costs Using Discrete Job Value Report	22-89
Guided Practice 1-3: Viewing the Results Online	22-91
Guided Practice 1-3: Reviewing Job Costs Using the WIP Value Report.....	22-92
Guided Practice 1-3: Viewing the Results Online	22-94
11i Periodic Average Costing.....	23-1
11i Periodic Average Costing.....	23-2
Objectives	23-3
Agenda.....	23-4
Overview	23-5
Periodic Average Costing	23-8
Agenda.....	23-12
Business Value of Periodic Average Costing	23-13

Periodic Average Costing Key Features	23-19
Review Question.....	23-20
Agenda.....	23-22
Requirements for Using Periodic Average Costing	23-23
Using Periodic Average Costing.....	23-25
Review Question.....	23-41
Agenda.....	23-43
Processing Costs for Periodic Costing.....	23-44
Transaction Costs and Allocations.....	23-46
Transaction Costs.....	23-49
Allocations.....	23-55
Transaction Costs and Allocations.....	23-59
Agenda.....	23-65
Reporting.....	23-66
Periodic Acquisition Cost Report	23-68
Valuation Reports	23-69
Submitting Reports	23-70
Agenda.....	23-71
Implementation and Setup Considerations	23-72
Setup for Periodic Costing.....	23-73
Implementation and Setup Considerations	23-74
Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing	23-78
Update Periodic Costs Window	23-92
Review Question.....	23-93
Summary.....	23-95
Practice 1 Overview.....	23-96
Practice 1-1	23-97
Practice 1-1: Solution	23-98
Practice 1-2.....	23-100
Practice 1-2: Solution	23-104
Practice 1-3	23-108
11i Periodic Incremental LIFO Costing.....	24-1
11i Periodic Incremental LIFO Costing.....	24-2
Objectives	24-3
Agenda.....	24-4
Overview	24-5
Review Question.....	24-8
Agenda.....	24-10
Business Value of Periodic Incremental LIFO Costing.....	24-11
Review Question.....	24-14
Agenda.....	24-16
Periodic Incremental LIFO	24-17
Periodic Incremental LIFO, Uses Landed or Acquisition Cost	24-20
Periodic Incremental LIFO	24-24
Example of Periodic Incremental LIFO.....	24-27
Review Question.....	24-36
Periodic Incremental LIFO Procedures	24-38
Calculating Inventory Value Using Periodic Incremental LIFO	24-39
Reviewing the Use of Market Value.....	24-44
Closing the Period	24-46
Review Question.....	24-48
Processing for Periodic Costing.....	24-52
Agenda.....	24-54
Inquiring and Reporting.....	24-55
Item Cost Inquiry Window	24-57
Periodic Incremental LIFO Valuation Report for Fiscal Reporting.....	24-58

Periodic Acquisition Cost Report	24-59
Agenda.....	24-60
Implementation and Setup Considerations	24-61
Setup for Periodic Costing.....	24-62
Implementation and Setup Considerations	24-63
Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing	24-67
Update Periodic Costs Window	24-81
Summary.....	24-82
Practice 1 Overview.....	24-83
Practice 1-1	24-84
Practice 1-1: Solution	24-86
11i Period Close for Inventory Organizations.....	25-1
11i Period Close for Inventory Organizations	25-2
Objectives	25-3
Agenda.....	25-4
Overview	25-5
Period Close Overview	25-6
Agenda.....	25-7
Pending Transactions.....	25-8
Viewing Pending Transactions	25-9
Viewing Pending Transactions Folder.....	25-10
Viewing Pending Transactions in the Transaction Open Interface	25-13
Pending Move Transactions.....	25-14
Pending Resource Transactions	25-15
Checking Cost Interface.....	25-16
Agenda.....	25-17
Transfer Options	25-18
Transfer Accounting Transactions in Summary or in Detail	25-19
Interim Transfers	25-21
Review Question.....	25-25
Agenda.....	25-27
Closing the Period in Inventory	25-28
Closing the Period in Inventory, Warning Messages.....	25-31
Closing the Period in Inventory, Error Messages	25-32
Closing the Period in Inventory, Most Common Reasons for Failure	25-33
Implications for Closing the Period in Inventory with Pending Transactions	25-34
Closing the Period in Inventory	25-36
Agenda.....	25-37
Posting to the General Ledger	25-38
Posting to the General Ledger: Importing Journals	25-39
Posting to the General Ledger: Posting Journals	25-41
Agenda.....	25-43
Reconciling Perpetual Inventory to GL	25-44
Review Question.....	25-48
Agenda.....	25-50
Client Extensions.....	25-51
Workflow for Account Generation Client Extension.....	25-53
Workflow for Account Generation Client Extension, Accounting Line Types	25-54
Cost Processor Cutoff Date Client Extension	25-55
Examples of Client Extensions	25-56
Review Question.....	25-57
Summary.....	25-59
Practice 1 Overview.....	25-60
Practice 1-1: Reviewing Period Close Issues.....	25-61
Practice 1-1 Solutions: Reviewing Period Close Issues.....	25-62

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 Periodic Average Costing

Chapter 23

11i Periodic Average Costing

11i Periodic Average Costing

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Objectives

After completing this lesson, you should be able to:

- Describe periodic average costing
- Identify the business value of periodic average costing
- Set up the periodic average costing function

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

Agenda

- **Overview of Periodic Average Costing**
- **Business Value of Periodic Average Costing**
- **Using Periodic Average Costing**
- **Processing Costs**
- **Reporting**
- **Setting Up and Implementing Periodic Average Costing**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Overview

You use the periodic average costing method if you:

- Need to report the actual cost (total acquisition cost) of an item at the end of a fiscal period
- Use invoice-price-based valuation of your inventory



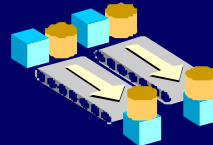
Actual item
costs



Period-end



Valuation



Period-based
costing

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Overview

You use periodic average costing:

- **To satisfy a fiscal inventory reporting requirements.**
 - **Periodic costing is invoice-based and also allows you to include additional invoiced charges in the cost of the item.**
- **To set standards or to update perpetual costs, using invoiced price-based valuation.**
- **With either of the required perpetual costing methods (standard costing or average costing).**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Overview

- **With periodic average costing, you have the following:**
 - **Invoice-based costing**
 - **Full absorption costing**
 - **Shared periodic average costs**
 - **Accounting and general ledger posting**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Average Costing

- Using periodic average costing, you can establish costs on a per-item and per-period basis. You use the derived cost and final balance as the beginning balance of the next period.
- You can use periodic average costing to cost one or more organizations on a periodic basis. This cost is based on invoice price, when available.
- You can match additional invoiced charges, such as freight, customs, or insurance, to the material receipts.
- For manufactured items, periodic average costing enables you to value inventory by including full absorption of resource and overhead costs.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Average Costing

Invoice-Based Costing

- A receipt is costed based on the net quantity received. The periodic costing processor uses the invoice price to cost receipts. If no invoice is matched to the receipt at the time the periodic costing processor is run, it uses the purchase order price. You can see receipts that use the purchase order price and can make corrections.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Average Costing

Full Absorption

- You can create rates that fully absorb resource and overhead costs. The periodic costing processor uses these rates to cost inventory and work-in-process transactions.

Shared Periodic Average Costs

- You can share periodic costs across a group of inventory organizations within a legal entity. The perpetual cost methods for the individual organizations in the group can be a mixture of standard and average cost.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Average Costing

With periodic average costing, you meet fiscal reporting and government needs in Spain, France and Brazil.

Periodic average costing

- **Provides periodic weighted average costing based on actual invoiced value**
- **Provides an alternative valuation method in addition to the perpetual cost methods**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

Agenda

- Overview of Periodic Average Costing
- **Business Value of Periodic Average Costing**
- Using Periodic Average Costing
- Processing Costs
- Reporting
- Setting Up and Implementing Periodic Average Costing

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Business Value of Periodic Average Costing

Costs Inventory at Actual Cost

- Using periodic average costing, you can periodically cost your inventory at actual cost.

Enables Inventory Valuation and Fulfills Fiscal Requirements

- Periodic average costing is a flexible, integrated periodic valuation method that meets fiscal requirements of France, Spain and Brazil.
- Periodic average costing values inventory at actual cost, calculated on a periodic basis.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Business Value of Periodic Average Costing

Business Value of Periodic Average Costing

Fully Absorbs Actual Inventory Costs

Periodic average costing enables:

- Companies to match freight, customs and other costs to material receipts in order to reflect the total landed cost of inventory
- Companies with foreign suppliers to calculate cost of inventory based on invoiced amount, thus ensuring full inclusion of exchange rate differences between purchase order price, material receipt, and accounts payable invoice price

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Note

This feature is not specific to periodic average costing.

Business Value of Periodic Average Costing

Removes Distortions Caused by Sequencing of Transactions

- Periodic average costing evaluates inventory transactions for an entire period, not on a transaction-by-transaction basis. This method eliminates miscalculations caused by negative onhand quantities and other sequence-related problems.

Smooths Price Volatility

- Periodic average costing enables companies to take an average cost on inventory receipts for an entire period, smoothing out the effects of input price volatility.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Business Value of Periodic Average Costing

Enables Double-Entry Accounting

- Periodic average costing enables companies to account for inventory according to GAAP (Generally Accepted Accounting Principles) and statutory methods simultaneously.

Can Be Used with Perpetual Cost Methods

- Periodic average costing can be used with either perpetual cost method, average costing or standard costing. For customers using standard costing, it can be used for standard cost updates.

Provides Detailed Cost Reports

- Periodic average costing provides detailed inventory cost reports.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Business Value of Periodic Average Costing

Meets Fiscal Requirements in Southern Europe

- **Whether you have raw materials, subassemblies, finished goods or any other item in stock, you use the same rules for valuing inventory from a fiscal point of view.**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Business Value of Periodic Average Costing

Meets Fiscal Requirements in Southern Europe

- One principal is that movements within the organization cost group do not change the value. You cannot modify the cost of an item, an object, or an order by its transition in inventory.
- You value items at actual cost at the cost at which they entered inventory.
 - For raw materials, this value is the total acquisition/landed cost.
 - For semi-finished/finished goods, this value is the actual production cost.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Average Costing Key Features

Periodic Average Costing Key Features

- Meets legal and business requirements
- Enables costing across inventory organizations in cost groups for multiple organizations
- Provides valuation using periodic cost types
- Uses acquisition or landed costs
- Enables simultaneous periodic and perpetual costing
- Considers all cost-relevant transactions
- Provides flexible user setup
- Provides periodic cost update window and costing reports

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Key Features

- Periodic costing meets legal and business requirements in several key markets.
- You can cost across inventory organization, where required.
- Valuation uses periodic cost types, and therefore can supplement the cost types that you already have in place for other purposes.
- You can perform acquisition costing more effectively. This means that you can value your inventory according to landed costs.
- You can continue to use either perpetual method, standard costing, or average costing.
- Periodic average costing includes all relevant transactions and has a number of windows for setup.

Review Question

Review Question

In which four countries does periodic average costing meet fiscal requirements?

- 1. France, Italy, Spain and Colombia**
- 2. France, Italy, Germany and Brazil**
- 3. France, Spain and Brazil**
- 4. France, Spain and Argentina**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

In which four countries does periodic average costing meet fiscal requirements?

1. France, Italy, Spain and Colombia
2. France, Italy, Germany and Brazil
3. France, Spain and Brazil
4. France, Spain and Argentina

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

Agenda

- Overview of Periodic Average Costing
- Business Value of Periodic Average Costing
- **Using Periodic Average Costing**
- Processing Costs
- Reporting
- Setting Up and Implementing Periodic Average Costing

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Requirements for Using Periodic Average Costing

Requirements for Using Periodic Average Costing

In order to use Periodic Costing, you need to satisfy the following requirements :

- Only one master item organization exists for each organization cost group. Oracle recommends that only one master item organization exists per database instance.
- An organization cost group must be assigned to a single legal entity which can contain several organization cost groups.
- An inventory organization can only be associated with one organization cost group.
- Frozen and average cost types cannot be used for periodic costing.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Requirements for Using Periodic Average Costing

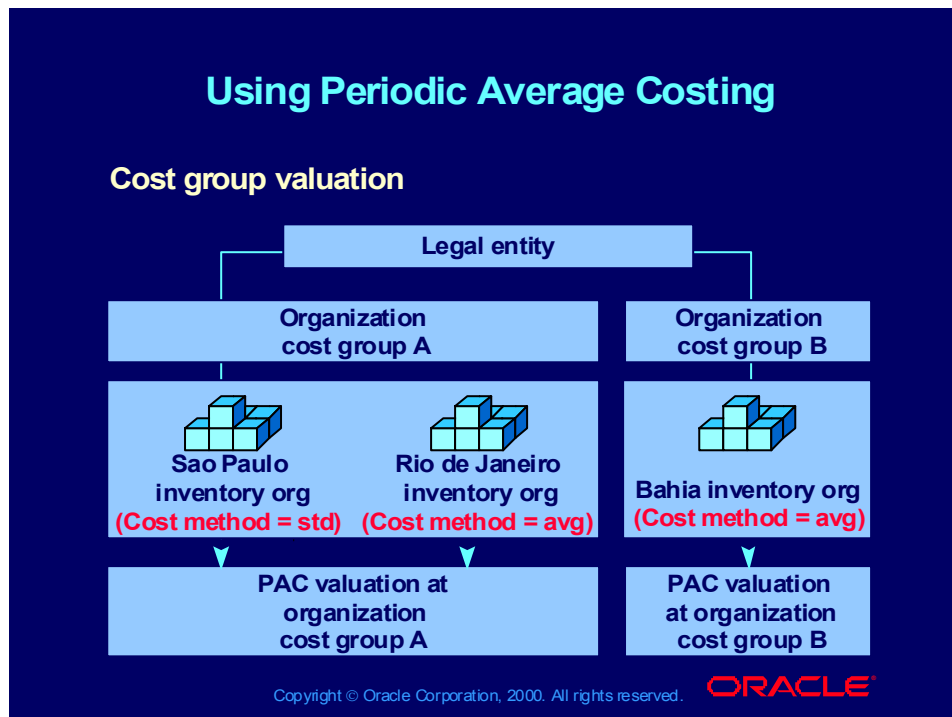
Requirements for Using Periodic Average Costing

- Cost types used for periodic costing must be multi-org and non-updatable.
- Periodic rates cost types must be multi-org and Updatable.
- Cost types used for periodic costing cannot be disabled.
- Organization cost groups cannot be disabled.
- The actual cost extension is not allowed for cost derived transactions, WIP assembly completion, and WIP assembly return transactions.
- Oracle Bills of Material must be installed.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Using Periodic Average Costing



Using Periodic Average Costing

How Periodic Average Costing Is Used

- Periodic average costing operates across multiple inventory organizations in a legal entity. You can perform costing across inventory organizations as long as these organizations belong to the same legal entity.
- Using a perpetual method, you value inventory at the inventory organization level.

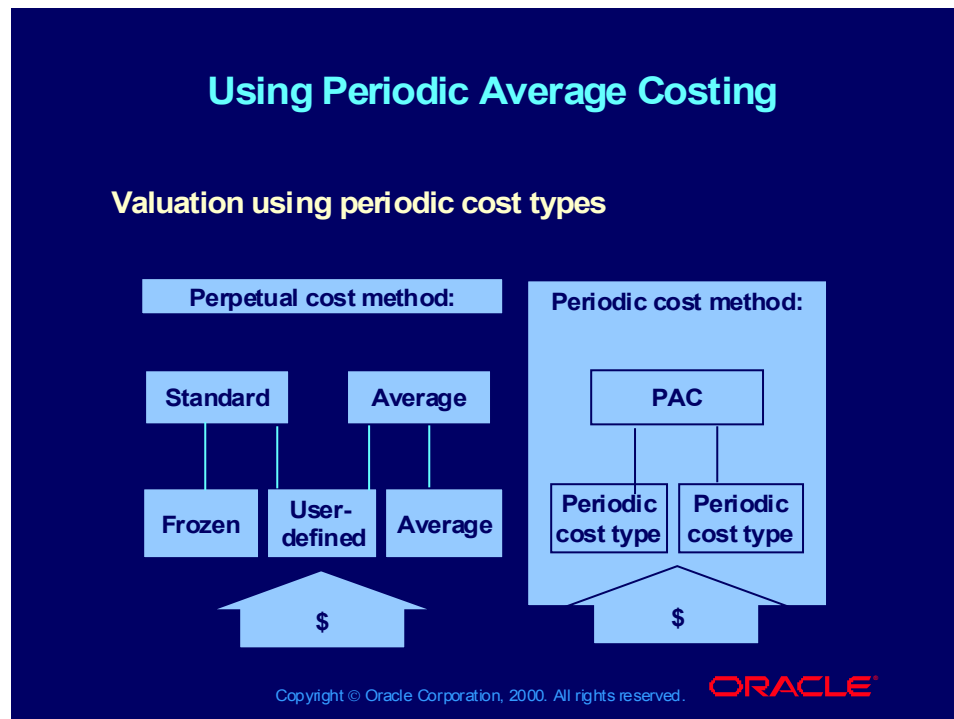
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Note

SAP, a competitor of Oracle, only allows cost group valuation with a grouping of standard costing organizations.

Using Periodic Average Costing



Using Periodic Average Costing

- For periodic average costing, costs are attached to user-defined cost types in addition to the perpetual cost type in use.
- You must use either standard costing or average costing for perpetual costing.
- You can supplement either perpetual method with periodic average costing for fiscal purposes.

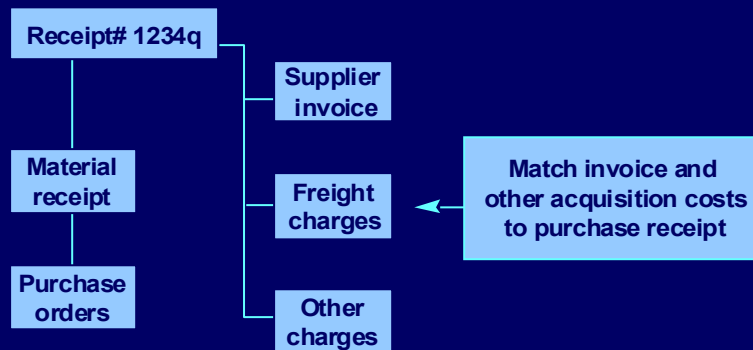
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Using Periodic Average Costing

Using Periodic Average Costing

Landed cost or acquisition cost



Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Using Periodic Average Costing

Landed Cost or Acquisition Cost

- By using the “purchase order receipt to payables invoice match” function, periodic average costing uses the landed or acquisition cost. Now you can match multiple supplier invoices to a given purchase receipt, deriving the actual cost. When invoices are not available, material purchase order values (with exchange rate at time of receipt) are used.
- Material overhead can be earned at the rate in the Periodic Rates Cost Type.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Using Periodic Average Costing

Receipt to Invoice Matching

- For acquisition costing, you can match invoices to receipts.
- Invoice at different price to the price on the purchase order. Some companies invoice at the price on the day of dispatch and not the date of the purchase order.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Using Periodic Average Costing

Receipt to Invoice Matching

- In many areas, there is sufficient currency fluctuation to not make the purchase order price on a specific date the best measure of the cost of the purchase. So, many companies use the exchange rate on the day of receipt as the measurement of cost.
- Using the acquisition cost processor delivered in periodic average costing, you use the invoice price where it has been matched. Otherwise the purchase order price at the rate on the date of receipt is used.

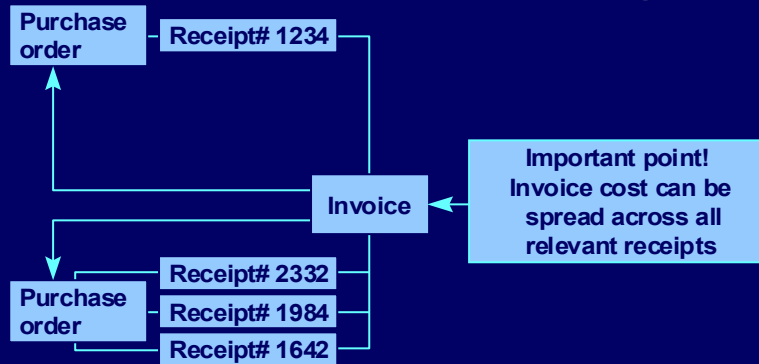
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Using Periodic Average Costing

Using Periodic Average Costing

- Periodic average costing uses landed costs or acquisition costs by associating each freight or other invoiced cost with all relevant receipts.



Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Using Periodic Average Costing

PAC considers all cost-relevant transactions for items:

- **Materials receipts**
- **Returns to suppliers**
- **Materials issues**
- **RMA's**
- **Interorganization transfers**
- **Issues to WIP**
- **Returns to WIP**
- **WIP completions**
- **WIP labor or resource**
- **Assembly cost**
- **Interorganization transfers**
- **Periodic Cost Update**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Using Periodic Average Costing

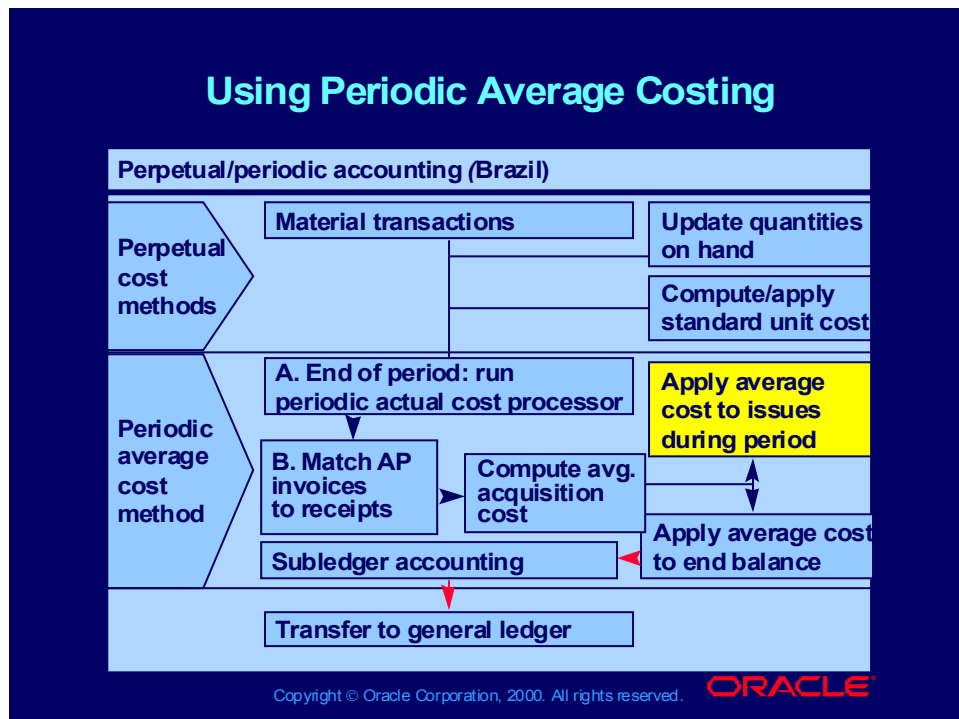
The cost processor:

- Includes all relevant transactions for purchased items and for manufactured items.
- Calculates an average based upon transactions that carry cost (such as receipts, work in process completions, and work-in-process labor or resource transactions).
- Applies the average cost to transactions that derive their cost from the established average cost.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Using Periodic Average Costing



Using Periodic Average Costing

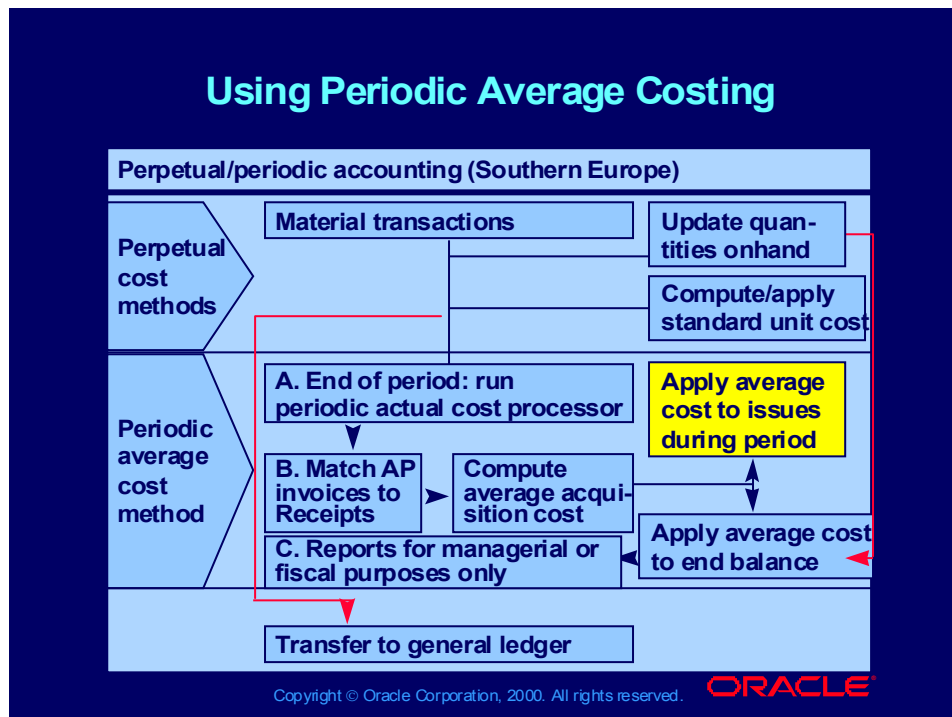
Business Process for Using Periodic Costing

- You can send periodic costs only to the general ledger, except for Southern Europe. Brazil uses this approach.
- To use periodic average costing, you transact as usual, according to the method that you have established for perpetual accounting. As you perform average costing, the quantities onhand are updated and the average cost is maintained in the system.
- Since you cannot turn off perpetual costing, you should turn off transfer to general ledger, and simply use periodic costing distributions. Only one cost type should be transferred to the general ledger.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Using Periodic Average Costing



Using Periodic Average Costing

Using Periodic Average Costing

Business Process for Using Periodic Costing

- You can send perpetual costs only to the general ledger, transferring perpetual costs distributions only to the general ledger. Periodic costs may be used to update standard costs.
- Alternatively, you can continue to use perpetual costing distributions. If you do, you can run reports on periodic costing, and you can determine adjusting entries required for financial statements that you report to fiscal authorities. Southern Europe uses this approach.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Note

This is also relevant for those companies who want to use periodic costing as a supplementary management tool; they want only to examine their inventory activity using this method, but not for any other purpose. They may want to do this if they are in an inflationary environment, or if they commonly experience negative inventory situations.

Using Periodic Average Costing

- You can have many combinations of periodic costing.
- Only one cost type should be transferred to the general ledger.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Periodic average costing uses landed costs or acquisition costs by associating each freight or other invoiced cost with all relevant receipts.

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

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Periodic average costing uses landed costs or acquisition costs by associating each freight or other invoiced cost with all relevant receipts.

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

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

Agenda

- Overview of Periodic Average Costing
- Business Value of Periodic Average Costing
- Using Periodic Average Costing
- **Processing Costs**
- Reporting
- Setting Up and Implementing Periodic Average Costing

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Processing Costs for Periodic Costing

Periodic Cost Processing

You follow these steps to perform periodic cost processing:

- Run the acquisition cost processor
- Run the periodic cost processor
- Run the distributions processor if necessary
- Perform any other required activities such as cost copy, item cost inquiry, and periodic cost update
- Run reports and rerun processing, if required
- Close the period and transfer to general ledger, if desired

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing >
Periodic Cost Processing**

Processing Costs for Periodic Costing

- **PAC cost processing has distinctive processing phases. Based on the result of the process in each phase, if it is successful, the processor completes with a success status stamp; otherwise, it will roll back with a failure status. You can reduce reprocessing time by rerunning only a failed phase. The available phases are classified as follows :**
 - **Phase 1: Compute acquisition cost**
 - **Phase 2: Current period beginning balance setup**
 - **Phase 3: Low-level computation**
 - **Phase 4: WP job information build**
 - **Phase 5: Cost processing for group 1 and 2**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs and Allocations

Transaction Costs and Allocations

- Costs sharing and item sequencing
- Period-end valuation of inventory
- Re-runnable cost processing



Item
costs



Period-end



Valuation



Analysis

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs and Allocations

Costs Sharing and Item Sequencing

- Costs are shared across inventory organizations within the organizational cost group even if the mandatory costing methods are different. Sequencing is automatically determined by the low level code of each item across organizations within a organizational cost group.

Period-end Valuation of Inventory

- With periodic actual costing, you are able to calculate actual costs for all your inventory items at the end of any period.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs and Allocations

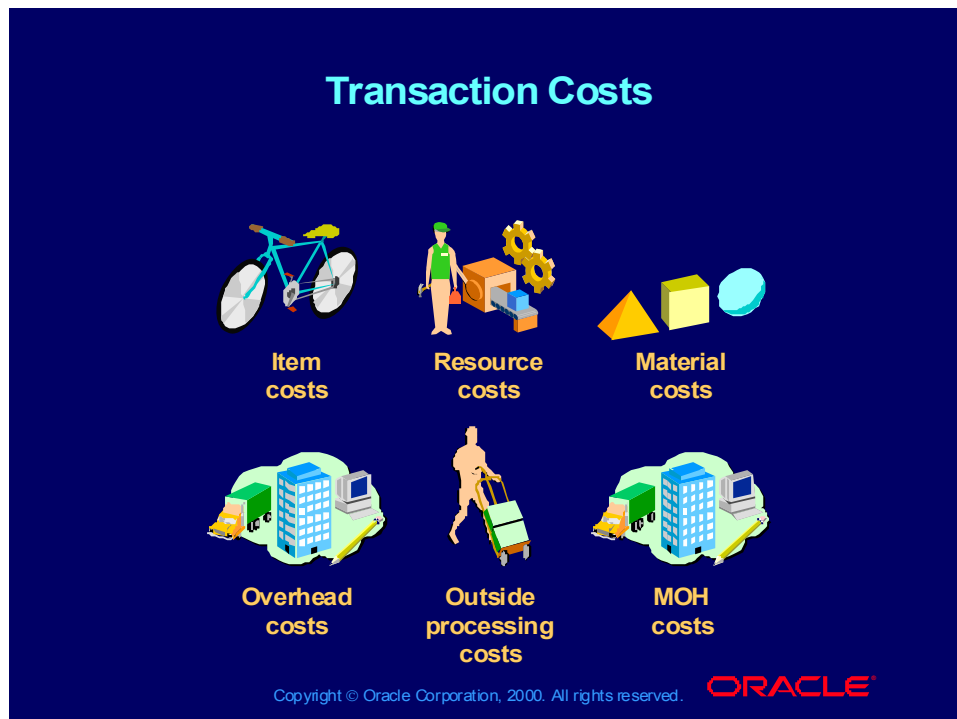
Re-runnable Cost Processing

- The periodic cost processor costs all transactions that have occurred during the current period. You run it at any time during the period or before closing the period.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs



Transaction Costs

Cost-Owned Transactions

- **Cost-owned transactions are the transactions that carry their own costs, adding or subtracting costs to inventory and affecting the new periodic cost of the period. Examples include:**
- **Purchase order receipt transactions**
- **Work-in-process (WIP) completion transactions**
- **Work-in-process labor/resource transactions**
- **Returns to supplier transactions.**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs

Cost-Derived Transactions

- Cost-derived transactions are the transactions that are transacted at the newly computed periodic cost of the period, including:
- Material issues (to stores and to WIP)
- Returns to WIP
- Returns from customer
- Miscellaneous transactions without a user-entered value

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs

Transaction Cost Calculation Sequencing

- For each item, transactions are handled in a sequence that determines the correct periodic cost. First the cost-owned transactions are processed. Next the periodic cost of the period is computed. Then the cost-derived transactions are processed.
- The process is repeated for every low-level code, starting with the lowest.

Return to Vendor Costs

- Returns to vendor are costed at the acquisition cost of the receipt.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs

Raw Material Costs

- The system calculates the periodic cost for purchased materials. For each item, the transactions across organizations are cost-owned transactions to the receiving organizational cost group.

Outside Processing Costs

- Similar to receipts, the outside processing cost is provided by accounts payable. It is charged to the job at the invoice cost and other associated acquisition costs that accounts payable can match to the outside processing receipt.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs

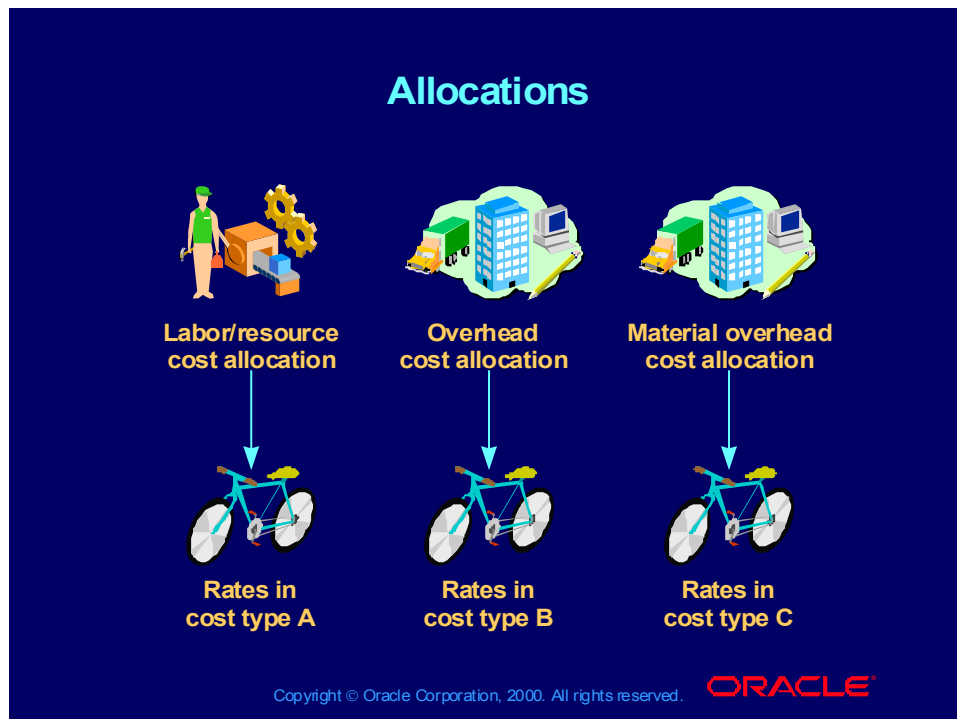
Inventory Adjustments

- **Physical inventory and cycle count adjustments are costed using the periodic cost for the item; adjustments do not change the cost of the item**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Allocations



Allocations

Cost Allocations

- Labor or resources, overhead and material overhead allocations follow the same algorithm used in perpetual average costing. The difference is that in periodic costing, you assign specific cost types to hold the rates information for labor or resources, overhead, and material overhead.
- In periodic costing, you assign a specific cost type to hold the following:
 - Labor or resources rates information
 - Overhead rates information
 - Material overhead rates information

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Allocations

Cost Allocations (continued)

- The periodic rates cost type could be the same as the average rates cost type.
- There could be a different periodic rates cost type for each periodic valuation cost type.
- You can change the periodic rates cost type for each period.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Allocations

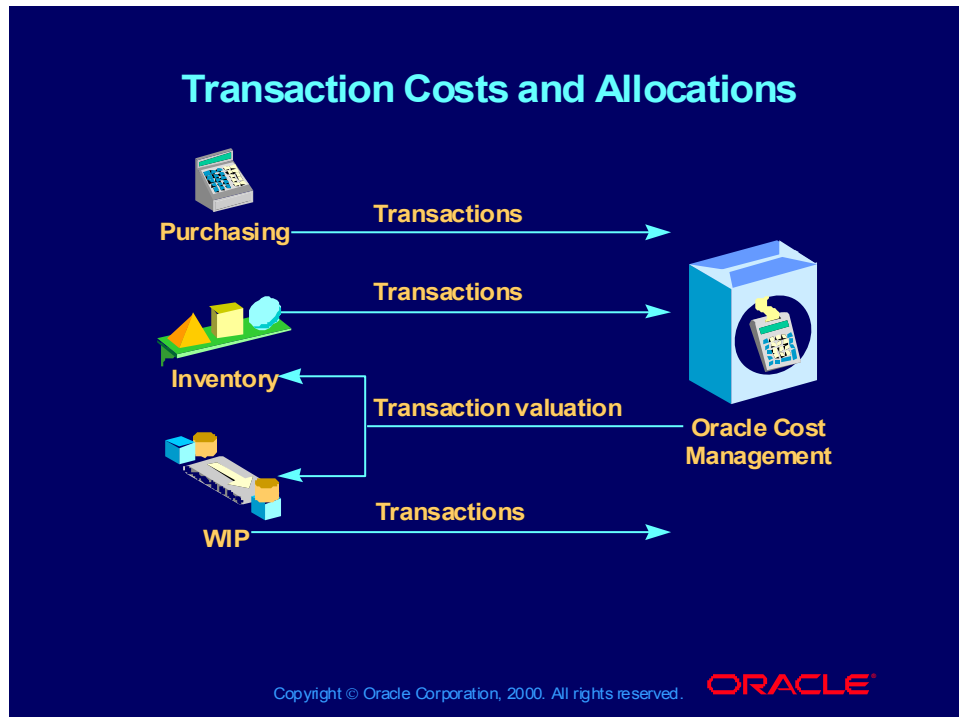
Cost Allocations (continued)

- You set the rates in their respective cost type once for every period, before running the periodic cost processor.
- Note: It is unusual to use material overheads with periodic costing, because you have included fully landed cost in your acquisition cost. However, you could have a material overhead for the cost of receiving.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs and Allocations



Transaction Costs and Allocations

WIP Final Completion Criteria

- All costs allocated to a work order are relieved and applied to the completion/scrap transactions when one or more of the following occurs:
- The work order is closed.
- The sum of the quantity completed (quantity_completed field from wip_discrete_job table plus quantity_scrapped is equal to or greater than start_quantity).

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs and Allocations

Partial Completion Valuation

- When the algorithm handles completion transactions and the WIP final completion criteria cannot be met, this is known as a *partial completion*.
- In this case, the costs will be relieved based on allocation of actual cost by element, by operation for resources and overheads. The quantities for material are taken from the job BOM using the derived cost for lower-level assemblies and components.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs and Allocations

Finished Goods and Subassembly Costs

- All uncosted transactions are costed by the new periodic costs, following procedures similar to raw material.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE®

Transaction Costs and Allocations

Periodic Cost Calculation of Finished Goods and Subassemblies

- After valuing completions and all returns to WIP for all work orders for each manufactured item in the period, the average cost for the item can be calculated.
- The periodic cost calculation for manufactured items follows the same logic as for raw material. Transactions that carry their own cost make up the average together with the beginning inventory for the item.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transaction Costs and Allocations

Periodic Cost Calculation of Finished Goods and Subassemblies (continued)

Two steps are required:

1. Determine the quantity and amount to be added to inventory.
 - Quantity to be added = SUM quantity of the complete transactions + SUM returns from customers (costed); returns to WIP (costed)
 - Cost to be added = SUM complete transactions cost + SUM returns from customer transaction cost; SUM returns to WIP transactions cost
2. Update the wip_cst_pac_balances table and calculate the average cost.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

Agenda

- Overview of Periodic Average Costing
- Business Value of Periodic Average Costing
- Using Periodic Average Costing
- Processing Costs
- **Reporting**
- Setting Up and Implementing Periodic Average Costing

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Reporting

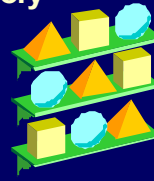
- Acquisition cost reports
- Inventory valuation reports
 - Onhand inventory
 - Work in process inventory



Acquisition cost



Production



Inventory



Reports

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Reporting

Reports

- In addition to inventory valuation reports, you can run reports to see the detailed cost of receipts and identify receipts that use the purchase order price.
- You have the following reports:
 - Periodic Acquisition Cost Report
 - Periodic Inventory Valuation Report
 - Periodic WIP Value Report



Periodic average
costing reports

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Acquisition Cost Report

Periodic Acquisition Cost Report

Use The Periodic Acquisition Cost Report to analyze the acquisition cost for each receive transaction. This report shows you purchase order prices for receipts that have not been matched to invoices.

- You can run this report to see which receipts have not been matched.
- You can rerun the report after matching receipts to invoices and rerunning the Acquisition Cost Report.

Use the Request Periodic Cost Report window to:

- Select Periodic Acquisition Cost Report as the report name.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Reports

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Reports >
Periodic Acquisition Cost Report**

Scenario

The likely scenario is that some receipts will invariably not be matched, because the invoice may be received too late. However, because you perform the acquisition costing after month-end close, you should have time to update most of the unmatched receipts .

Valuation Reports

Inventory valuation reports by period are provided for on-hand inventory and for WIP inventory.

- Use the Periodic Inventory Valuation Report to value inventory at the end of a period. You run this report for a particular legal entity, cost group, period, cost type, and category set combination.
- Use the Periodic WIP Value Report to view the value of jobs in an organization cost group at the end of a period.

Use the Request Periodic Cost Report window to:

- Select the report name.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Reports

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Reports >
Periodic Inventory Valuation Report**

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Reports >
Periodic WIP Value Report**

Submitting Reports

Submitting Reports

Use the Request Periodic Cost Report window to:

- Select the report name from the list of periodic costing reports. Report names include the:
 - Periodic Acquisition Cost Report
 - Periodic Inventory Valuation Report
 - Periodic WIP Value Report

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Reports

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Reports**

Agenda

Agenda

- Overview of Periodic Average Costing
- Business Value of Periodic Average Costing
- Using Periodic Average Costing
- Processing Costs
- Reporting
- **Setting Up and Implementing Periodic Average Costing**

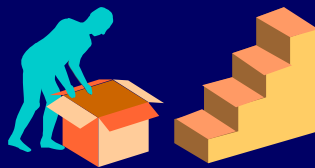
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

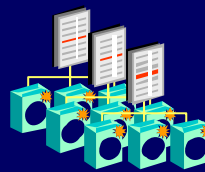
Implementation and Setup Considerations

You can setup periodic costing flexibly, using:

- An accounting calendar
- Organization cost groups



Processes
and organized
setup steps

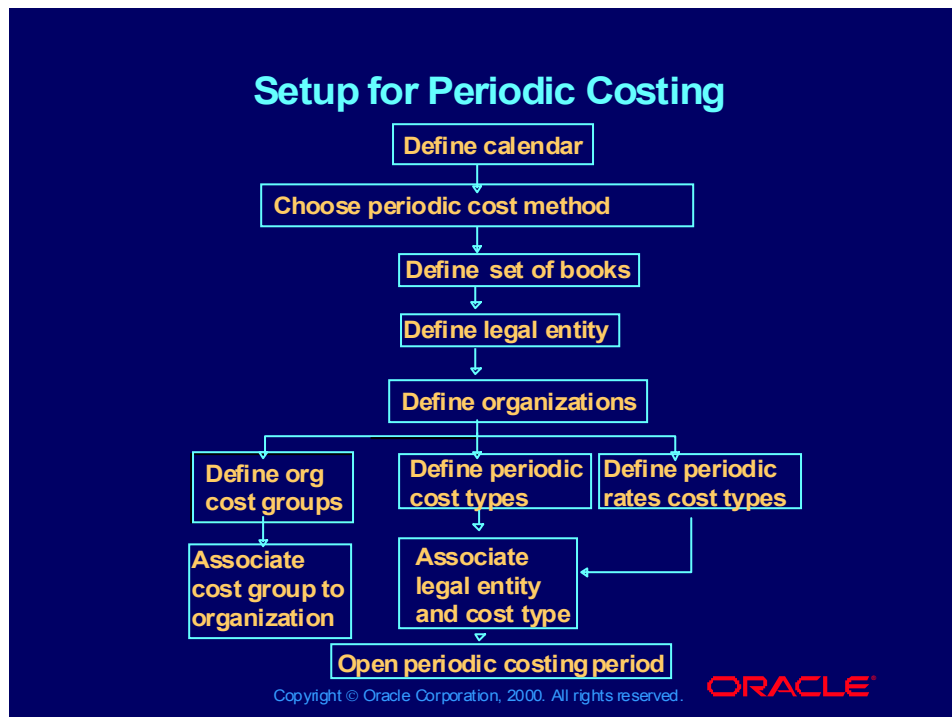


Set up
applications

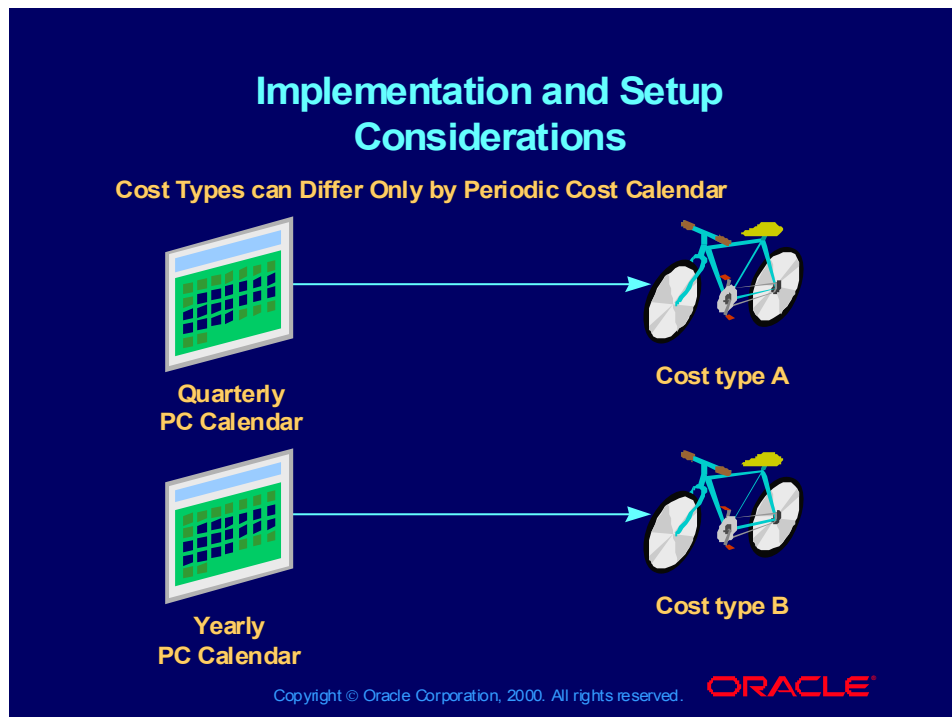
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setup for Periodic Costing



Implementation and Setup Considerations



Implementation and Setup Considerations

Defining the Periodic Cost Calendar

- Periodic costing has its own calendar so that you can specify the frequency, based on the period (month, fiscal year) for the cost processor to examine costs.
- You set up the periodic cost calendar with periods that have the same beginning and ending dates as the perpetual periods.
- The periodic cost periods can be longer but not shorter than the perpetual periods.
- You use the same calendar for all groups within the legal entity for a cost type.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Implementation and Setup Considerations

Defining the Periodic Cost Calendar (continued)

- You need a different cost type for a different calendar.
- In periodic costing, the current period is the open period in the Fiscal Cost Group/Cost Type Calendar. Only one period can be open.

Use the Periodic Accounting Periods window to:

- Establish and control an accounting calendar for periodic average costing

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Periodic Close Cycle >
Periodic Accounting Periods

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing >
Periodic Cost Processing > Closing Periodic Cycle**

Implementation and Setup Considerations

Choosing a Periodic Cost Method

- Implicitly choose a perpetual cost method when selecting a cost type when you run the periodic cost processor.

Associating to a Set of Books

- If you enable distributions for a Legal Entity/Cost Type, associate the same set of books as you used in the perpetual cost type.
- If you do not enable distributions for a Legal Entity/Cost Type, you may use a different set of books but the chart of accounts and currency must be the same as used in the perpetual cost type.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup**

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

In periodic costing, the item cost is held at the cost type/organization cost group/period combination.

There are six setup steps specific to periodic costing:

1. Defining the organization cost group.
2. Creating cost types and periodic rates cost types for use in periodic costing.
3. Associating the organization with an organization cost group.
4. Associating the cost type with the legal entity.
5. Setting accounting options (required if using periodic cost distributions).
6. Assigning periodic accounts (required if using periodic cost distributions).

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

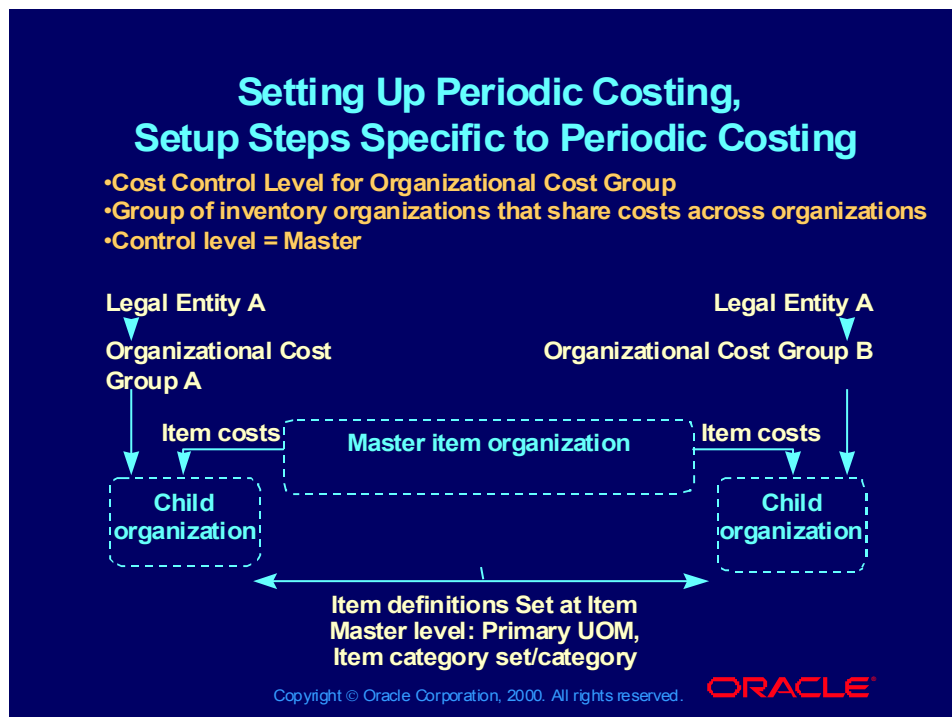
Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

- The end result, once all these associations are set up, is a many-to-many relationship between organization cost groups and cost types through the legal entity.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing



Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Assigning Inventory Organizations to Groups

- You can define organizational cost groups of the type organizational for the groups of inventory organizations that will share costs.
- You can associate the organizational cost groups to the legal entity.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

You assign each inventory organization to one and only one organizational cost group, ensuring that:

- All organizations have the same master item organization.
- The primary unit of measure control status is set at the item master level.
- The item category set/category is set at the item master level.
- All organizations are in the same legal entity.
- All inventory organizations are assigned to a fiscal cost group, or they will not be processed. Once periodic cost processing is run, it is difficult or impossible to assign the orphan organization.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Note

You can assign organizations but you cannot change the assignment once the process is started.

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 1: Defining Organization Cost Group

- Each organization cost group must be associated with a legal entity.

Use the Organization Cost Groups window to:

- Define and associate the cost group with a legal entity and item master organization.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Setup > Organization Cost Group

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 1: Defining Organization Cost Group**

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 2: Creating Cost Types and Periodic Rates Cost Types

- You need to create cost types and periodic rates cost types in the main setup window for cost types.
- Cost types for periodic costing must be multi-org and not updatable.
- Periodic rates cost types are not restricted. Any user defined cost type can be a periodic rates cost type if it is so designated in the Cost Type Associations tab of the Organization Cost Group/Cost Type Associations window.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Use the Organization Cost Group/Cost Type Associations window to:

- Associate multi-org enabled cost types to the legal entity.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Setup >
Organization Cost Group/Cost Type Association
(T) Cost Type Associations

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 2: Creating Cost Types and Periodic Rates Cost
Types

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 3: Associating Organization with an Organization Cost Group

- Once an inventory organization is associated with an Organization Cost Group and transactions have been processed, that association is permanent and exclusive.
- An Organization Cost Group can be associated with one or more inventory organizations.
- Those inventory organizations which can be associated with an organization cost group meet qualifications that the organization already belongs to the legal entity and that it is not associated with any other organization cost group.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Use the Organization Cost Group/Cost Type Associations window to:

- Assign inventory organizations to the organization cost group.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Setup >
Organization Cost Group/Cost Type Association
(T) Organization Cost Group Associations

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 3: Associating Organization with an
Organization Cost Group**

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 4: Associating Cost Type with Legal Entity

Use the Organization Cost Group/Cost Type Associations window to:

- To associate the cost type with the legal entity and to select a cost method.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Setup >
Organization Cost Group/Cost Type Association
(T) Organization Cost Group Associations

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 4: Associating Cost Type with Legal Entity

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 5: Setting Accounting Options (Optional)

- Use the **Cost Type Associations Accounting Options** window to set options pertaining to the creation of accounting entries (cost distributions) and posting (transferring) to General Ledger.
- If you do not **Create Accounting Entries**, you cannot post to the **General Ledger** from **Periodic Costing**, and therefore **General Ledger** options are unavailable to you.

Manufacturing and Distribution Manager Responsibility

**(N) Cost > Periodic Costing > Setup >
Organization Cost Group/Cost Type Association
(B) Accounting Options**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 5: Setting Accounting Options (Optional)**

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 6: Assigning Periodic Accounts

- You perform this step if you are using the Periodic Cost Distributions Processor.
- Periodic cost accounts are used during periodic cost distributions to create accounting entries. You can only specify these accounts if distribution is enabled for the legal entity cost type.
 - Cost group category level accounts used to perform periodic inventory accounting based on categories defined in the master item organization for the cost group.
 - Cost group level accounts used independently of the category to define variance and inventory offset accounts.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Use the Periodic Account Assignments window to:

- Assign periodic accounts:

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Setup >
Periodic Account Assignments

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 6: Assigning Periodic Accounts**

Update Periodic Costs Window

Update Periodic Costs Window

Use the Update Periodic Costs window to update:

- Periodic costs for any items that have been updated using the average cost update
- Invoice price variances (IPVs) that have been updated by the average cost update
- Periodic costs for a variety of reasons

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Update Periodic Costs

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing >
Periodic Cost Processing > Updating Periodic Costs**

Review Question

Review Question

Once an inventory organization is associated with an Organization Cost Group and transactions have been processed, that association is permanent and exclusive.

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

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Once an inventory organization is associated with an Organization Cost Group and transactions have been processed, that association is permanent and exclusive.

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

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Summary

In this lesson, you should have learned how to:

- **Describe periodic average costing**
- **Identify the business value of periodic average costing**
- **Set up the periodic average costing function**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1 Overview

Practice 1 Overview

This practice covers the following topics:

- **Explaining periodic average costing**
- **Answering true or false to statements about periodic average costing**
- **Describing a business scenario for periodic average costing**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1

Explain why periodic average costing may provide a more accurate measure of average costs than perpetual average costing.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1: Solution

1. Periodic costing incorporates actual invoiced costs, whereas perpetual average costing utilizes the purchase order price.
 - This is a problem when:
 - The purchase order is only an estimate of the invoice cost.
 - The supplier uses a different currency and the currency rate changes between the purchase order and the invoice date.
 - Separately billed costs such as freight or miscellaneous charges associated with the purchase should be included in its cost.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1: Solution

2. Because periodic costs are not averaged on a transaction-by-transaction basis, only one average cost is calculated and applied to transactions for a given period, smoothing out material and cost-of-goods-sold valuations.
3. Processing all transactions in a “batch” may allow you to avoid distortions caused by transaction sequencing. For example, negative quantities experienced during the month and resolved during month-end close will not affect your recorded periodic costs.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-2

True or False

1. You must choose either a periodic costing method or a perpetual costing method, but not both. _____
2. You must choose a perpetual method. _____
3. You may choose a periodic costing method in addition to a perpetual costing method. _____
4. Periodic costing is of particular interest to customers with a fiscal inventory reporting requirement because it is invoice-based and also allows you to include additional invoiced charges in the cost of the item. _____

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-2

True or False

5. Periodic costing is used by customers who want invoice-price-based valuation of their inventory to set standards or to update their perpetual costs.

6. Using periodic average costing, you can establish costs on a per-item and per- period basis. The derived cost and final balance are used as the beginning balance of the next period. _____
7. Invoice-based costing means that a receipt is costed based on the net quantity received and the periodic costing processor uses the invoice price to cost receipts. _____

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-2

True or False

8. If no invoice is matched to the receipt at the time the periodic costing processor is run, it uses the purchase requisition price. You can see receipts that use the purchase requisition price and can make corrections. _____
9. Full absorption costing means that you can create rates that fully absorb resource and overhead costs and the periodic costing processor uses these rates to cost inventory and work-in-process transactions. _____

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-2

True or False

10. You can share periodic costs across a group of inventory organizations within a legal entity. The perpetual cost method for the individual organizations in the group can be a mixture of standard and average cost. _____

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE®

Practice 1-2: Solution

True or False

1. You must choose either a periodic costing method or a perpetual costing method, but not both. False
2. You must choose a perpetual method. True
3. You may choose a periodic costing method in addition to a perpetual costing method. True
4. Periodic costing is of particular interest to customers with a fiscal inventory reporting requirement because it is invoice-based and also allows you to include additional invoiced charges in the cost of the item. True

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-2: Solution

True or False

5. Periodic costing is used by customers who want invoice-price-based valuation of their inventory to set standards or to update their perpetual costs. True
6. Using periodic average costing, you can establish costs on a per-item and per- period basis. The derived cost and final balance are used as the beginning balance of the next period. True
7. Invoice-based costing means that a receipt is costed based on the net quantity received and the periodic costing processor uses the invoice price to cost receipts. True

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-2: Solution

True or False

8. If no invoice is matched to the receipt at the time the periodic costing processor is run, it uses the purchase requisition price. You can see receipts that use the purchase requisition price and can make corrections. True
9. Full absorption costing means that you can create rates that fully absorb resource and overhead costs and the periodic costing processor uses these rates to cost inventory and work-in-process transactions. True

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-2: Solution

True or False

10. You can share periodic costs across a group of inventory organizations within a legal entity. The perpetual cost method for the individual organizations in the group can be a mixture of standard and average cost. True

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-3

Business Scenario for Periodic Average Costing

- In this business scenario, the system integrates freight costs to the actual cost of a purchased component.
- 1. On June 2, you buy 100 hard drives from a supplier at \$50 each.
- 2. On June 10, you receive the 100 hard drives.
- 3. On June 20, your supplier sends you an invoice for \$5000.
- 4. At the end of June, you run the periodic average cost processor and find that your item has an actual cost of \$50.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-3

Business Scenario for Periodic Average Costing

5. In July, you receive an invoice for \$500 to cover the cost of freight.

Because you receive these hard drives regularly, you have negotiated transport with a transporter, and not the supplier of the item.

6. In July, you match the invoice from the transporter to the receipt on June 10 or to a number of receipts. You run the invoice-to-receipt-based matching process and allocate the freight costs to different receipts. Then you run the periodic average cost processor in order to recalculate the cost of the item, which is now \$55.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

11i Periodic Incremental LIFO Costing

Chapter 24

11i Periodic Incremental LIFO Costing

11i Periodic Incremental LIFO Costing

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Objectives

After completing this lesson, you should be able to:

- **Describe periodic incremental LIFO (last-in-first-out) costing**
- **Describe the business value of periodic incremental LIFO costing**
- **Set up the periodic incremental LIFO costing method**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

Agenda

- **Overview of Periodic Incremental LIFO Costing**
- **Business Value of Periodic Incremental LIFO Costing**
- **Using Periodic Incremental LIFO Costing**
- **Inquiring and Reporting**
- **Setting Up and Implementing Periodic Incremental LIFO Costing**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Overview

Periodic incremental LIFO (last-in-first-out) costing is based on:

- **Incremental inventory quantity**
- **Weighted average costs**
- **Market value**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Overview

Periodic Costing

- Is invoice-based.
- Allows you to include additional invoiced charges in the cost of the item.

Periodic costing is of particular interest to customers:

- In Italy with fiscal inventory reporting requirements and government requirements.
- Who want invoice price-based valuation of their inventory to set standards or to update their perpetual costs.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Overview

Periodic Incremental LIFO Costing

- Valuation is based on an algorithm that considers the incremental inventory quantity from one period to another.
- End-quantity balance is valued by applying the weighted average cost to the purchasing and production costs incurred during the period.
- If, while comparing a calculated LIFO item cost to published market values, you find a lower market value, you can enter that market value with a required justification. The market value is then used when the subsequent fiscal LIFO valuation report is run.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Periodic incremental LIFO costing always incorporates actual invoiced purchasing costs.

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

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Periodic incremental LIFO costing always incorporates actual invoiced purchasing costs.

1. True
2. False

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

Agenda

- Overview of Periodic Incremental LIFO Costing
- **Business Value of Periodic Incremental LIFO Costing**
- Using Periodic Incremental LIFO Costing
- Inquiring and Reporting
- Setting Up and Implementing Periodic Incremental LIFO Costing

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Business Value of Periodic Incremental LIFO Costing

Inventory Valuation

- **You have a flexible, integrated periodic valuation method that conforms to important business practices and statutory valuation requirements.**

Fiscal Reporting

- **You have a costing structure that meets fiscal requirements with the flexibility to adapt to changes in regulations.**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Business Value of Periodic Incremental LIFO Costing

Choice in Fiscal Costing Method

- You can calculate inventory costs according to periodic average and periodic incremental LIFO, allowing favorable choice of inventory cost.

Market-based Costing

- You can enter market costs for inventory items, capturing the value of inventory assets at current replacement cost.

Inflation Correction

- You can match most recent costs with current revenues, eliminating profits in financial statements caused by inflation.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Business Value of Periodic Incremental LIFO Costing

Business Value of Periodic Incremental LIFO Costing

Lower of Cost or Market

- You can value inventories at cost or market value, whichever is lower, for statutory or managerial purposes.

Managerial Tool

- You can use periodic incremental LIFO costing to supplement any other costing method currently in use for managerial reporting.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

In what country does periodic incremental LIFO costing meet an important fiscal requirement?

- 1. France**
- 2. Italy**
- 3. Spain**
- 4. Argentina**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

In what country does periodic incremental LIFO costing meet an important fiscal requirement?

1. France
2. Italy
3. Spain
4. Argentina

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

Agenda

- Overview of Periodic Incremental LIFO Costing
- Business Value of Periodic Incremental LIFO Costing
- **Using Periodic Incremental LIFO Costing**
- Inquiring and Reporting
- Setting Up and Implementing Periodic Incremental LIFO Costing

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE®

Periodic Incremental LIFO

- Uses acquisition/landed cost
- Considers all cost relevant transactions
- Has an Item Cost Inquiry window
- Generates an Incremental LIFO Valuation Report

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Incremental LIFO

How Periodic Incremental LIFO Costing Is Used

- Periodic incremental LIFO is frequently used to value inventories for both fiscal and managerial reporting purposes.
- Assumption
 - Matching current costs with current revenues yields the most appropriate picture of profitability

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE®

Periodic Incremental LIFO

- In Italy, you can choose which costing method you use to support the financial statements you submit to the government.
 - Because prices in Italy tend to rise over time, the incremental LIFO approach yields income favorable for taxation.
- In other cases, LIFO is appropriate because the income statement shows cost of goods sold (COGS) approaching the current replacement cost of inventory, and that may be preferable in specific countries and in specific industries.

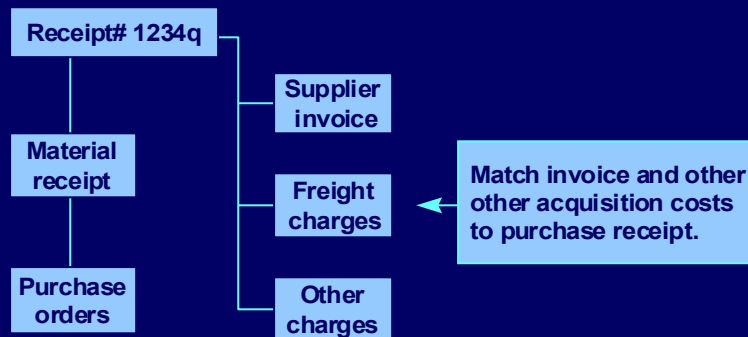
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Incremental LIFO, Uses Landed or Acquisition Cost

Periodic Incremental LIFO, Uses Landed or Acquisition Cost

Uses landed or acquisition cost:



Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Incremental LIFO, Uses Landed or Acquisition Cost

Periodic Incremental LIFO, Uses Landed or Acquisition Cost

- By using the “Purchase order receipt to payables invoice match” function, incremental LIFO uses landed acquisition cost.
 - You can match multiple supplier invoices to a given material receipt, deriving the actual cost.
 - When invoices are not available, material purchase order values (with exchange rate at time of receipt) are used.
- You benefit from the use of receipt-based matching so that costs reflect the actual economic effect of acquiring inventory.

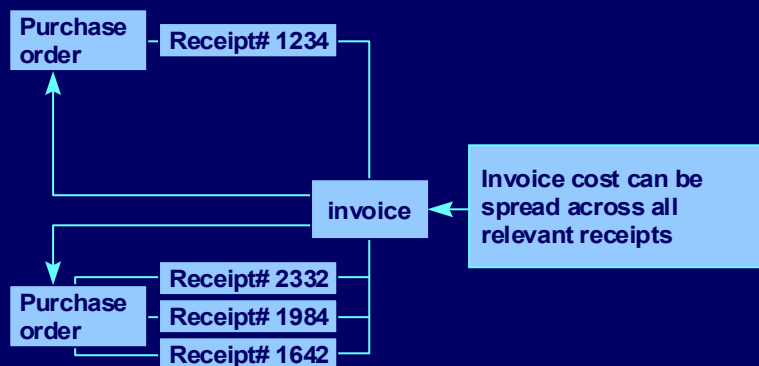
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Incremental LIFO, Uses Landed or Acquisition Cost

Periodic Incremental LIFO, Uses Landed or Acquisition Cost

Uses landed or acquisition cost:



Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Incremental LIFO, Uses Landed or Acquisition Cost

Periodic Incremental LIFO, Uses Landed or Acquisition Cost

- Incremental LIFO uses landed/acquisition cost by associating each freight cost or other invoiced cost with all relevant receipts.
- Similarly, you can associate all charges relevant to a purchase to the underlying item in inventory, including freight, duties, insurance, and other costs.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Incremental LIFO

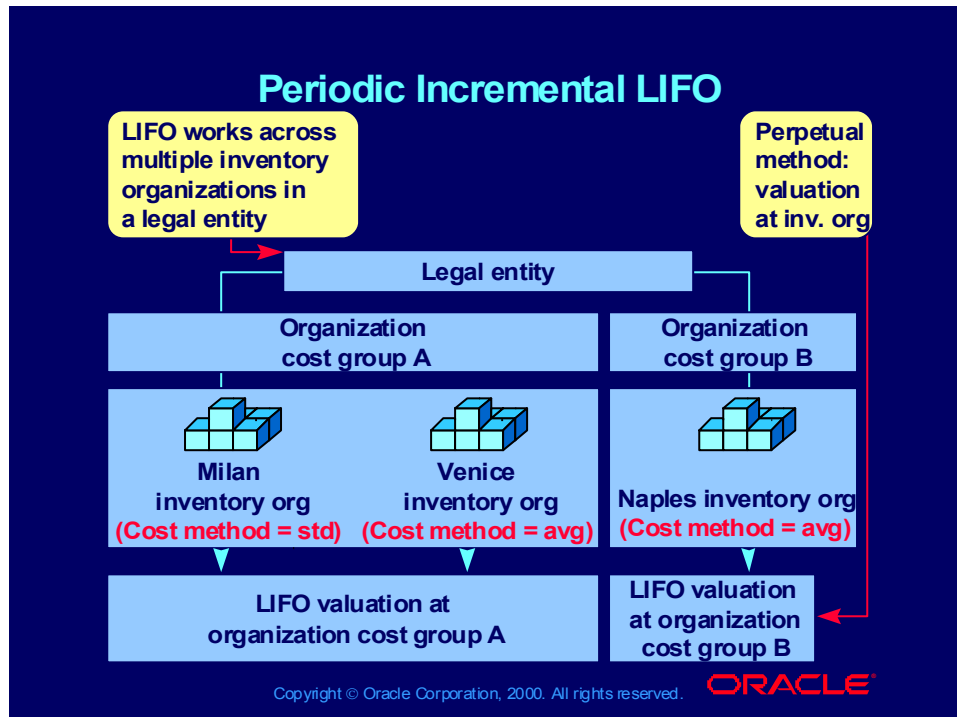
Periodic incremental LIFO

- Looks at the same transactions for creating and applying average costs as periodic average costing but does so in a slightly different manner.
- Pays attention only to the activity in the current period and does not include opening balances.
- Considers all cost relevant transactions for items:
 - Materials receipts
 - Returns to suppliers
 - Materials issues
 - RMAs
 - Interorganization transfers
 - Issues to WIP
 - Returns to WIP
 - WIP completions
 - WIP labor/resource
 - Assembly cost

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Incremental LIFO



Periodic Incremental LIFO

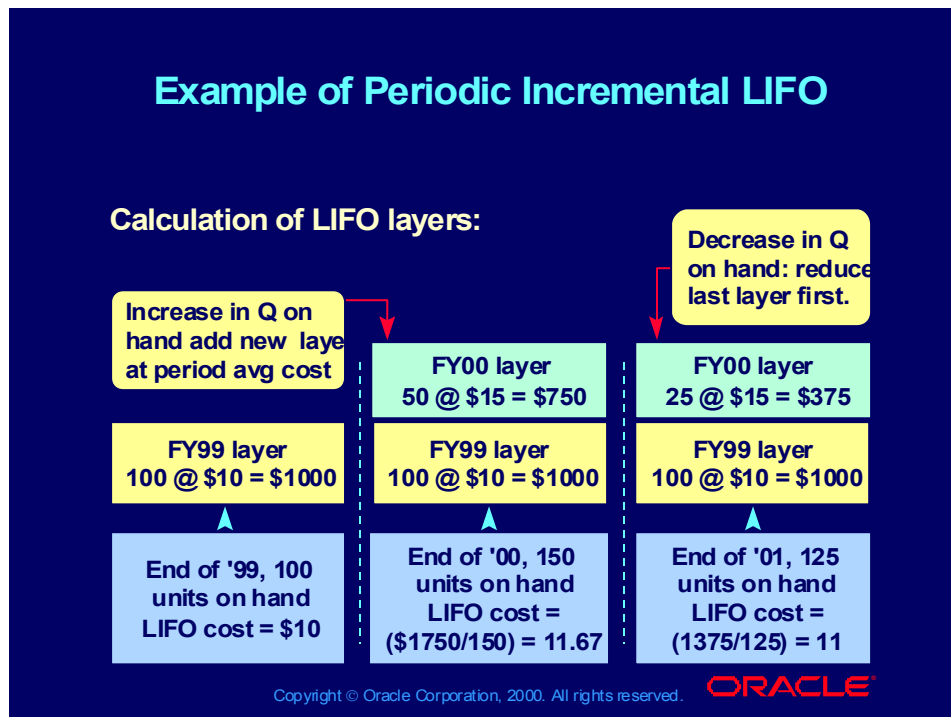
Organizational Hierarchy

- You have the same organizational hierarchy as in periodic average costing. You can have one or many organization cost groups per legal entity.
- ILIFO works across multiple inventory organizations in a legal entity. It can be used as a perpetual method for valuation for the inventory organization.
- The system performs independent unit cost calculations for each organization cost group.
- You generate fiscal accounting entries after all organization cost groups have been valued, reviewed, and finalized.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Example of Periodic Incremental LIFO



Example of Periodic Incremental LIFO

Example of Periodic Incremental LIFO

Example of How Incremental LIFO Is Used

1. Your first year of business is 1999. At the end of the year, you have 100 units of a particular item in inventory, carrying a LIFO cost of \$10 each.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Example of Periodic Incremental LIFO

Example of Periodic Incremental LIFO

2. Year 2000 commences, and you conduct transactions as usual. When you perform incremental costing, you determine that your new ending balance is 150 items. The 50 incremental units added during the year are assigned a unit cost based on the periodic average cost of the units purchased during this year only. You do not concern yourself with the previous average, because those transactions took place in prior periods.
- In this case, you carry an average of \$15 each and form a new quantity layer of 50 incremental units at 15 each.
 - Separately, you carry a cost that represents the cumulative average, and this is only used in a later step.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Example of Periodic Incremental LIFO

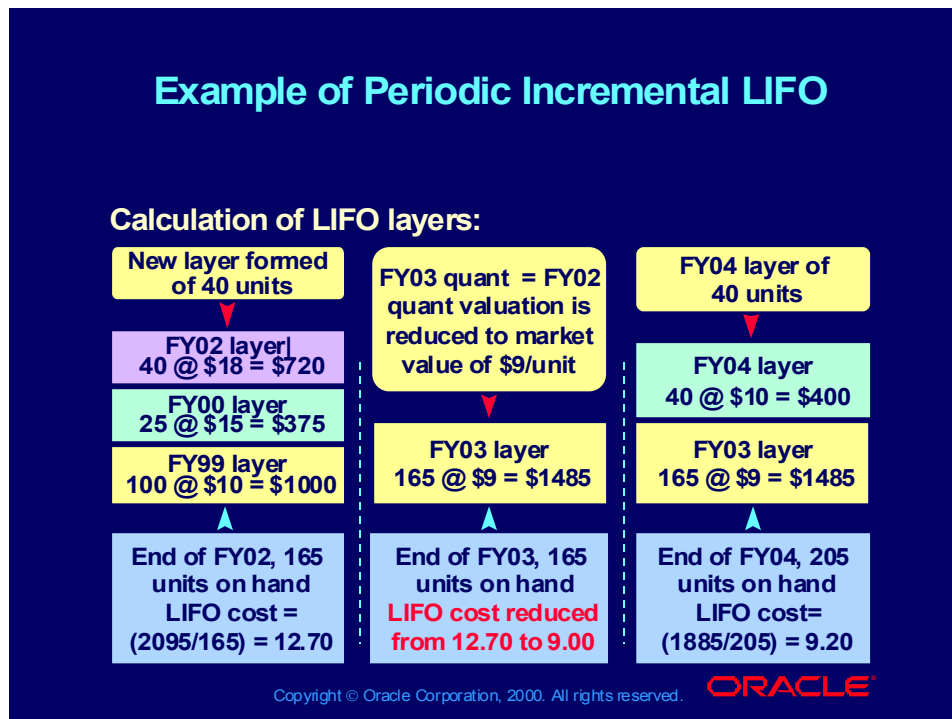
Example of Periodic Incremental LIFO

3. At the end of 2001, you have 125 units in stock, meaning that you issued more items than you received. This means that those excess issues over receipts are costed at the cost of the last layer added. In this case, 25 are costed at \$15 each.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Example of Periodic Incremental LIFO



Example of Periodic Incremental LIFO

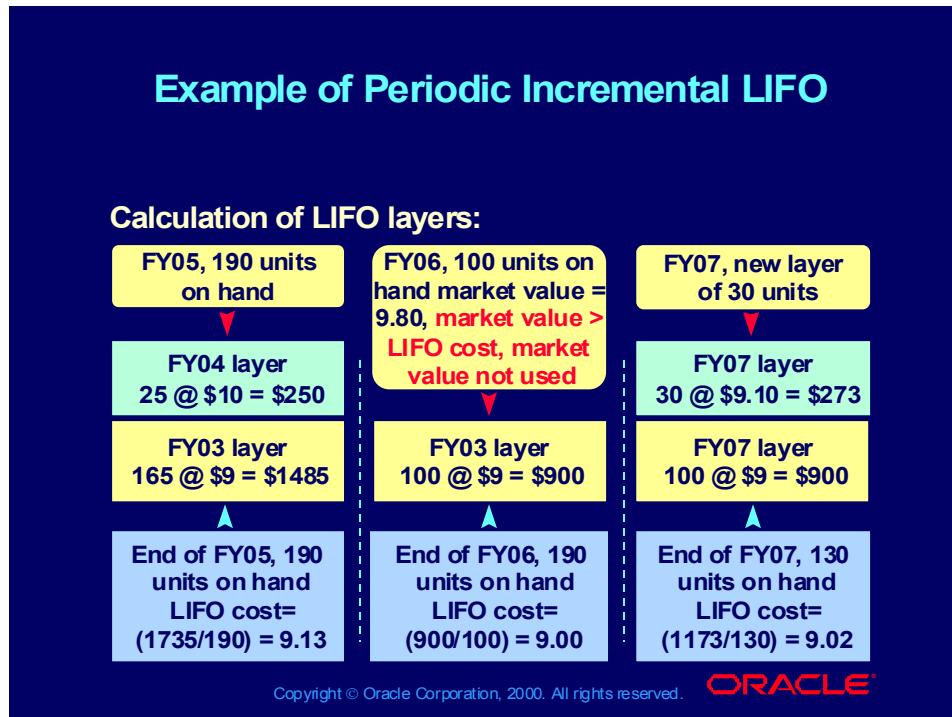
Example of Periodic Incremental LIFO

4. In the following period, your balance increases to 165; a new cost layer is formed at \$18 each, based upon the average cost of receipts in 2002.
 - Note that once you erode a previous layer, it is gone for good.
5. In the next year, you determine that the item is worth no more than \$9, based on published prices. Because you should value inventory according to lower of cost or market, you revalue the entire stock, irrespective of individual layer values, at \$9.
6. In future periods, new layers will be added to the revalued single layer of the item.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Example of Periodic Incremental LIFO



Example of Periodic Incremental LIFO

Example of Periodic Incremental LIFO

7. Finally, the process continues in the future according to the same method. If, in the future, you enter a market value which is in excess of the LIFO cost, the market value will not be used.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Example of Periodic Incremental LIFO

Example of Periodic Incremental LIFO

Summary of ILIFO Costing

- At the end of the costing period (annual or monthly), if the quarter end is greater than the quarter beginning, then a new layer is formed.
- If the quarter end is less than the quarter beginning, then the last existing layer is reduced.
- When material unit costs are reduced to market value, the reduction effects all previous layers.
- If the market value exceeds the LIFO unit cost, the LIFO cost is used.
- The unit costs established for future layers are calculated independently of all prior layers.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Periodic costing uses actual costs only when those costs have been matched to receipts or to purchase orders for a given period. If no matched costs are found, the receipt or purchase order is used.

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

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Periodic costing uses actual costs only when those costs have been matched to receipts or to purchase orders for a given period. If no matched costs are found, the receipt or purchase order is used.

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

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Periodic Incremental LIFO Procedures

Procedures:

- Calculating inventory value using the incremental LIFO cost method
- Reviewing the use of market value
- Closing the period and running the fiscal end-of-period report

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Calculating Inventory Value Using Periodic Incremental LIFO

Calculating Inventory Value Using Periodic Incremental LIFO

1. You select a costing method for calculating inventory item costs by assigning a cost type to a legal entity using the Cost Group/Cost Type Association window.
 - Based on your cost method, the periodic average cost manager calculates inventory cost using either the periodic average cost algorithm or the incremental LIFO algorithm.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Calculating Inventory Value Using Periodic Incremental LIFO

Calculating Inventory Value Using Periodic Incremental LIFO

Use the Organization Cost Group/Cost Type Associations window to:

- Associate multi-org enabled cost types to the legal entity.
- Assign inventory organizations to the organization cost group.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Setup >
Organization Cost Group/Cost Type Association
(T) Organization Cost Group Associations

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 3: Associating Organization with an
Organization Cost Group**

Calculating Inventory Value Using Periodic Incremental LIFO

Calculating Inventory Value Using Periodic Incremental LIFO

2. The system calculates the periodic average cost for the current year or period that you want.
 - To calculate incremental LIFO for a period, you first calculate the weighted average cost for the current period. This calculation differs from the weighted average cost calculated for periodic average costing because it only considers inventory manufactured or purchased in the current period.
 - Incremental LIFO requires the weighted average cost of the current period to be calculated with a beginning balance of 0. This ensures that the current year's layer only includes items manufactured and purchased in the current year.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Calculating Inventory Value Using Periodic Incremental LIFO

Calculating Inventory Value Using Periodic Incremental LIFO

- The incremental LIFO system uses extensions to the PAC processor:
 - The beginning balance update procedure resets the beginning balance to 0.
 - The cost processor procedure weighted average cost calculates the appropriate weighted average cost and the incremental LIFO unit cost.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Calculating Inventory Value Using Periodic Incremental LIFO

Calculating Inventory Value Using Periodic Incremental LIFO

3. The system calculates the incremental LIFO inventory cost.
 - Once the weighted average cost is calculated with 0 beginning balance, that value feeds directly into the LIFO inventory value calculation:
 - $\text{Weighted average cost (for period)} \times \text{final quantity balance (period-end balance)} = \text{inventory value (for period)}$
 - This calculation only accounts for the inventory of the current period. Another calculation is needed to find the total inventory value. This additional calculation must account for inventory manufactured or purchased in prior periods.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Reviewing the Use of Market Value

How to Review the Use of Market Value

- You enter or edit market value and recalculate inventory value.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Reviewing the Use of Market Value

1. Run the cost manager, selecting incremental LIFO as the cost method.
2. Review the results of the calculated incremental LIFO unit cost and inventory value by invoking a window or printing a report. If the LIFO unit cost of an item for a period is more than the market value, you can optionally enter the market value into the window and recalculate the inventory value based on market value.
 - If you use the market value and it is used to generate inventory values used in fiscal reports, the market value has to be a definitive published value and should not be automatically calculated.
 - Manually enter or delete the market value of an item, including a required justification for it.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Closing the Period

1. **Manually close the period.**
 - **Decide when to close the period. Close the period using a periodic average cost window. Once a period is closed, the cost processor cannot be rerun.**
 - **Only the current period can be open. Prior periods can never be reopened.**
 - **The current period cannot be closed if the system date is less than the end-date of the period. The final run of the cost manager to calculate inventory value takes place only after the end of the current period.**
 - **You can close the period only after all five phases of the cost processor have run successfully.**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Closing the Period

2. Run the fiscal end-of-period report.
 - After period close, you run a fiscal report for inventory items for the current period. This report is a concurrent program from the applications menu.
3. Transfer cost information to the general ledger.
 - Run the fiscal end-of-period report.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Using periodic incremental LIFO, you can enter and store a market price at any time.

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

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Using periodic incremental LIFO, you can enter and store a market price at any time.

1. True
2. False

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Using periodic incremental LIFO, you can only enter a market price if the value is less than that of the stored LIFO cost.

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

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Using periodic incremental LIFO, you can only enter a market price if the value is less than that of the stored LIFO cost.

1. True
2. False

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Processing for Periodic Costing

Periodic Cost Processing

You follow these steps to perform periodic cost processing:

- Run the acquisition cost processor
- Run the Periodic Cost processor
- Run the distributions processor if necessary
- Perform any other required activities such as cost copy, item cost inquiry, and periodic cost update
- Run reports and rerun processing, if required
- Close the period
- Transfer to General Ledger, if desired

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing >
Periodic Cost Processing**

Processing for Periodic Costing

- **PAC cost processing has distinctive processing phases. Based on the result of the process in each phase, if it is successful, the processor completes with a success status stamp; otherwise, it will roll back with a failure status. You can reduce reprocessing time by rerunning only a failed phase. The available phases are classified as follows :**
 - **Phase 1: Compute acquisition cost**
 - **Phase 2: Current period beginning balance setup**
 - **Phase 3: Low-level computation**
 - **Phase 4: WP job information build**
 - **Phase 5: Cost processing for group 1 and 2**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

Agenda

- Overview of Periodic Incremental LIFO Costing
- Business Value of Periodic Incremental LIFO Costing
- Using Periodic Incremental LIFO Costing
- **Inquiring and Reporting**
- Setting Up and Implementing Periodic Incremental LIFO Costing

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Inquiring and Reporting



You can use cost management to prepare various management reports regarding profits and operations for an organization.

Profitability Reporting

- Gross margin
- Gross profit
- Product-line profitability
- Pricing reviews
- Variance analysis
 - Overhead absorption
 - Purchase price variance and invoice price variance
 - Scrap
 - Manufacturing variances

Operational Reporting

- Inventory balances
- Excess and obsolete inventory
- Comparisons of actual production to planned levels
- Input/output analysis

Inquiring and Reporting

- **Item Cost Inquiry window**
- **Periodic Incremental LIFO Valuation Report**
- **Periodic Acquisition Cost Report**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Item Cost Inquiry Window

Item Cost Inquiry Window

- You can query and review item costs derived from both periodic average cost and periodic incremental LIFO cost methods.

Use the Item Cost Inquiry window to:

- Enter market prices to write down unit costs to fair value.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Item Cost Inquiry

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing >
Periodic Cost Processing > Making Item Cost Inquiries**

Periodic Incremental LIFO Valuation Report for Fiscal Reporting

Periodic Incremental LIFO Valuation Report for Fiscal Reporting

- Use the Periodic Incremental LIFO Valuation Report summary to report current period LIFO unit cost, quantity, and total inventory balance for each item.
- Use the Incremental LIFO Valuation Report detail to report details of total inventory value by layer and a description of market value justifications when market values are used.

Use the Request Periodic Cost Report window to:

- Select the report name from the list of periodic costing reports. Report names include the:
 - Incremental LIFO Valuation Report

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Reports

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Reports >
Incremental LIFO Valuation Report for Fiscal Reporting**

Periodic Acquisition Cost Report

Periodic Acquisition Cost Report

Use the Periodic Acquisition Cost Report to analyze the acquisition cost for each receive transaction. This report shows you purchase order prices for items that have not been matched to invoices.

- You can run this report to see which purchase orders have not been matched.
- You can rerun the report after matching purchase orders to invoices.

Use the Request Periodic Cost Report window to:

- Select Periodic Acquisition Cost Report as the report name.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Reports

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Reports >
Periodic Acquisition Cost Report**

Scenario

The likely scenario is that some purchase orders will invariably not be matched, because the invoice may be received too late. However, because you perform the acquisition costing after month-end close, you should have time to update most of the unmatched purchase orders.

Agenda

Agenda

- Overview of Periodic Incremental LIFO Costing
- Business Value of Periodic Incremental LIFO Costing
- Using Periodic Incremental LIFO Costing
- Inquiring and Reporting
- **Setting Up and Implementing Periodic Incremental LIFO Costing**

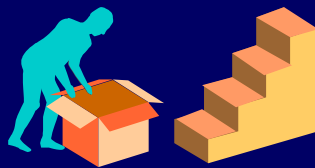
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

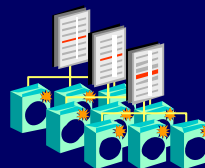
Implementation and Setup Considerations

You can setup periodic costing flexibly, using:

- An accounting calendar
- Organization cost groups



Processes
and organized
setup steps

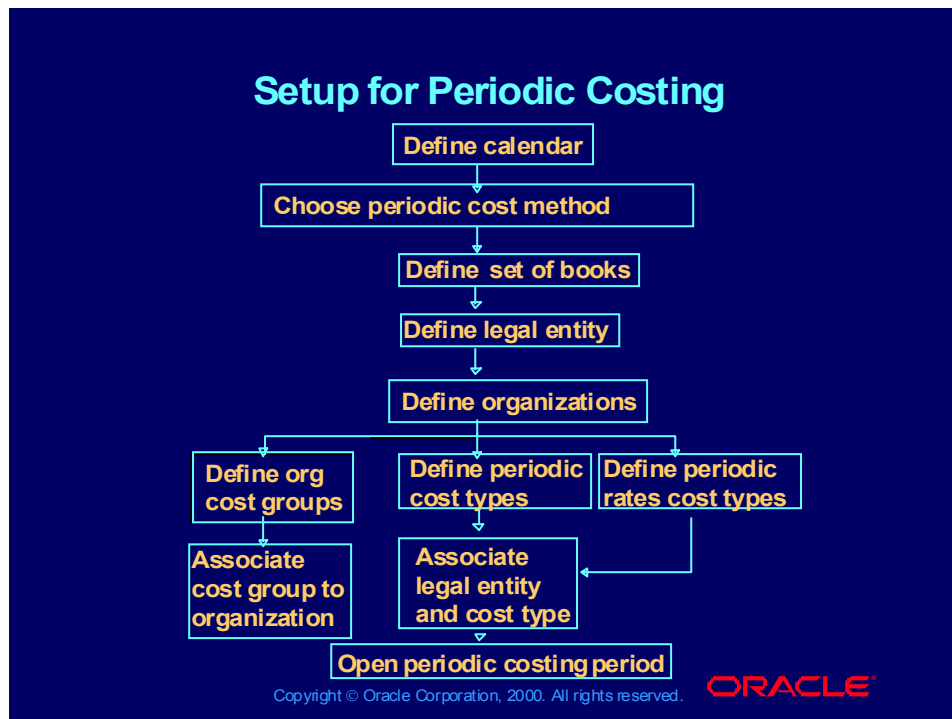


Set up
applications

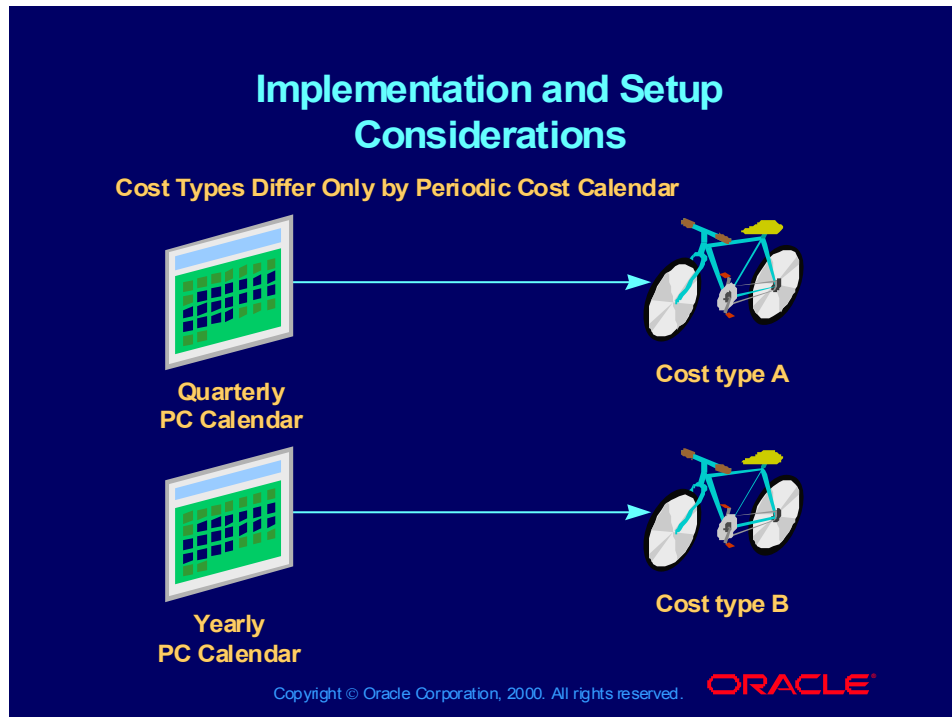
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setup for Periodic Costing



Implementation and Setup Considerations



Implementation and Setup Considerations

Defining the Periodic Cost Calendar

- Periodic costing has its own calendar so that you can specify the frequency, based on the period (month, fiscal year) for the cost processor to examine costs.
- You set up the periodic cost calendar with periods that have the same beginning and ending dates as the perpetual periods.
- The periodic cost periods can be longer but not shorter than the perpetual periods.
- You use the same calendar for all groups within the legal entity for a cost type.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Implementation and Setup Considerations

Defining the Periodic Cost Calendar (continued)

- You need a different cost type for a different calendar.
- In periodic costing, the current period is the open period in the Fiscal Cost Group/Cost Type Calendar. Only one period can be open.

Use the Periodic Accounting Periods window to:

- Establish and control an accounting calendar for periodic average costing

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Periodic Close Cycle >
Periodic Accounting Periods

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing >
Periodic Cost Processing > Closing Periodic Cycle**

Implementation and Setup Considerations

Choosing a Periodic Cost Method

- Implicitly choose a perpetual cost method when selecting a cost type when you run the periodic cost processor.

Associating to a Set of Books

- If you enable distributions for a Legal Entity/Cost Type, associate the same set of books as you used in the perpetual cost type.
- If you do not enable distributions for a Legal Entity/Cost Type, you may use a different set of books but the chart of accounts and currency must be the same as used in the perpetual cost type.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup**

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

In periodic costing, the item cost is held at the cost type/organization cost group/period combination.

There are six setup steps specific to periodic costing:

1. Defining the organization cost group.
2. Creating cost types and periodic rates cost types for use in periodic costing.
3. Associating the organization with an organization cost group.
4. Associating the cost type with the legal entity.
5. Setting accounting options (required if using periodic cost distributions).
6. Assigning periodic accounts (required if using periodic cost distributions).

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

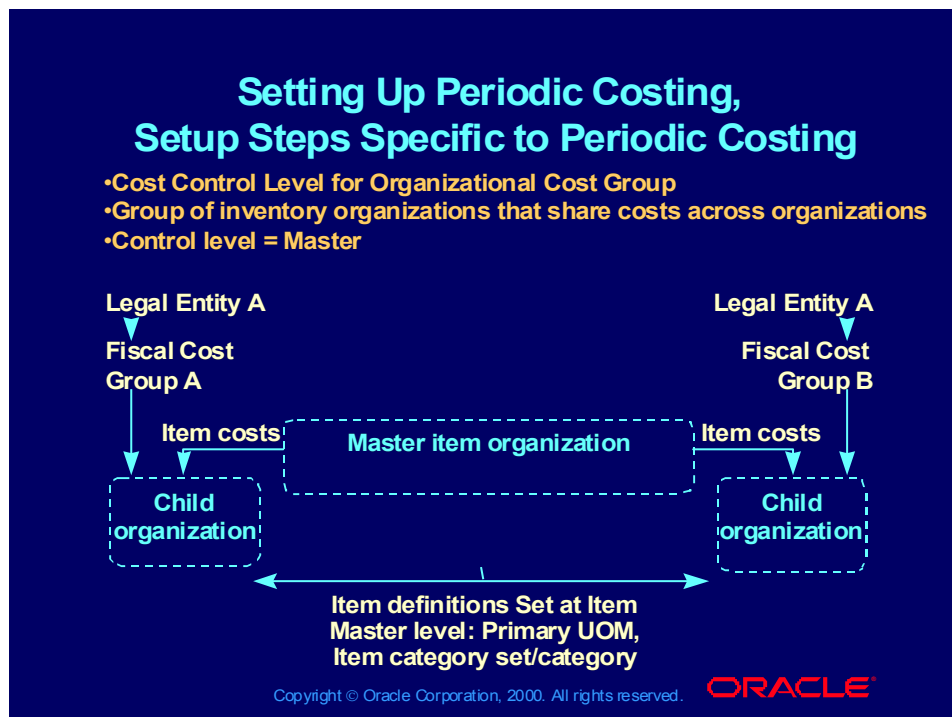
Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

- The end result, once all these associations are set up, is a many-to-many relationship between organization cost groups and cost types through the legal entity.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing



Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Assigning Inventory Organizations to Groups

- You can define fiscal cost groups of the type fiscal for the groups of inventory organizations that will share costs.
- You can associate the fiscal cost groups to the legal entity.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

You assign each inventory organization to one and only one organizational cost group, ensuring that:

- All organizations have the same master item organization.
- The primary unit of measure control status is set at the item master level.
- The item category set/category is set at the item master level.
- All organizations are in the same legal entity.
- All inventory organizations are assigned to a fiscal cost group, or they will not be processed. Once periodic cost processing is run, it is difficult or impossible to assign the orphan organization.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 1: Defining Organization Cost Group

- Each organization cost group must be associated with a legal entity.

Use the Organization Cost Groups window to:

- Define and associate the cost group with a legal entity and item master organization.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Setup > Organization Cost Group

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 1: Defining Organization Cost Group**

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 2: Creating Cost Types and Periodic Rates Cost Types

- You need to create cost types and periodic rates cost types in the main setup window for cost types.
- Cost types for periodic costing must be multi-org and not updatable.
- Periodic rates cost types are not restricted. Any user defined cost type can be a periodic rates cost type if it is so designated in the Cost Type Associations tab of the Organization Cost Group/Cost Type Associations window.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Use the Organization Cost Group/Cost Type Associations window to:

- Associate multi-org enabled cost types to the legal entity.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Setup >
Organization Cost Group/Cost Type Association
(T) Cost Type Associations

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 2: Creating Cost Types and Periodic Rates Cost
Types

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 3: Associating Organization with an Organization Cost Group

- Once an inventory organization is associated with an Organization Cost Group and transactions have been processed, that association is permanent and exclusive.
- An Organization Cost Group can be associated with one or more organizations.
- Those inventory organizations which can be associated with an organization cost group meet qualifications that the organization already belongs to the legal entity and that it is not associated with any other organization cost group.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Use the Organization Cost Group/Cost Type Associations window to:

- Assign inventory organizations to the organization cost group.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Setup >
Organization Cost Group/Cost Type Association
(T) Organization Cost Group Associations

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 3: Associating Organization with an
Organization Cost Group**

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 4: Associating Cost Type with Legal Entity

Use the Organization Cost Group/Cost Type Associations window to:

- To associate the cost type with the legal entity and to select a cost method.

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Setup >
Organization Cost Group/Cost Type Association
(T) Organization Cost Group Associations

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 4: Associating Cost Type with Legal Entity**

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 5: Setting Accounting Options (Optional)

- Use the **Cost Type Associations Accounting Options** window to set options pertaining to the creation of accounting entries (cost distributions) and posting (transferring) to General Ledger.
- If you do not **Create Accounting Entries**, you cannot post to the **General Ledger** from **Periodic Costing**, and therefore **General Ledger** options are unavailable to you.

Manufacturing and Distribution Manager Responsibility

**(N) Cost > Periodic Costing > Setup >
Organization Cost Group/Cost Type Association
(B) Accounting Options**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 5: Setting Accounting Options (Optional)**

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Step 6: Assigning Periodic Accounts

- You perform this step if you are using the Periodic Cost Distributions Processor.
- Periodic cost accounts are used during periodic cost distributions to create accounting entries. You can only specify these accounts if distribution is enabled for the legal entity cost type.
 - Cost group category level accounts used to perform periodic inventory accounting based on categories defined in the master item organization for the cost group.
 - Cost group level accounts used independently of the category to define variance and inventory offset accounts.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Setting Up Periodic Costing, Setup Steps Specific to Periodic Costing

Use the Periodic Account Assignments window to:

- Assign periodic accounts:

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Setup >
Periodic Account Assignments

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing > Periodic Cost Setup >
Setup Steps > Step 6: Assigning Periodic Accounts**

Update Periodic Costs Window

Update Periodic Costs Window

Use the Update Periodic Costs window to update:

- Periodic costs for any items that have been updated using the average cost update
- Invoice price variances (IPVs) that have been updated by the average cost update
- Periodic costs for a variety of reasons

Manufacturing and Distribution Manager Responsibility

(N) Cost > Periodic Costing > Update Periodic Costs

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Manufacturing Applications >
Oracle Cost Management > Periodic Costing >
Periodic Cost Processing > Updating Periodic Costs**

Summary

In this lesson, you should have learned how to:

- **Describe periodic incremental LIFO costing**
- **Describe the business value of periodic incremental LIFO costing**
- **Set up periodic incremental LIFO costing**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1 Overview

Practice 1 Overview

This practice covers the following topics:

- **Describing periodic incremental LIFO costing**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1

Short Answer Questions

1. In what country does periodic incremental LIFO costing meet an important fiscal requirement?

Answer: _____

2. Assuming you have a component (computer hardware) whose purchase price declines over time, which cost method would you expect to yield the lowest inventory valuation and why?

- a. Periodic incremental LIFO costing
- b. Periodic average costing

Answer: _____

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1

Short Answer Questions

3. In an inflationary market environment, which method will yield generally yield greater profitability and why?
- a. Periodic incremental LIFO costing
 - b. Periodic average costing

Answer: _____

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1: Solution

Short Answer Questions

1. In what country does periodic incremental LIFO costing meet an important fiscal requirement?

Answer: Italy

2. Assuming you have a component (computer hardware) whose purchase price declines over time, which cost method would you expect to yield the lowest inventory valuation and why?
 - a. Periodic incremental LIFO costing
 - b. Periodic average costing

Answer: b, periodic average costing, because incremental LIFO will charge the most recent (and cheapest) items first.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1: Solution

Short Answer Questions

3. In an inflationary market environment, which method will yield generally yield greater profitability and why?
- a. Periodic incremental LIFO costing
 - b. Periodic average costing

Answer: b, perpetual average costing, because incremental LIFO records the latest (highest) prices as cost-of-goods-sold-first.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

11i Period Close for Inventory Organizations

Chapter 25

11i Period Close for Inventory Organizations

11i Period Close for Inventory Organizations

Copyright © Oracle Corporation, 2000. All rights reserved.

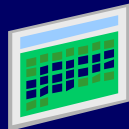
ORACLE

Objectives

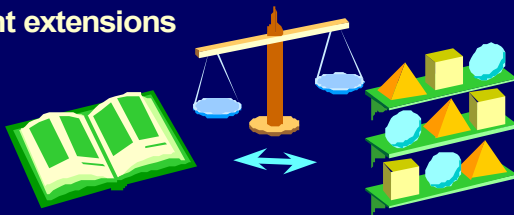
Objectives

After completing this lesson, you should be able to:

- Determine your transfer option
- Prepare to close a period
- Close a period
- Reconcile General Ledger to perpetual inventory
- Describe client extensions



Close a
period



Reconcile GL to perpetual inventory

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

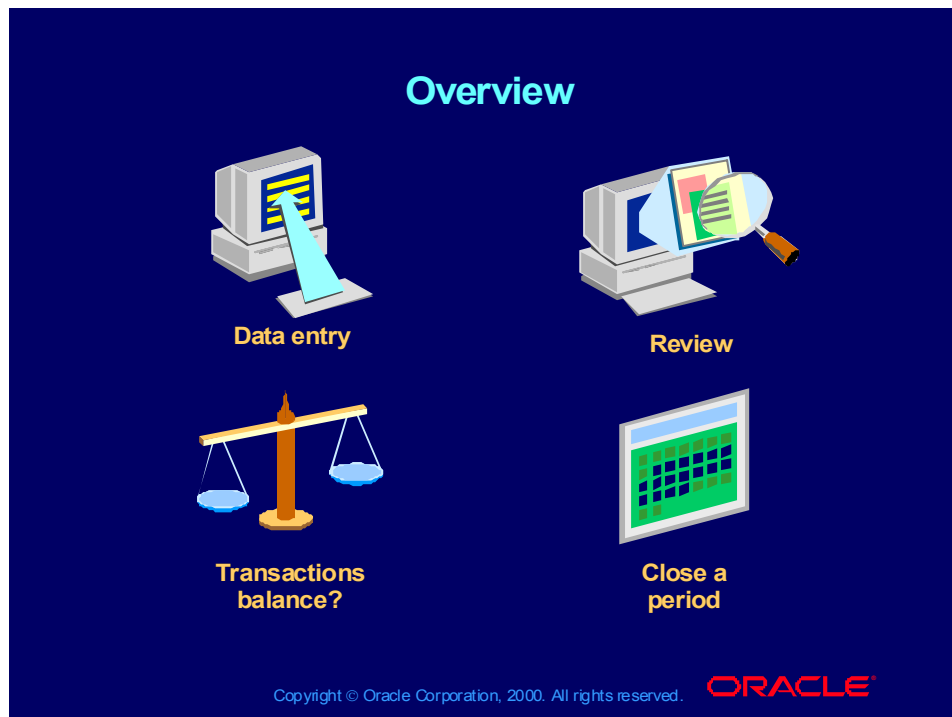
Agenda

- **Cost Accounting at Period Close Overview**
- Pending Transactions
- Transfer Options
- Closing the Period in Inventory
- Posting to the General Ledger
- Reconciling Perpetual Inventory to GL
- Describing Client Extensions

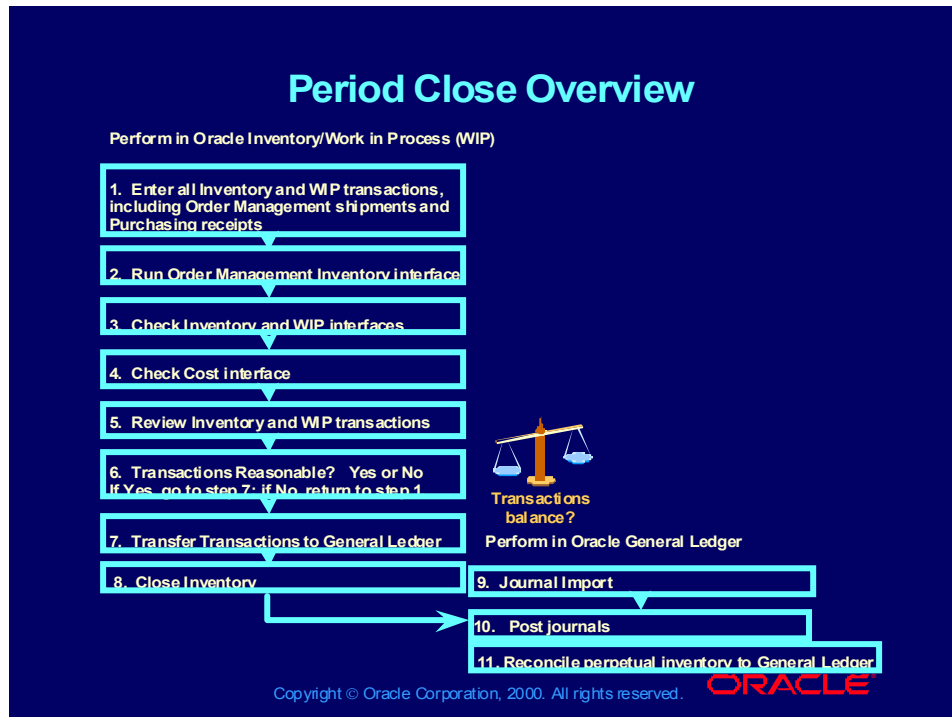
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Overview



Period Close Overview



Agenda

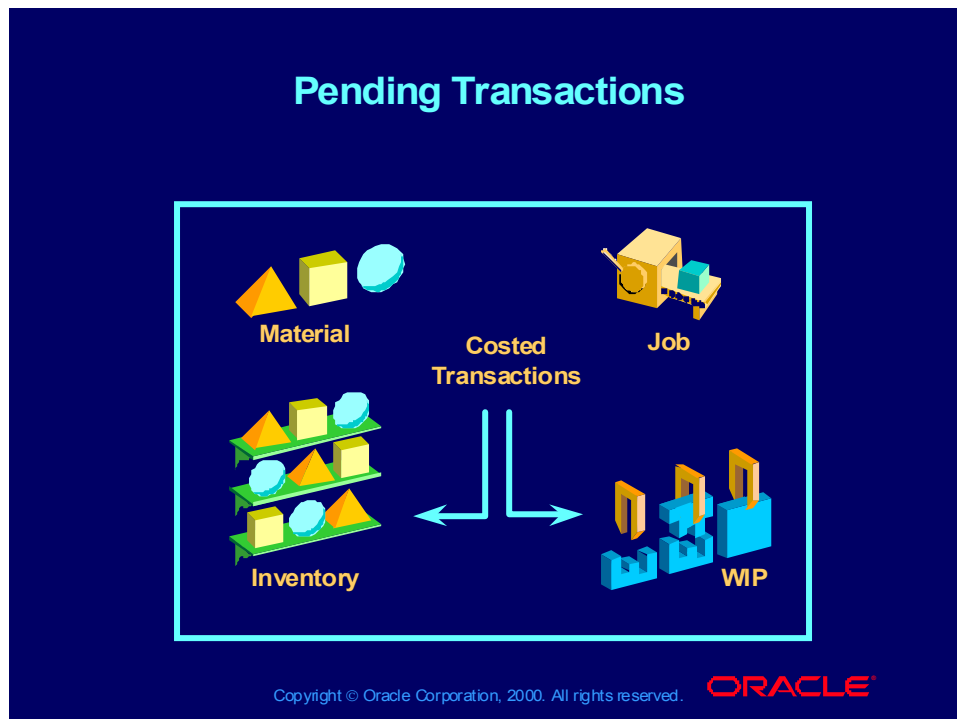
Agenda

- Cost Accounting at Period Close Overview
- Pending Transactions
- Transfer Options
- Closing the Period in Inventory
- Posting to the General Ledger
- Reconciling Perpetual Inventory to GL
- Describing Client Extensions

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Pending Transactions



Viewing Pending Transactions

Check pending inventory transactions.

- You can view, edit, and correct pending transactions in inventory before validation.
- Pending transactions include transactions:
 - Received through the transaction interface.
 - Processed with the background processing option.
- Using the folder or single row windows, you can choose how to view the information appropriate for a particular transaction.
- You can also resubmit transactions for processing.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Manufacturing Applications > Oracle Inventory > Transactions > Viewing Pending Transactions

Viewing Pending Transactions Folder

Viewing Pending Transactions Folder

- The Pending Transactions folder window allows you to view detailed information about pending transactions in inventory.
- Using folder options you can display certain fields for each tabbed region.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Manufacturing Applications > Oracle Inventory > Transactions > Viewing Pending Transactions > Pending Transactions Folder

Viewing Pending Transactions Folder

Viewing Pending Transactions Folder

1. Use the Pending Transactions window to:
 - Check pending transactions in inventory

Manufacturing and Distribution Manager Responsibility
(N) INV Transactions > Pending Transactions (B) Find
(T) Error > Location > Source > Intransit > Others
2. Enter search criteria for the pending transactions you want to view. You can search for transactions based on processing information, transaction type, source type, or item details.
3. Choose Find to start the search. The results display in the Pending Transactions window.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Manufacturing Applications > Oracle Inventory > Transactions > Viewing Pending Transactions > Pending Transactions Folder

Viewing Pending Transactions Folder

Viewing Pending Transactions Folder

4. Select a tabbed region to display a type of information:
- **Error:** Pending transaction error information.
 - **Location:** Pending transaction location information.
 - **Source:** Pending source information
 - **Intransit:** Pending intransit shipping information.
 - **Others:** Miscellaneous header and costing information.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Manufacturing Applications > Oracle Inventory > Transactions > Viewing Pending Transactions > Pending Transactions Folder

Viewing Pending Transactions in the Transaction Open Interface

Viewing Pending Transactions in the Transaction Open Interface

Transaction Interface

- Check the inventory transaction interface for pending WIP transactions

Manufacturing and Distribution Manager Responsibility

(N) INV Transactions > Transaction Open Interface (B) Find

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Manufacturing Applications > Oracle Inventory > Transaction Open Interface

Pending Move Transactions

Pending Move Transactions

Check pending WIP transactions.

- **Use the Pending Move Transactions window to check unprocessed shop floor move transactions**

Manufacturing and Distribution Manager Responsibility

(N) WIP Move Transactions > Pending Move Transactions (B) Find

- **The Pending Move Transactions window automatically puts you in query mode. Before you close the period, you want to make sure that the query finds no records. If records exist, navigate to the Launch Manager window in Inventory and check that the interface managers are active for your Move and Resource cost transactions.**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Manufacturing Applications > Oracle WIP > Pending Move Transactions

Note

Use the Pending Move Transactions window to report any unprocessed shop floor move transactions.

Resources are charged to the job based on their Unit of Measure not quantity movement. Resources can be charged independently of any quantity movement. Quantity movement is based on the move window. Resources are charged and costing happens after the quantity movement unless the resource is charged independently of the move.

Pending Resource Transactions

Pending Resource Transactions

Check pending WIP transactions.

- Use the Pending Resource Transactions window to check unprocessed resource transactions
- report name.

Manufacturing and Distribution Manager Responsibility

(N) WIP Move Transactions > Pending Resource Transactions

(B) Find

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Manufacturing Applications > Oracle WIP > Pending Resource Transactions

Checking Cost Interface

Checking Cost Interface

- Use the Material Transactions window to check to ensure that all transactions are costed and do not have an error status.

Manufacturing and Distribution Manager Responsibility

(N) CST View Transactions > Material Transactions (B) Find
(T) Reason/Reference

(N) INV Transactions > Material Transactions (B) Find
(T) Reason/Reference



**Material
transactions**



Inquiries and analysis



Valued

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

Agenda

- Cost Accounting at Period Close Overview
- Pending Transactions
- **Transfer Options**
- Closing the Period in Inventory
- Posting to the General Ledger
- Reconciling Perpetual Inventory to GL
- Describing Client Extensions

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transfer Options

Transfer Options	
General Ledger Transfer	
Transferred Information	Displayed in General Ledger
GL batch number	Journal entry batch name
Organization code	Journal entry batch name
Organization code	Journal entry batch description
GL batch date	Journal entry batch description
GL transfer description	Journal entry batch description
GL batch number	With the line item sort, this may be displayed in the General Ledger Report and is stored in GL_JE_LINES table, reference1 column
Organization ID	Not displayed, stored in GL_JE_LINES table, reference2 column
Transaction ID (for detail transfers only)	Not displayed, stored in GL_JE_LINES table, reference3 column

Copyright © Oracle Corporation, 2000. All rights reserved. **ORACLE**

Note

For each inventory organization, Cost Management transfers transactions to the general ledger interface table, line for line.

If you transfer summary information, Cost Management groups transactions by GL batch, by journal category, by currency code, and by account.

Attention: Transfer in detail only if you have low transaction volumes.

Transferring large amounts of detail transactions can adversely affect General Ledger performance.

For both detail and summary transfers, Cost Management passes the organization code, GL batch number, batch description, and batch date. When you transfer in detail, you also pass the material or work in process transaction number. In General Ledger, you can see the transferred information, as shown in the table above.

Transfer Accounting Transactions in Summary or in Detail

Transfer Accounting Transactions in Summary or in Detail

For each inventory organization, you can transfer accounting transactions in summary or in detail.

Summary

- Groups transactions by GL batch, journal category, currency code, and account

Detail

- Transfers transactions to the General Ledger interface table line for line

You should transfer in detail only if you have low transaction volumes.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Transfer Accounting Transactions in Summary or in Detail

Transfer Accounting Transactions in Summary or in Detail

You set up how you want to transfer accounting transactions. Use the Organization Parameters window to check or uncheck:

- Transfer detail to GL

Manufacturing and Distribution Manager Responsibility

(N) INV Setup > Organizations > Parameters

(T) Costing Information

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

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

Interim Transfers

General Ledger Transfers

- Perform a General Ledger transfer at any time during an open period, not just at period close, except when you are closing discrete jobs.
 - The General Ledger Transfer and the Close Discrete Jobs processes are incompatible.

Interim Transfers

- You can perform a GL transfer at any time, providing that at least one period is open.
- A transfer performed at any other time except during the period end process is called an Interim Transfer.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Interim Transfers

Interim Transfers

- Use the General Ledger Transfer window throughout the month to transfer summarized inventory and work-in-process activity into the General Ledger interface. Once in the interface, the transactions can be imported and posted to the General Ledger.

Manufacturing and Distribution Manager Responsibility

(N) CST Accounting Close Cycle > General Ledger Transfers

(N) INV Accounting Close Cycle > General Ledger Transfers

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Financial Applications > Oracle General Ledger > General Ledger Transfers

Interim Transfers

Review Reports for Transaction Errors

- Running this process before period close allows you to review the summary transactions and make adjustments to the period using new inventory transactions as necessary.

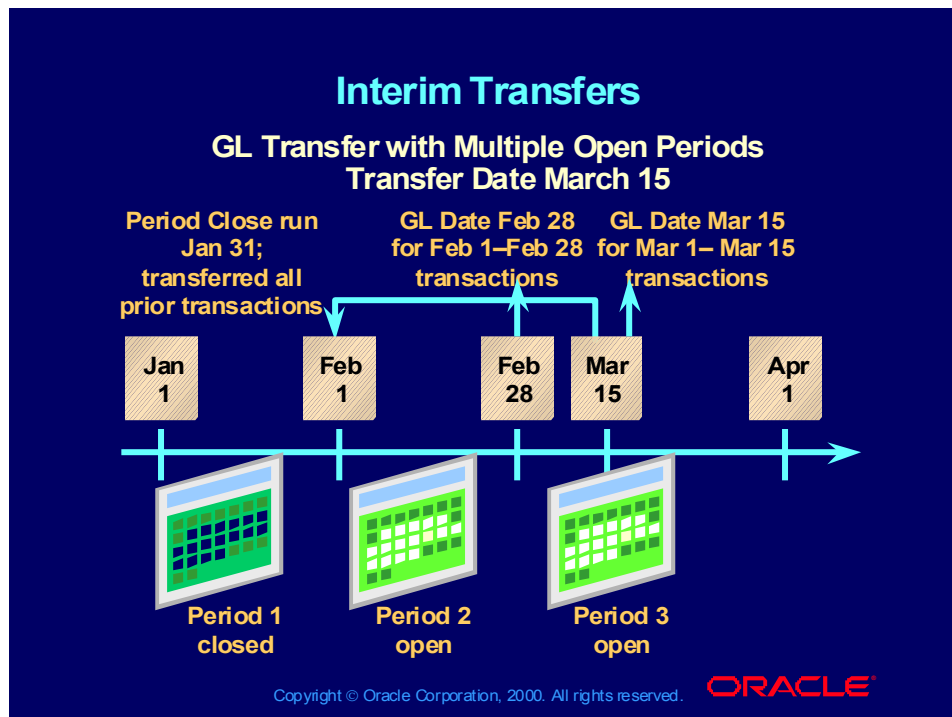


Reports

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Interim Transfers



Multiple Open Periods

If you run the GL transfer and the prior period has not been closed, any transactions in the prior open period that have not been posted are included in the GL batch. The GL date for the transactions is the last day of the period, so that they post to the correct period in GL.

The GL date for the transactions in the current period is the date on which you ran the GL transfer.

Review Question

Review Question

Use the General Ledger Transfer window throughout the month to transfer summarized inventory and work-in-process activity into the General Ledger interface. Once in the interface, the transactions can be imported and posted to the General Ledger.

1. True
2. False

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Use the General Ledger Transfer window throughout the month to transfer summarized inventory and work-in-process activity into the General Ledger interface. Once in the interface, the transactions can be imported and posted to the General Ledger.

1. True
2. False

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE®

Agenda

Agenda

- Cost Accounting at Period Close Overview
- Pending Transactions
- Transfer Options
- **Closing the Period in Inventory**
- Posting to the General Ledger
- Reconciling Perpetual Inventory to GL
- Describing Client Extensions

Copyright © Oracle Corporation, 2000. All rights reserved.

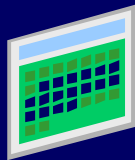
ORACLE

Closing the Period in Inventory

Closing the Period in Inventory

Functions Performed by Close Process

- The close process performs a number of functions.
 - Closes an open period
 - Creates summary or detail transactions



**Period 1
closed**



**Period 2
open**



**Period 3
open**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Closing the Period in Inventory

Closes Open Period

- The period close process permanently closes an open period. Once you close a period, you cannot reopen it.

Creates Summary or Detail Transactions

- Depending on your inventory parameters, the period close process creates summary or detail transactions by General Ledger account.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Closing the Period in Inventory

Closing the Period in Inventory

The period close process transfers the following:

- **Inventory and work-in-process transactions**
- **All job costs and variances**
- **Period costs for expense nonstandard jobs**
- **Remaining balances on repetitive schedules, based on your WP s parameters**

Calculates Ending Period Subinventory Values

- **For each subinventory, the period close adds the net transaction value for the current period to the prior period's ending value.**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Note

The Period Close, Job Close, and Cost Update processes are incompatible because they use many of the same tables that have to be locked when they are being accessed.

Closing the Period in Inventory, Warning Messages

If unprocessed transactions exist, the following warning messages are displayed:

- Pending receiving transactions for this period; indicating that you have unprocessed purchasing transactions in the RCV_TRANSACTIONS_INTERFACE table.
- Pending material transactions for this period; indicating that you have unprocessed material transactions in the MTL_TRANSACTIONS_INTERFACE table.
- Pending move transactions for this period; indicating that you have unprocessed shop floor move transactions in the WIP_MOVE_TXN_INTERFACE table.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Closing the Period in Inventory, Error Messages

If unprocessed transactions exist, the following error messages are displayed:

- Unprocessed material transactions exist for this period; indicating that you have unprocessed material transactions in the MTL_MATERIAL_TRANSACTIONS_TEMP table.
- Uncosted material transactions exist for this period; indicating that you have material transactions in the MTL_MATERIAL_TRANSACTIONS table with unprocessed accounting entries.
- Pending WIP costing transactions exist in this period; indicating that you have unprocessed resource and overhead accounting transactions in the WIP_COST_TXN_INTERFACE table.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Closing the Period in Inventory, Most Common Reasons for Failure

Closing the Period in Inventory, Most Common Reasons for Failure

Common mistakes with new implementations are indicated in the examples below.

Example 1

- If you have a BOM that does not specify the component supply subinventory, the WIP transaction fails because it doesn't know from where to pull the inventory.

Example 2

- If you have a routing that does not specify the completion subinventory, the WIP transaction fails because it doesn't know where to put the completed transaction in inventory.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Implications for Closing the Period in Inventory with Pending Transactions

Implications for Closing the Period in Inventory with Pending Transactions

With any of the following warning messages, you will be able to close the accounting period. After you close the period, you cannot process these transactions because they have a transaction date for a closed period.

- Pending receiving transactions for this period
 - These transactions are not in your receiving value.
- Pending material transactions for this period
 - These transactions are not in your inventory value.
- Pending move transactions for this period
 - These transactions are not in your WIP value.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Implications for Closing the Period in Inventory with Pending Transactions

Implications for Closing the Period in Inventory with Pending Transactions

With any of the following error messages, you will not be able to close the accounting period. You cannot close the period because the resulting accounting entries would have a transaction date for a closed period, and would never be picked up by the period close or general ledger transfer process.

- **Unprocessed material transactions exist for this period**
 - Inventory considers entries in this table as part of the quantity movement.
- **Uncosted material transactions exist for this period**
 - These transactions are part of your inventory value.
- **Pending WIP costing transactions exist in this period**
 - These transactions are in your WIP value, and awaiting further processing.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Closing the Period in Inventory

Closing the Period in Inventory

Use the Inventory Accounting Periods window to:

- Close the oldest open period and transfer all transaction values for that period to the GL

Manufacturing and Distribution Manager Responsibility

(N) CST Accounting Close Cycle > Inventory Accounting Periods

(N) INV Accounting Close Cycle > Inventory Accounting Periods

Closing an Accounting Period

You can close the earliest accounting period with a status of Open or Error. An automatic GL transfer is processed when you close an accounting period.

1. Select a period with a status of Open or Error.
2. Select the Change Status button.
3. Change the status to Closed.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

**Help: Oracle Financial Applications > Oracle General Ledger >
Setting Up General Ledger > Calendars >
Opening and Closing Periods**

Agenda

Agenda

- Cost Accounting at Period Close Overview
- Pending Transactions
- Transfer Options
- Closing the Period in Inventory
- **Posting to the General Ledger**
- Reconciling Perpetual Inventory to GL
- Describing Client Extensions

Copyright © Oracle Corporation, 2000. All rights reserved.

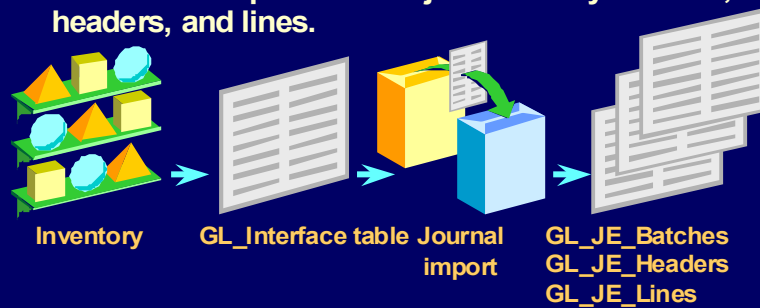
ORACLE

Posting to the General Ledger

Posting to the General Ledger

Data

- Oracle Inventory loads data into the GL_INTERFACE table: Period close or transfer transactions.
- GL Journal Import creates journal entry batches, headers, and lines.



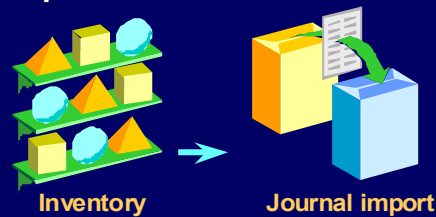
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Posting to the General Ledger: Importing Journals

Posting to the General Ledger: Importing Journals

- Oracle Cost Management uses the journal source Inventory for both inventory and work in process transactions.
 - The journal categories Inventory and Work in Process distinguish between inventory and work in process transactions.



Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Financial Applications > Oracle General Ledger > Import Journals

Posting to the General Ledger: Importing Journals

Posting to the General Ledger: Importing Journals

Use the Import Journals window to:

- Create a batch that can be posted for the General Ledger
- Import journals to the General Ledger

General Ledger, Vision Operations (USA) Responsibility

(N) GL Journals > Import > Run



Copyright © Oracle Corporation, 2000. All rights reserved.

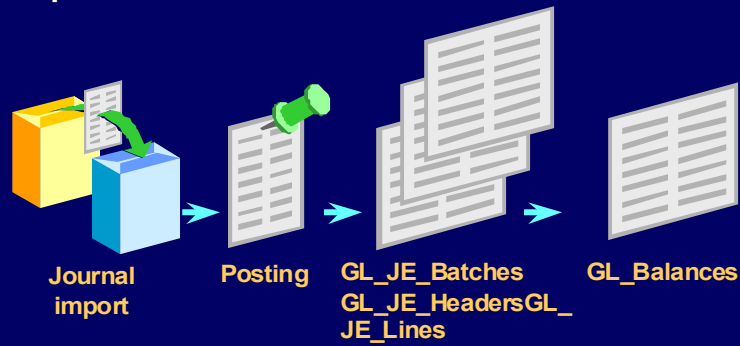
ORACLE

Help: Oracle Financial Applications > Oracle General Ledger > Import Journals

Posting to the General Ledger: Posting Journals

Posting to the General Ledger: Posting Journals

- Oracle General Ledger automatically queries all unposted journal batches. Select which batches to post.



Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Posting to the General Ledger: Posting Journals

Posting to the General Ledger: Posting Journals

Use the Post Journals window to:

- Post journal batches to the General Ledger to update account balances

General Ledger, Vision Operations (USA) Responsibility
(N) GL Journals > Post

Select and Unselect Batches

- Select the check box to select journal batches for posting.
- Batches with an unchecked check box will not be posted.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Help: Oracle Financial Applications > Oracle General Ledger > Post Journals

Agenda

Agenda

- Cost Accounting at Period Close Overview
- Pending Transactions
- Transfer Options
- Closing the Period in Inventory
- Posting to the General Ledger
- **Reconciling Perpetual Inventory to GL**
- Describing Client Extensions

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Reconciling Perpetual Inventory to GL

Beginning Inventory/Work in Process Value

- (Use the balances from the Inventory Value, WP Value, and Intransit Value Reports, or the General Ledger Account Inquiry) + Accounting Valuation Transactions
- (Use the Material Account Distribution Summary and the WIP Account Summary Reports) = Calculated Ending Balance

Compare the calculated ending balance to these:

1. Period End Inventory/Work in Process Reports
2. General Ledger Accounts after posting

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Reconciling Perpetual Inventory to GL

Balances

- Perpetual inventory balances must reconcile to the General Ledger inventory account balances.
- Verify that your perpetual inventory value matches the value that you report in the General Ledger. Perpetual inventory value normally balances automatically with the General Ledger.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Reconciling Perpetual Inventory to GL

Reasons for Discrepancies

- Journal entries from other modules that affect the inventory accounts
- Improper account coding on transactions
 - For example, you did a miscellaneous issue from a subinventory to an inventory account.
 - Use the Material Transaction Distributions window to identify these transactions. In the Find window, enter a date range. Navigate to the Accounting Type field and enter “Account.” Then navigate to the Account field and enter your inventory accounts.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Reconciling Perpetual Inventory to GL

Reasons for Discrepancies

- Lack of period cutoff control between inventory reports and transactions
 - For example, month-end reports were run before transactions were completed.
 - Run the Historical Inventory Balance Report with the correct date.

WIP Reconciliation

- Review your WIP Value Report for variances. Run the report using the option to include closed jobs.

Note: There are no historical Intransit Inventory or Receiving Inspection Inventory reports.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Perpetual inventory balances must reconcile to the General Ledger inventory account balances.

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

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

Perpetual inventory balances must reconcile to the General Ledger inventory account balances.

1. True

2. False

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Agenda

Agenda

- Cost Accounting at Period Close Overview
- Pending Transactions
- Transfer Options
- Closing the Period in Inventory
- Posting to the General Ledger
- Reconciling Perpetual Inventory to GL
- **Describing Client Extensions**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Client Extensions

Oracle Cost Management provides PL/SQL extensible programs that let you create custom accounting entries instead of the standard entries normally created.

Account generator

- Creates a one-for-one substitution of accounts.

Account entry

- Changes the number of accounts and uses the new accounts rather than the single-system default account.

Transaction cost

- Allows the use of a cost other than the default system cost.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Client Extensions

Workflow for the Account Generation

- Supplies accounts other than the system-defined accounts.
 - You can specify the account generation extension using a new seeded workflow with drag-and-drop desktop commands.

Cost Processor Cutoff Date Client Extension

- Costs a period without costing later transactions with incomplete costing information.
 - You can specify a cutoff date. The average cost processor processes all transactions with that date or earlier dates.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Workflow for Account Generation Client Extension

If you do not want to tailor the Oracle Workflow, you can use existing costing methods.

If you want to tailor Oracle Workflow, this extension calls the appropriate workflow based on the costing method. You do the following:

- **Define business rules to generate account numbers**
- **Determine product line accounts for standard costing and average costing methods**
- **Use drag-and-drop features to include and exclude business functions in the workflow**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Workflow for Account Generation Client Extension, Accounting Line Types

Workflow for Account Generation Client Extension, Accounting Line Types	
Accounting Line Types	Meaning
1	Inventory valuation
2	Account
3	Overhead absorption
4	Resource absorption
5	Receiving inspection
6	Purchase price variance or rate
7	WIP valuation
8	WIP variance
9	Inter-org payables
10	Inter-org receivables
11	Inter-org transfer credit
12	Inter-org freight charge
13	Average cost variance
14	Intransit inventory
15	Encumbrance reversal
99	Unknown

Copyright © Oracle Corporation, 2000. All rights reserved. **ORACLE**

Accounting Line Types

(N) Cost > Processes

Within each costing method workflow, you have different processes to determine the account numbers based on the accounting line type.

The example above lists some of the accounting line types that are in the cost accounting line type quick code.

The processes for all of the accounting line types return -1 to allow the distribution processor to use default accounts.

Reference

For more information, refer to the Oracle Cost Management User's Guide Release 11i.

Cost Processor Cutoff Date Client Extension

- With this client extension, you can specify a date to cut off costing transactions.
- You can use the cost processing cutoff date extension in average costing organizations only to cost (process) transactions up through a user-specified date.
- Oracle Cost Management uses the cost processing cutoff date extension as each transaction is processed.
 - The system uses this extension when it sees a date of DD-MON-YYYY, so that costs are processed up through the specified date.
 - If the SYSDATE + 1 is returned, the system does not use the extension.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Example

If the date that is returned is 01-DEC-1998, the system processes all costs up to 11:59:59 p.m. on 30-NOV-1998.

Examples of Client Extensions

Examples of Client Extensions

Some examples of client extensions follow:

- **Elemental accounts for scrap and cost of goods sold**
- **Product line accounts for scrap and cost of goods sold**
- **Special accounts for unique accounting requirements of a governmental taxing body**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

You cannot use workflow for account generation to supply accounts other than system-defined accounts.

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

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Review Question

Review Question

You cannot use workflow for account generation to supply accounts other than system-defined accounts.

1. True
2. False

Copyright © Oracle Corporation, 2000. All rights reserved.

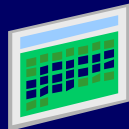
ORACLE

Summary

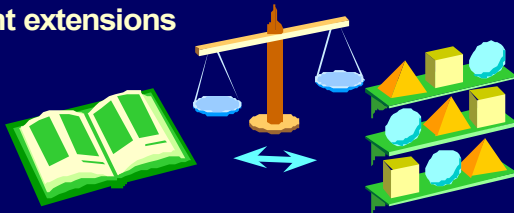
Summary

In this lesson, you should have learned how to:

- Determine your transfer option
- Prepare to close a period
- Close a period
- Reconcile General Ledger to perpetual inventory
- Describe client extensions



Close a
period



Reconcile GL to perpetual inventory

Copyright © Oracle Corporation, 2000. All rights reserved.

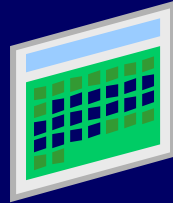
ORACLE

Practice 1 Overview

Practice 1 Overview

This practice covers the following topics:

- Reviewing period close issues



Period
close

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1: Reviewing Period Close Issues

Practice 1-1: Reviewing Period Close Issues

In this practice, you review period close issues.

- 1. Why would you run the GL transfer prior to period close?**
- 2. If you have a high volume of transactions, which GL Transfer option would you select and why?**
- 3. List several reasons for discrepancies in your perpetual inventory to General Ledger reconciliation.**
- 4. What functions does the period close process perform?**

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1 Solutions: Reviewing Period Close Issues

Practice 1-1 Solutions: Reviewing Period Close Issues

In this practice, you review period close issues.

1. Why would you run the GL transfer prior to period close?
 - Running the GL transfer prior to period close allows you to review the summary transactions and make adjustments to the period, correcting inventory transactions as necessary.
 - Sometimes corrections have to be made in other products such as AP, AR, or GL where the problems originate. The people responsible for those distributions will need to make corrections in those products.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1 Solutions: Reviewing Period Close Issues

Practice 1-1 Solutions: Reviewing Period Close Issues

In this practice, you review period close issues.

2. If you have a high volume of transactions, which GL Transfer option would you select and why?
 - If you have a high volume of transactions, you should select the summary option to reduce the number of accounting entries transferred to the General Ledger. The summary option summarizes accounting entries by accounting period, currency code, and account before transferring the information to the General Ledger. If you select the detail option, accounting entries for each transaction are transferred to the General Ledger.

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1 Solutions: Reviewing Period Close Issues

Practice 1-1 Solutions: Reviewing Period Close Issues

In this practice, you review period close issues.

3. List several reasons for discrepancies in your perpetual inventory to General Ledger reconciliation.
 - Journal entries from other modules that affect inventory accounts
 - Improper account coding on transactions
 - Lack of period cutoff control between inventory reports and transactions

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Practice 1-1 Solutions: Reviewing Period Close Issues

Practice 1-1 Solutions: Reviewing Period Close Issues

In this practice, you review period close issues.

4. What functions does the period close process perform?

- Closes the open period
- Creates summary or detail transactions
- Calculates ending period subinventory values
- Calculates full inventory value by Organization and WIP valuation

Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

