Oracle Costing Information

Student Guide

Course Code	14613GC10
Edition	1.0
Month	July 2000
Part Number	M0-12045

ORACLE

Copyright © Oracle Corporation, 2000. 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.

Author

Anisa King

Technical Contributors and Reviewers

Barry Kuhl
Tom Marik
Pam Freeman
Carly Higdon
Cynthia Miller
John Dynia
Shinji Matsuzawa
Adrian Johnston
John Paramore
Frank.Vandongen
David Millin

Table of Contents

Oracle Costing Information Introduction 1-1
Costing Information 1-2
Objectives 1-3
Agenda 1-4
Overview 1-5
Cost Management Business Flow 1-6
Unit Integration 1-7

Defining Cost Types 2-1
Costing Information 2-2
Objectives 2-3
Agenda 2-4
Overview 2-5
Unlimited Cost Types 2-7
Predefined Cost Types 2-9
Cost Types Available for Standard Costing 2-10
Cost Types Available for Average Costing 2-12
Cost Type Controls for Inventory and Manufacturing 2-15
Cost Type Controls with Bills of Material 2-18
Defining Cost Types 2-21
Review Question 2-22
Summary 2-24
Practice Overview 2-25
Practice 2-26
Guided Practice 2-27

Describing Cost Elements 3-1
Costing Information 3-2
Objectives 3-3
Agenda 3-4
Overview 3-5
Cost Elements 3-7
Subelements 3-11
Basis Types 3-12
Subelements 3-13
Review Question 3-15
Basis Types 3-17
Review Question 3-23
Summary 3-25
Practice Overview 3-26
Practice 3-27
Practice Solution 3-29
Practice 3-30

Defining Item Costs 4-1
Costing Information 4-2
Objectives 4-3
Agenda 4-4
Overview 4-5
Material Subelements 4-6
Defining Material Subelements 4-7
Material Overhead Subelements 4-8
Defining Material Overhead Subelements 4-10

Copyright © Oracle Corporation, 2000. All rights reserved.

Review Question....4-11
Material Overhead Defaults....4-13
Defining Material Overhead Defaults....4-18
Review Question....4-19
Item Cost Controls....4-21
Viewing Item Cost Controls....4-29
Review Question....4-30
Item Costs....4-32
Summary....4-34
Practice Overview....4-35
Practice....4-36
Guided Practice: Defining Material Subelements....4-38
Guided Practice: Defining Material Overhead....4-39
Guided Practice: Defining Material Overhead Defaults....4-40
Guided Practice: Defining Items and Item Costs....4-41
Guided Practice: Defining Items....4-42
Guided Practice: Defining Item Costs....4-46

Defining Resource and Overhead Costs....5-1
Costing Information....5-2
Objectives....5-3
Agenda....5-4
Overview....5-5
BOM Parameters....5-6
Resource Subelements and Costs....5-7
Defining Resources....5-8
Review Question....5-9
Unlimited Cost Types for Resources....5-11
Defining Resource Costs....5-14
Review Question....5-15
Overhead Subelements....5-17
Defining Overhead....5-24
Review Question....5-25
Defining Departments and Associating Resources....5-27
Defining Overhead Rates by Department....5-30
Associating Overheads with Resources....5-31
Three-Way Association....5-32
Review Question....5-33
Defining Routings....5-35
Defining Routings and Operation Resources....5-37
Defining Routings: Routing Cost Example....5-38
Bills of Material....5-40
Defining Bills of Material....5-43
Review Question....5-44
Summary....5-46
Practice Overview....5-47
Practice....5-48
Guided Practice: Defining Departments....5-51
Guided Practice: Defining Resources....5-52
Guided Practice: Defining Overheads....5-53
Guided Practice: Associating Departments to Resources to Overheads....5-54
Guided Practice: Defining Routings....5-55
Guided Practice: Defining Bills....5-56

Oracle Costing Information Summary....6-1
Costing Information....6-2
Objectives....6-3

Copyright © Oracle Corporation, 2000. All rights reserved.

Agenda Summary 6-4

Copyright © Oracle Corporation, 2000. All rights reserved.

Preface

Profile

Before You Begin This Course

Before you begin this course, you should have the following qualifications:

- Thorough knowledge of basic MRP II and accounting concepts.
- Working experience with cost accounting activities in various different manufacturing environments.

Prerequisites

- Oracle Inventory Release 11
- Oracle Purchasing Release 11
- Oracle Bills of Material and Engineering Release 11 (if products are installed at your site)
- Oracle Work In Process Release 11 (if products are installed at your site)
- Oracle Planning Release 11
- Oracle General Ledger Release 11

How This Course Is Organized

Oracle Costing Information is an instructor-led course featuring lecture and hands-on exercises. Online demonstrations and written practice sessions reinforce the concepts and skills introduced.

Copyright © Oracle Corporation, 2000. All rights reserved.

Related Publications

Oracle Publications

Title	Part Number
Oracle Inventory User's Guide Release 11i	*A58270-01*
Oracle Purchasing User's Guide Release 11i	*A82912-01*
Oracle Bill of Materials User's Guide Release 11i	*A75087-01*
Oracle Engineering User's Guide Release 11i	*A75090-01*
Oracle Work In Process User's Guide Release 11i	*A75101-01*
Oracle Cost Management User's Guide Release 11i	*A75088-01*
Oracle General Ledger User's Guide Release 11i	*A82850-01*

Additional Publications

- System release bulletins
- Installation and user's guides
- *read.me* files
- Oracle Applications User's Group (OAUG) articles
- *Oracle Magazine*

Copyright © Oracle Corporation, 2000. All rights reserved.

Typographic Conventions

Typographic Conventions in Text

Convention	Element	Example
Bold italic	Glossary term (if there is a glossary)	The ***algorithm*** 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: `debug.set ('I", 300);` Directory: `bin` (DOS), `$FMHOME` (UNIX) Filename: Locate the `init.ora` file. Password: User `tiger` as your password. Pathname: Open `c:\my_docs\projects` URL: Go to `http://www.oracle.com` User input: Enter `300` Username: Log on as `scott`
Initial cap	Graphics labels (unless the term is a proper noun)	Customer address (*but* Oracle Payables)
Italic	Emphasized words and phrases, titles of books and courses, variables	Do *not* save changes to the database. For further information, see *Oracle7 Server SQL Language Reference Manual.* Enter `user_id@us.oracle.com`, where *user_id* 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 LAST_NAME column of the EMP table.

Copyright © Oracle Corporation, 2000. All rights reserved.

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 role`
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.

Copyright © Oracle Corporation, 2000. All rights reserved.

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.

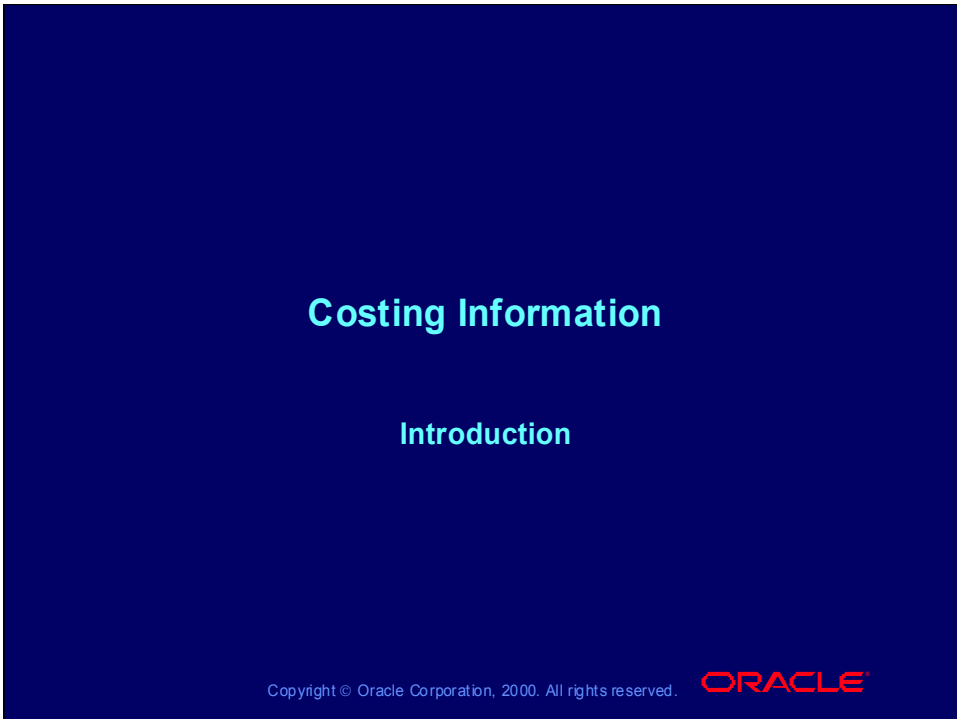
Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.

Oracle Costing Information Introduction

Chapter 1

Copyright © Oracle Corporation, 2000. All rights reserved.



Notations:

N = Navigator

T = Tab

M = Menu

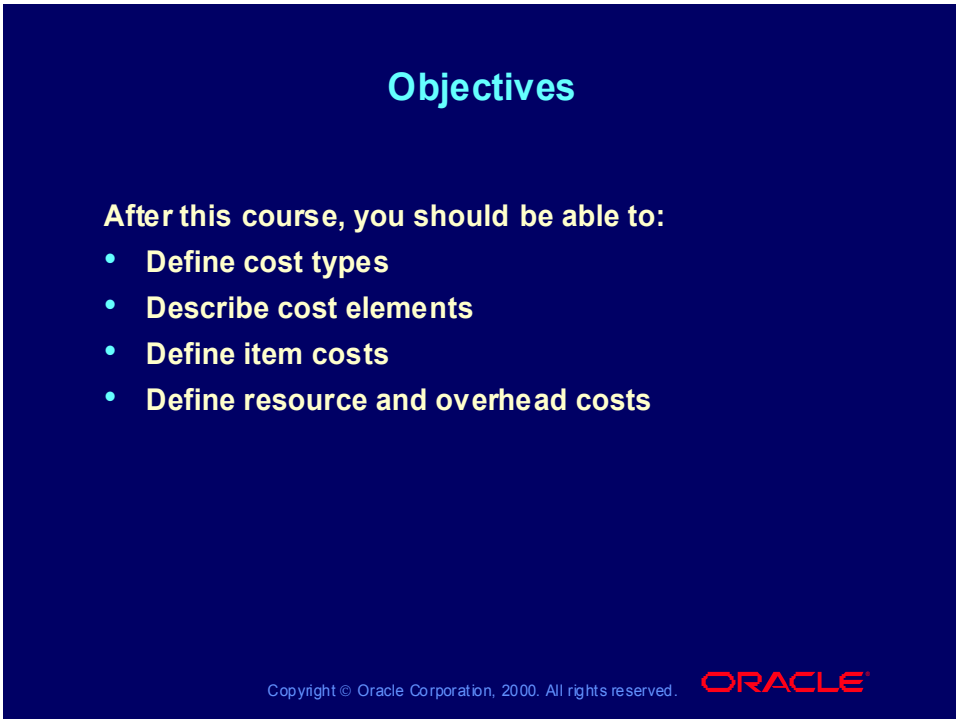
I = Icon

H = Hyperlink

B = Button

Help = Oracle Applications Help System

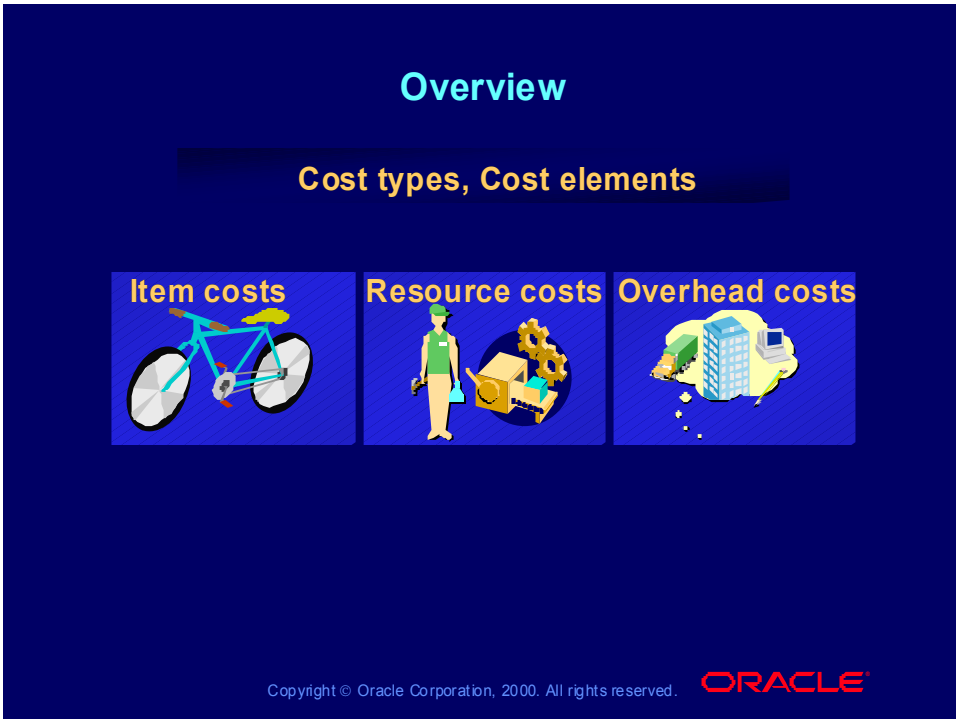
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

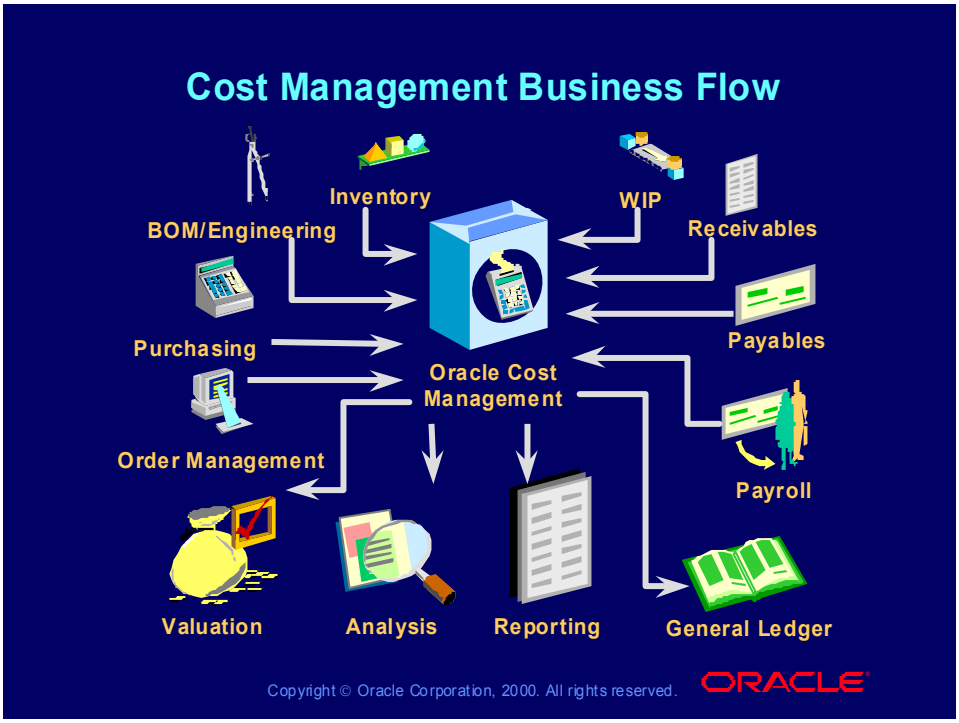
Agenda

Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

Cost Management Business Flow



Integrated Application Suite

All Oracle Manufacturing and Financial Applications comprise an integrated suite of business applications.

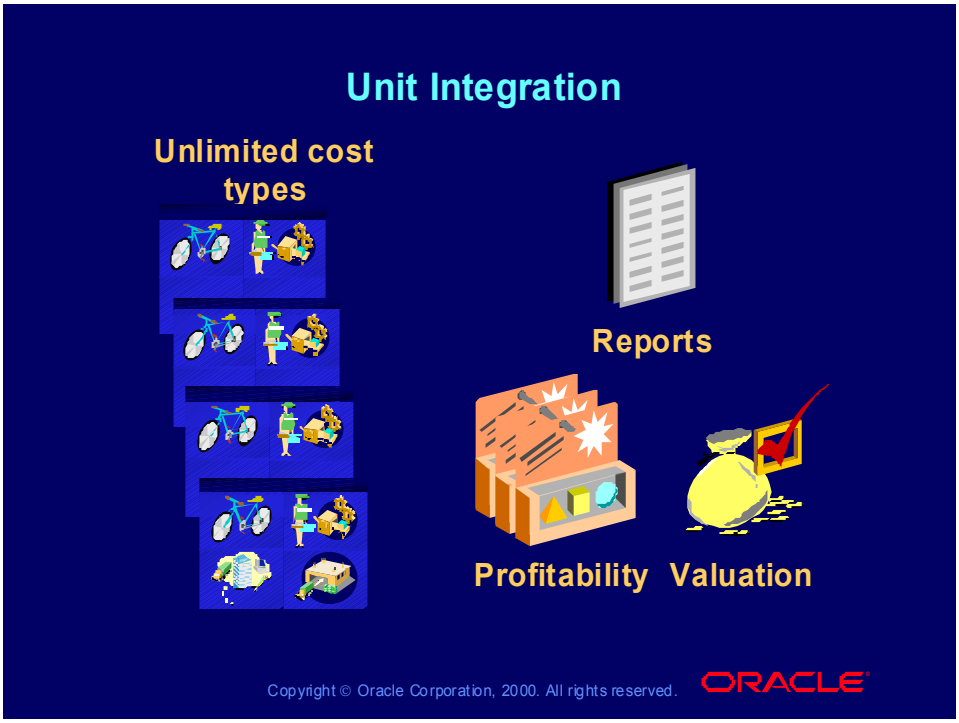
Oracle Cost Management (OCM) provides financial analysis and reporting of cost transactions. In OCM, you cost products, value inventory in stores and in work-in-process, and run simulation reports to analyze costs and profits. You pass cost information to many applications and transfer accounting activity to your general ledger at any time.

In Oracle Bills of Material/Oracle Engineering, you create product structures, routings, resources, standard operations, and departments used in product costing. In Oracle Inventory, you define the organizational structure/cost environment where you process material transactions and maintain perpetual inventory values using either standard or average costing. In Oracle WIP, you enter WIP transactions and maintain perceptual WIP inventory values using either standard or average costing.

In Oracle Order Management, you enter customer orders and shipments. In Oracle Receivables, you enter product sales information. In Oracle Purchasing, you open purchase orders, establish purchase order unit prices, receive material, and handle outside processing charges. In Accounts Payable, you pay actual invoice unit prices on purchase order fulfillments. In Payroll, you set up employees that work in your organization.

Copyright © Oracle Corporation, 2000. All rights reserved.

Unit Integration



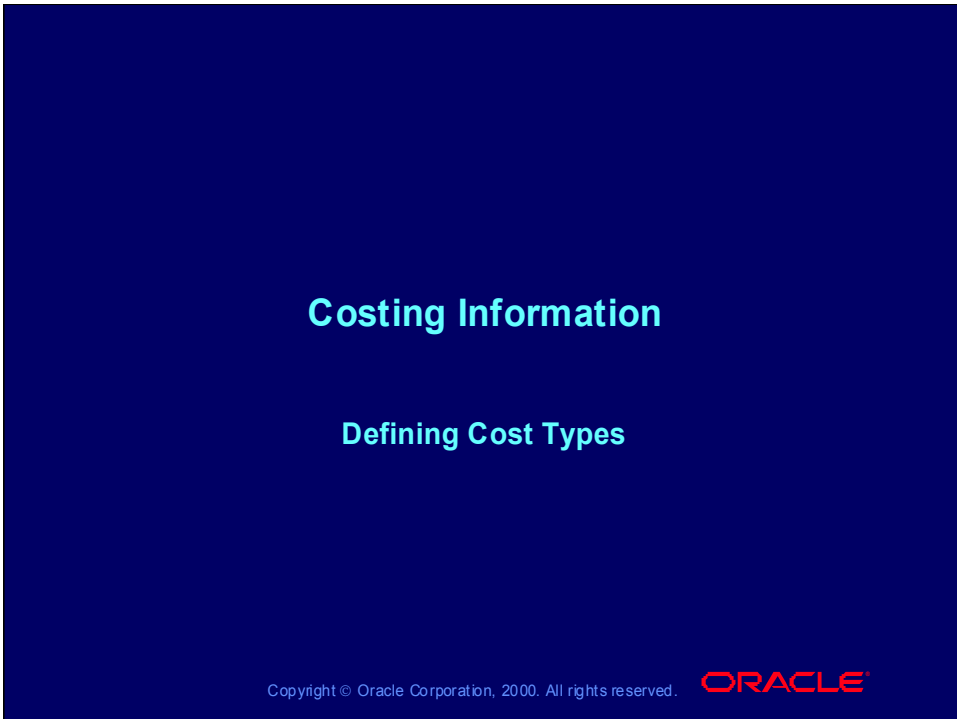
Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.

Defining Cost Types

Chapter 2

Copyright © Oracle Corporation, 2000. All rights reserved.



Notations:

N = Navigator

T = Tab

M = Menu

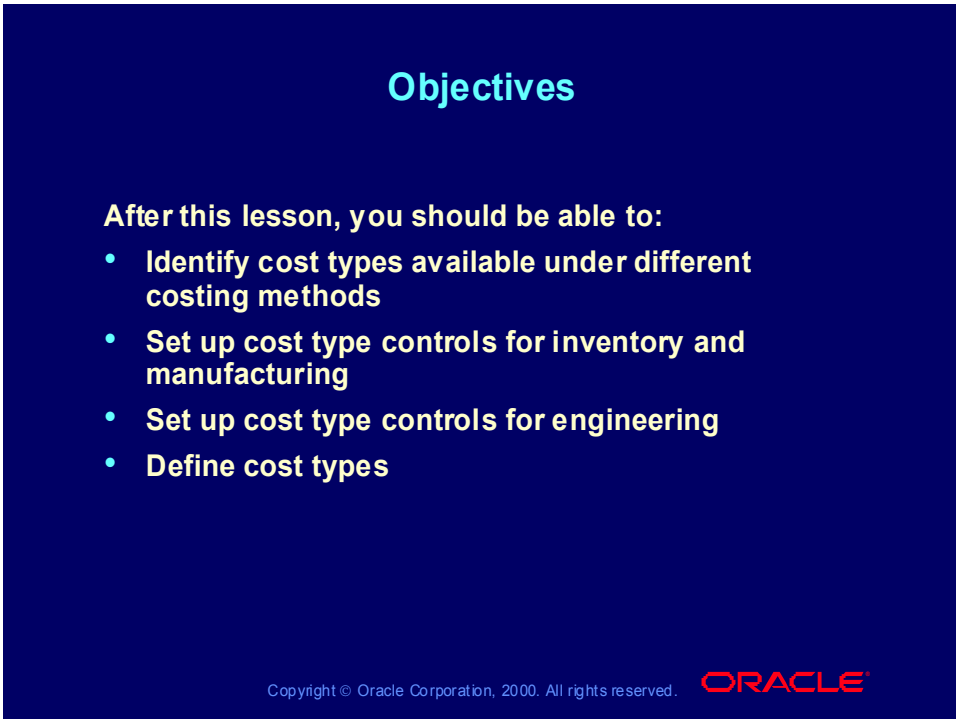
I = Icon

H = Hyperlink

B = Button

Help = Oracle Applications Help System

Copyright © Oracle Corporation, 2000. All rights reserved.

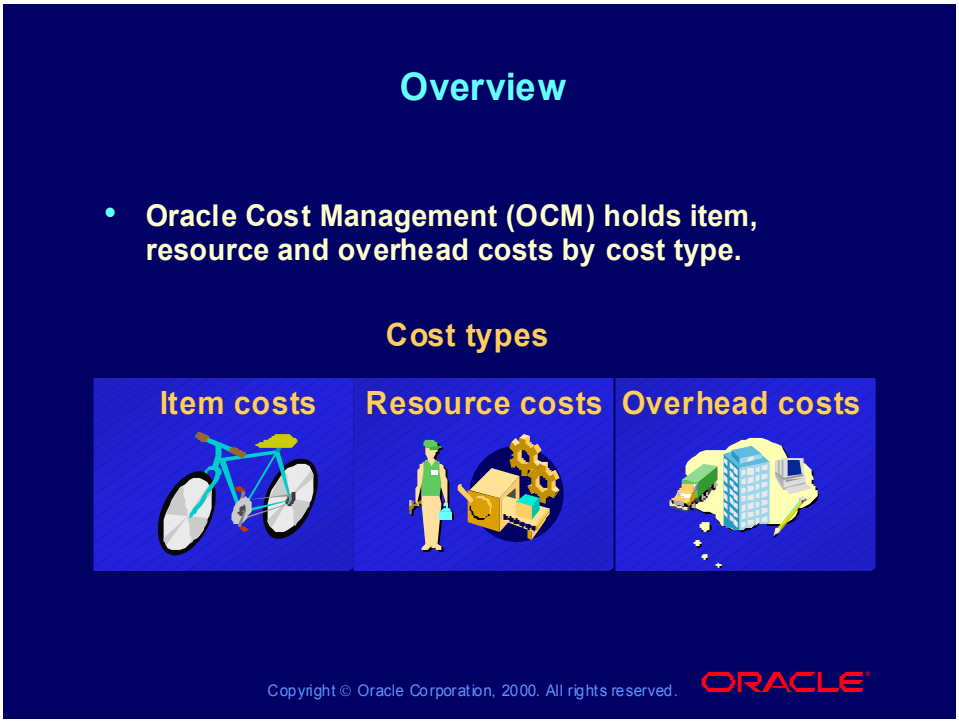


Copyright © Oracle Corporation, 2000. All rights reserved.

Agenda

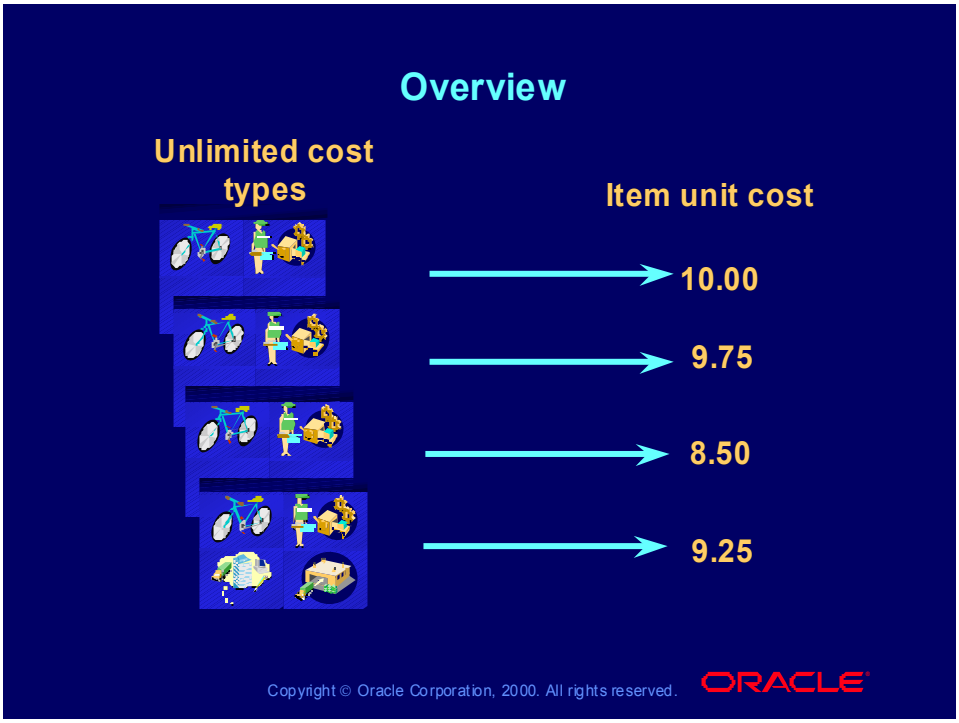
Copyright © Oracle Corporation, 2000. All rights reserved.

Overview



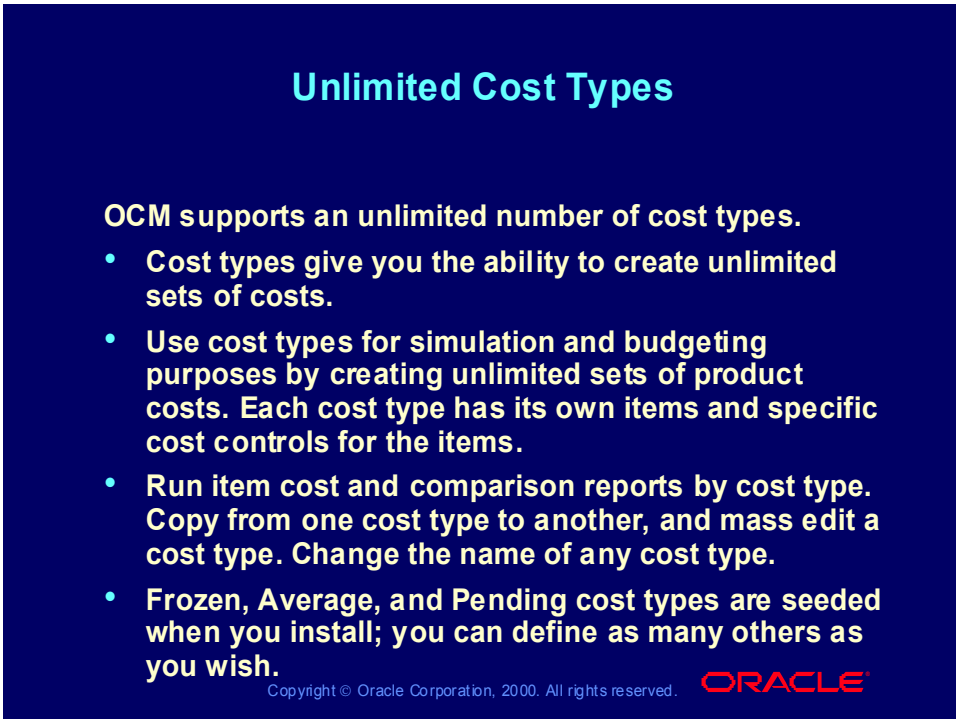
Copyright © Oracle Corporation, 2000. All rights reserved.

Overview

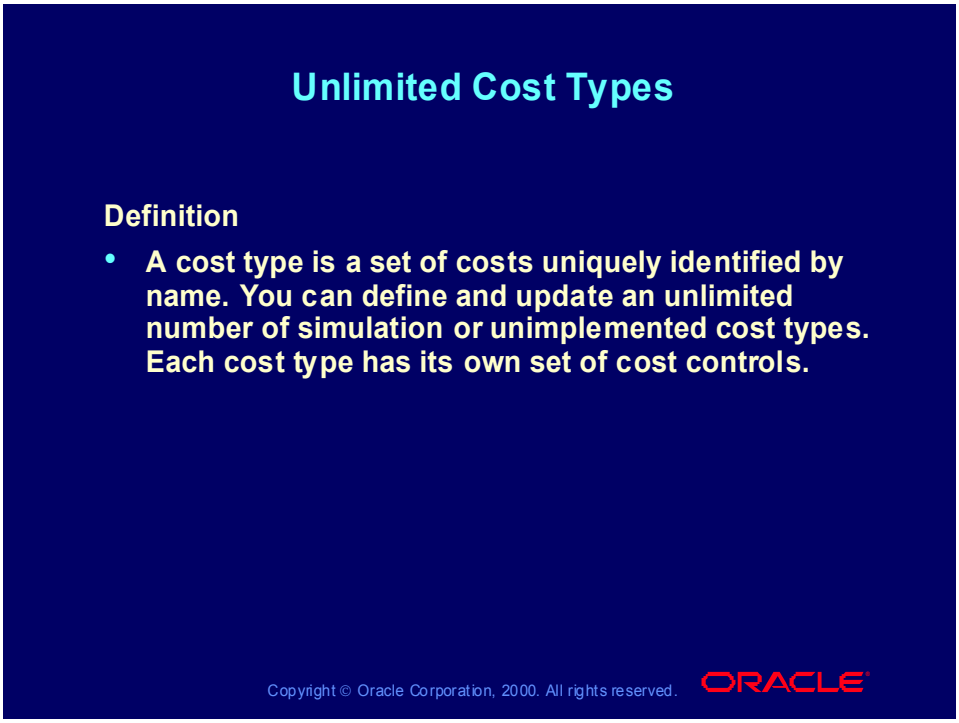


Copyright © Oracle Corporation, 2000. All rights reserved.

Unlimited Cost Types

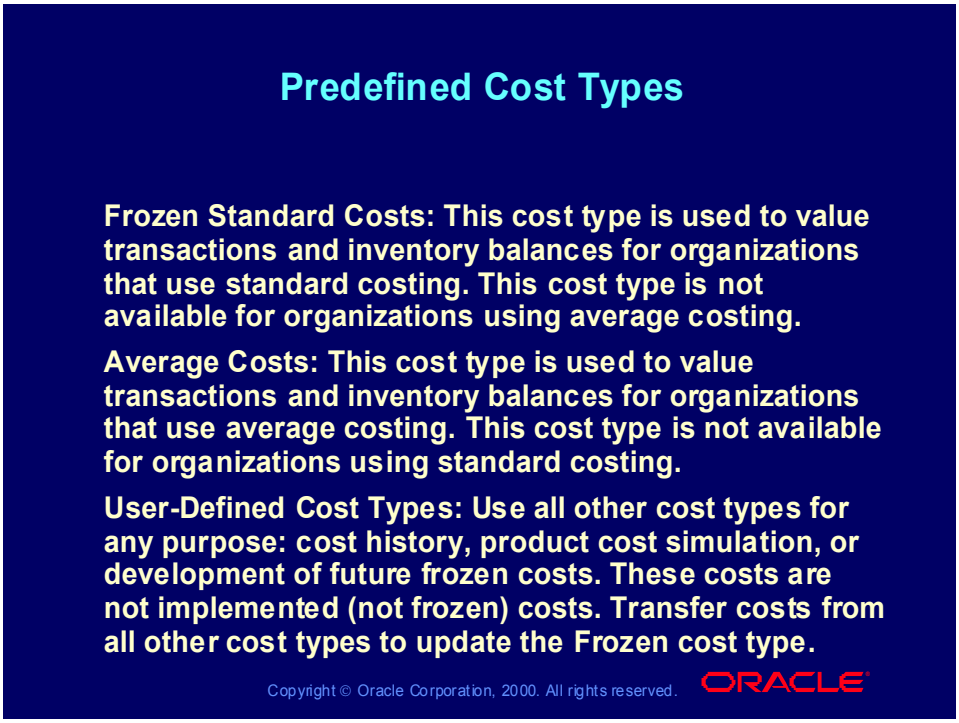


Copyright © Oracle Corporation, 2000. All rights reserved.



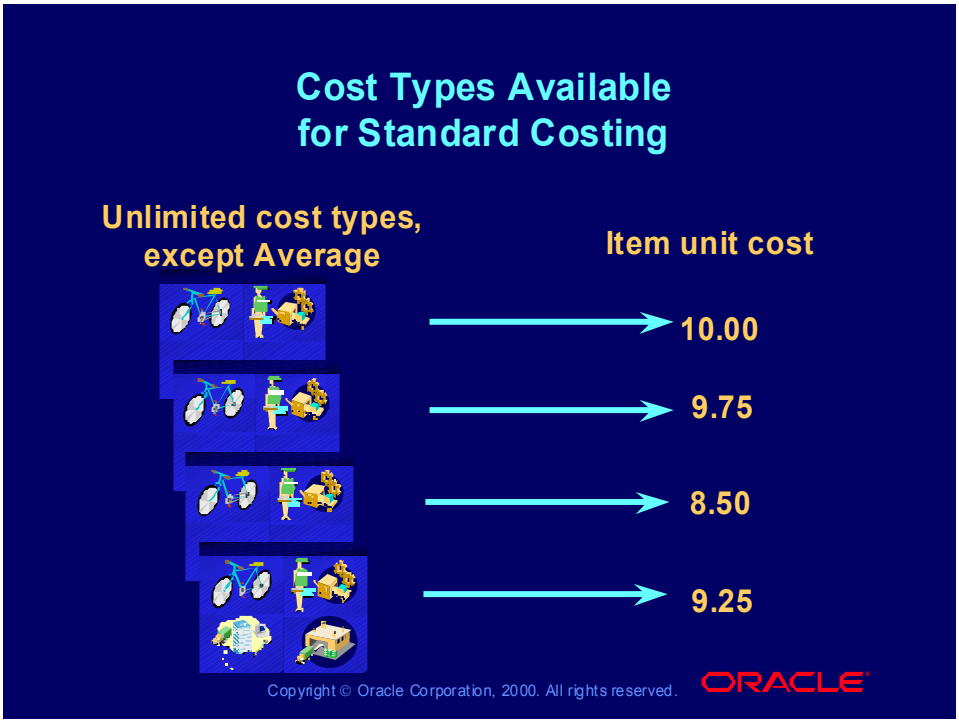
Copyright © Oracle Corporation, 2000. All rights reserved.

Predefined Cost Types



Copyright © Oracle Corporation, 2000. All rights reserved.

Cost Types Available for Standard Costing

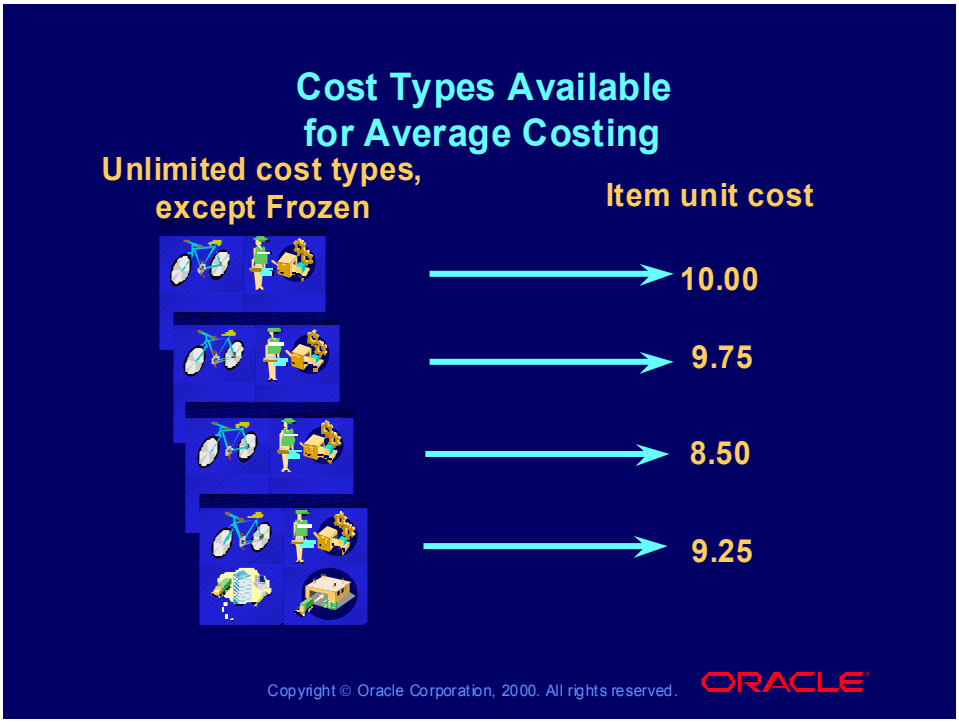


Copyright © Oracle Corporation, 2000. All rights reserved.

Cost Types Available for Standard Costing

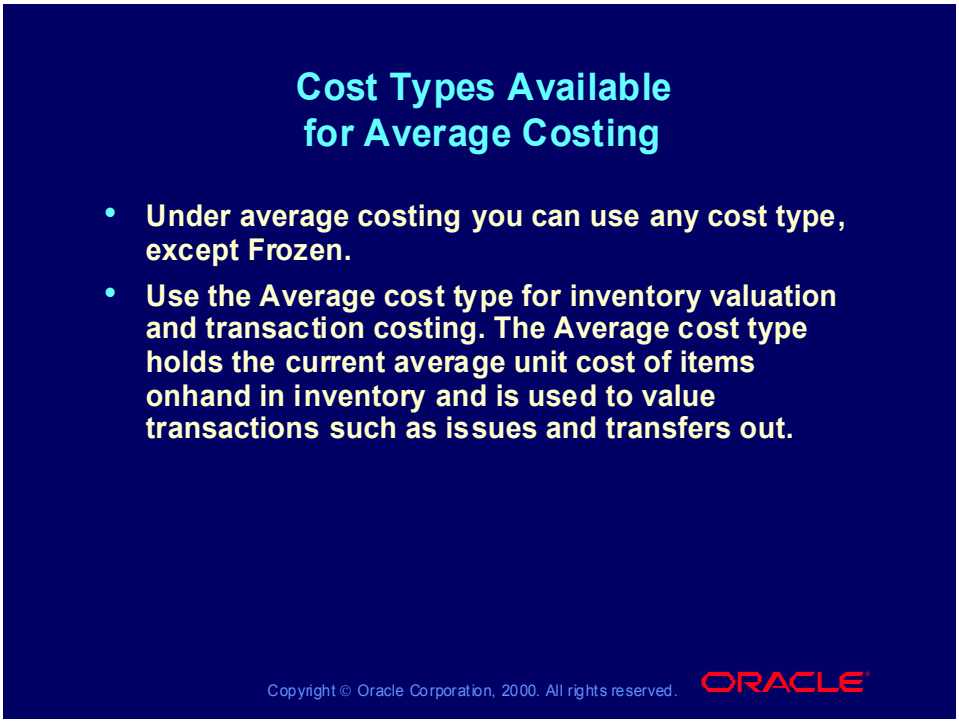
Copyright © Oracle Corporation, 2000. All rights reserved.

Cost Types Available for Average Costing



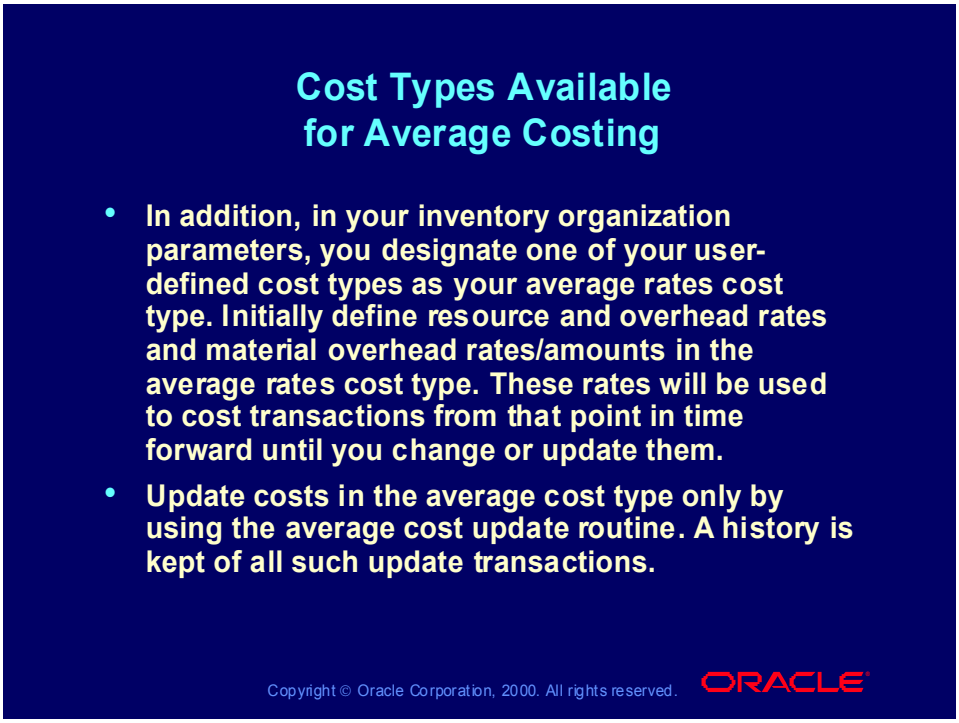
Copyright © Oracle Corporation, 2000. All rights reserved.

Cost Types Available for Average Costing

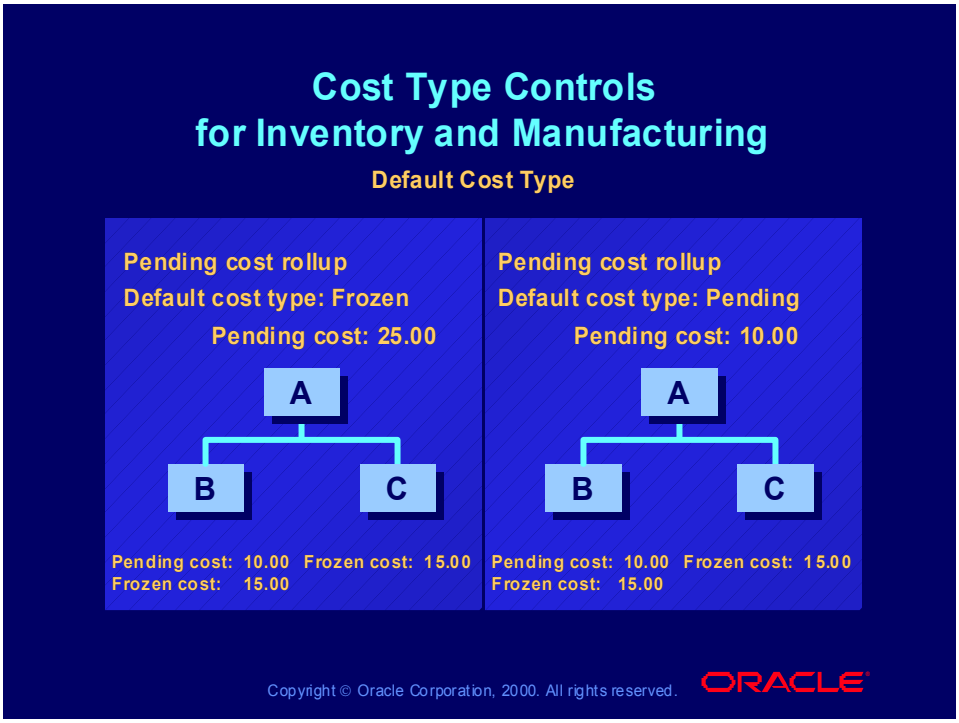


Copyright © Oracle Corporation, 2000. All rights reserved.

Cost Types Available for Average Costing

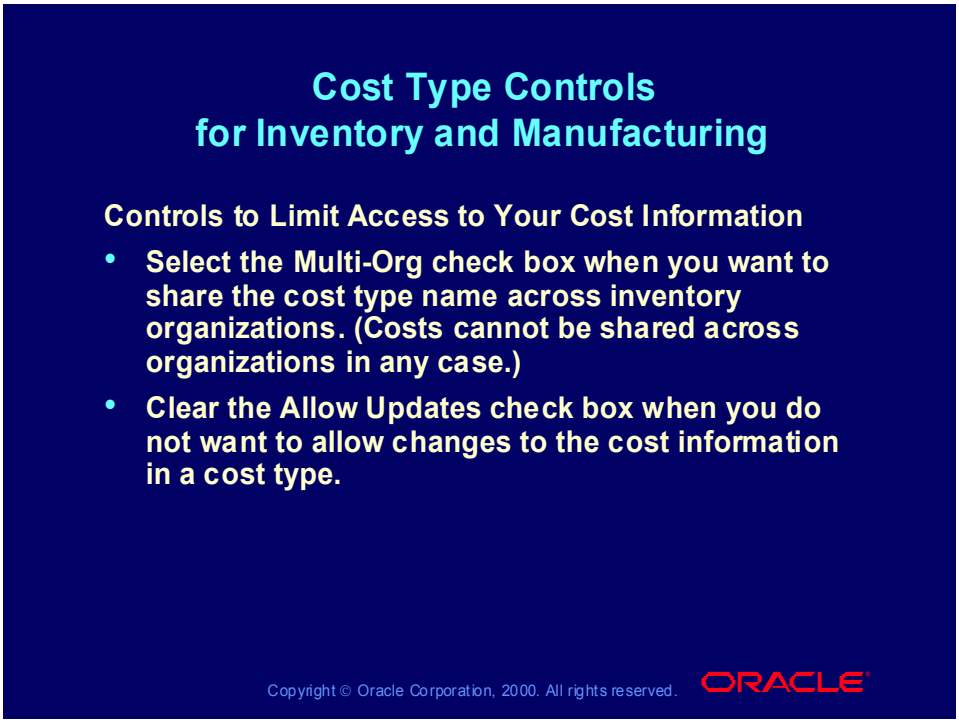


Copyright © Oracle Corporation, 2000. All rights reserved.

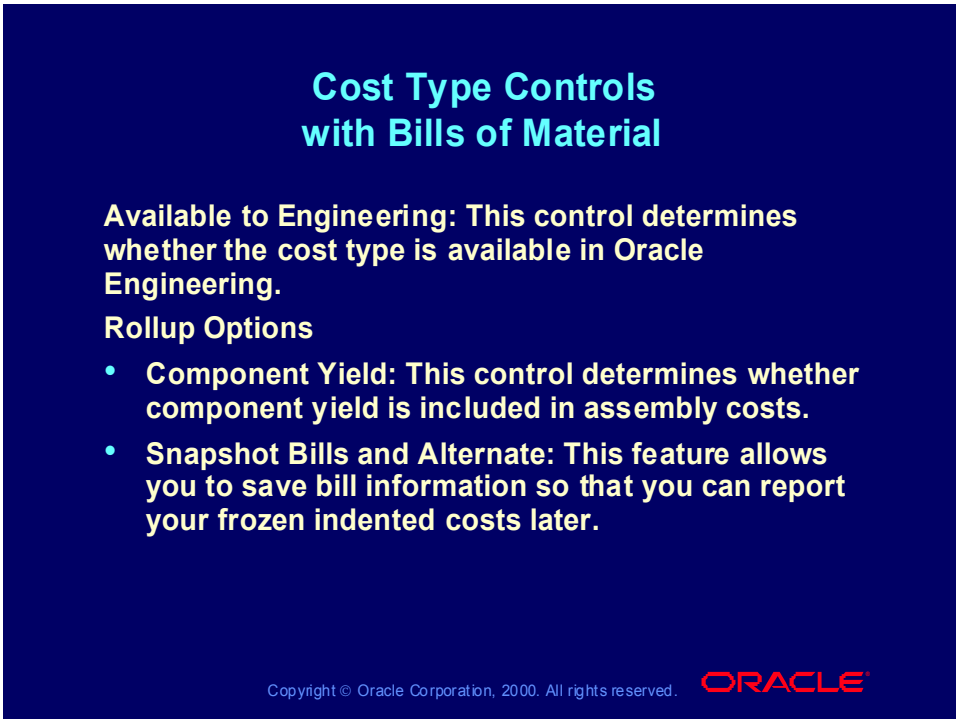


Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.

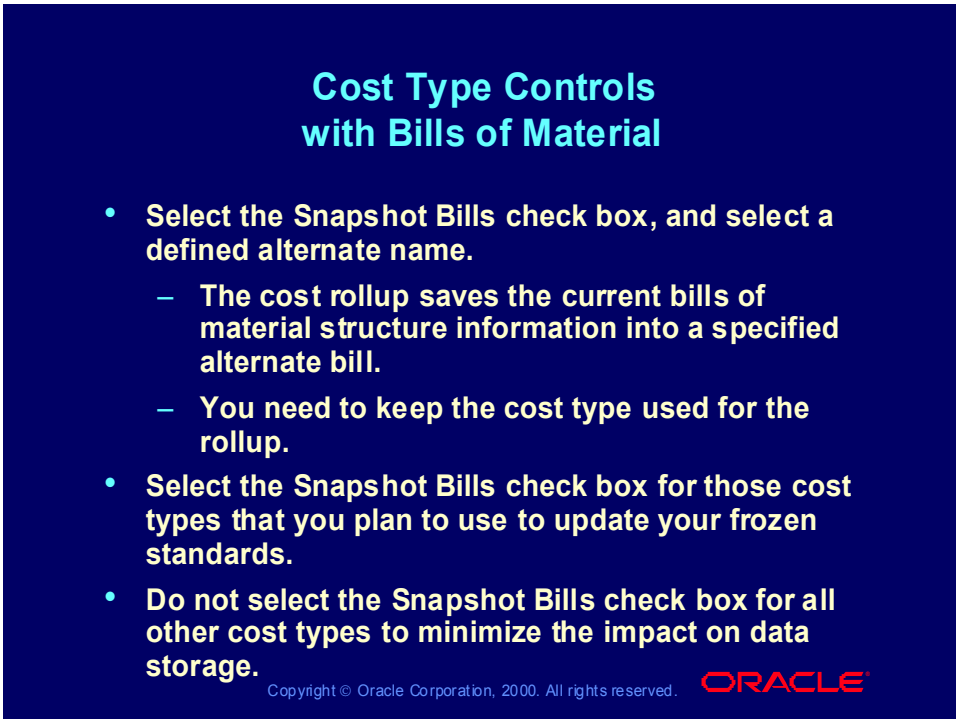


Copyright © Oracle Corporation, 2000. All rights reserved.

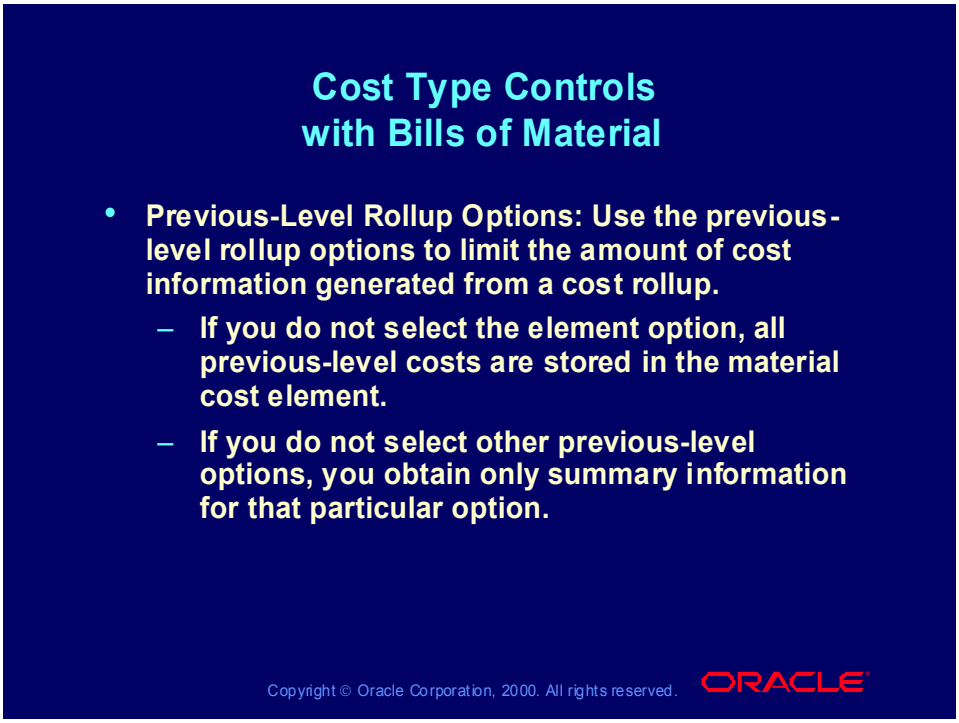


Copyright © Oracle Corporation, 2000. All rights reserved.

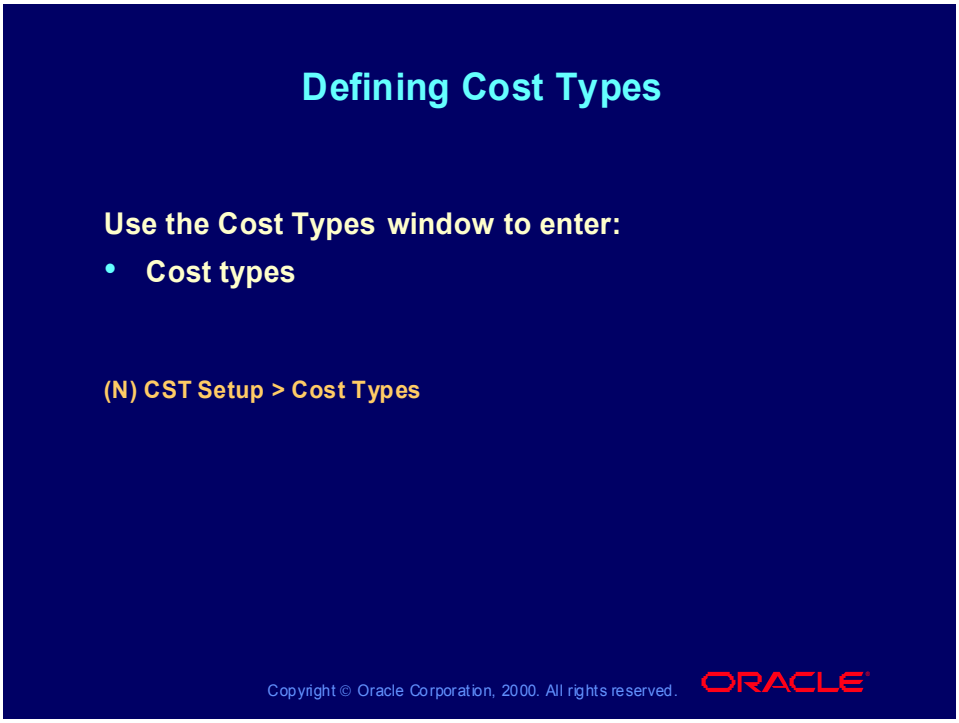
Cost Type Controls with Bills of Material



Copyright © Oracle Corporation, 2000. All rights reserved.

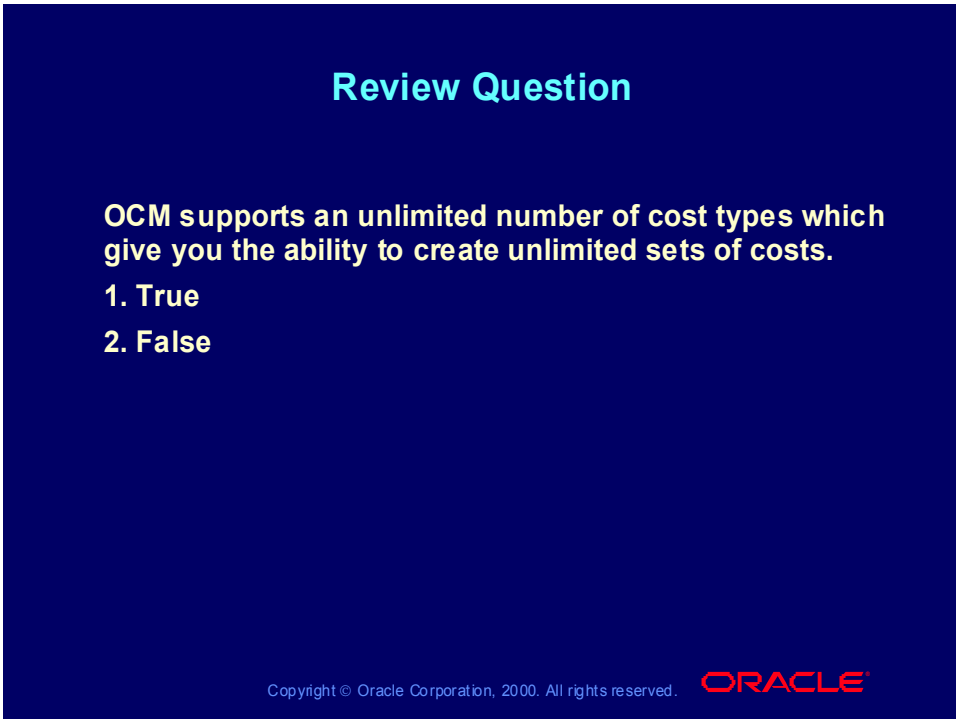


Copyright © Oracle Corporation, 2000. All rights reserved.

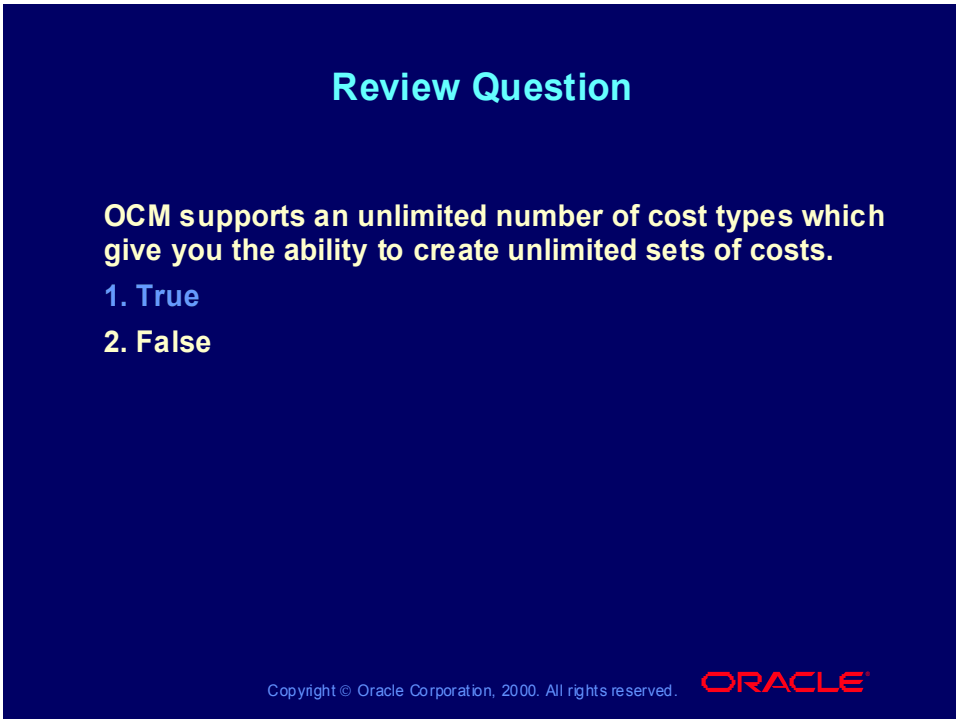


(Help) Oracle Manufacturing Applications > Oracle Cost Management > Setting Up > Steps > Defining Cost Types

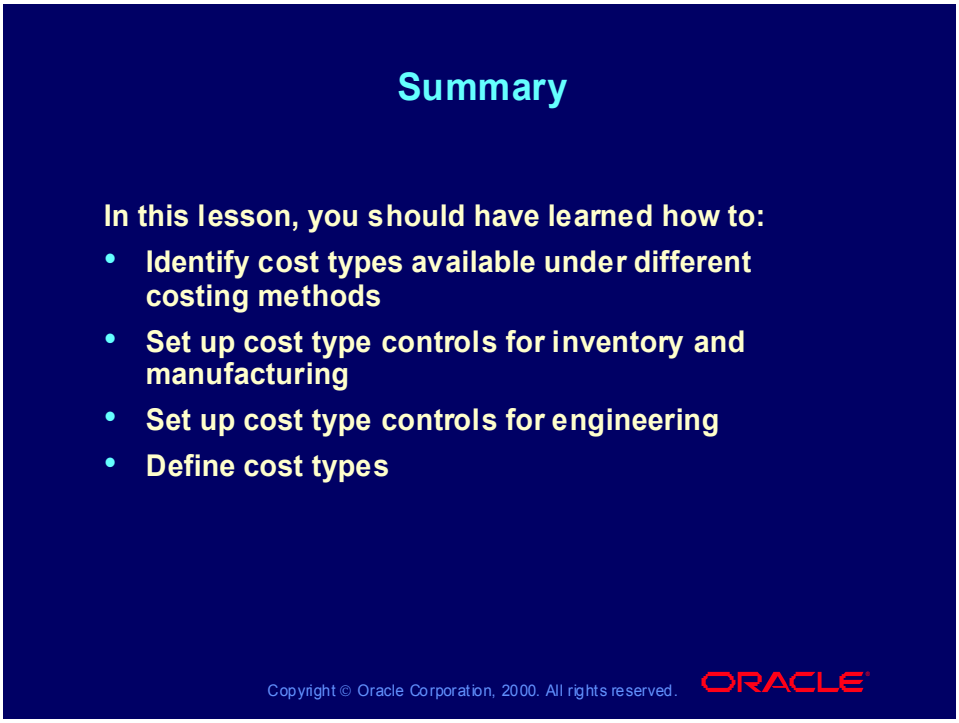
Copyright © Oracle Corporation, 2000. All rights reserved.



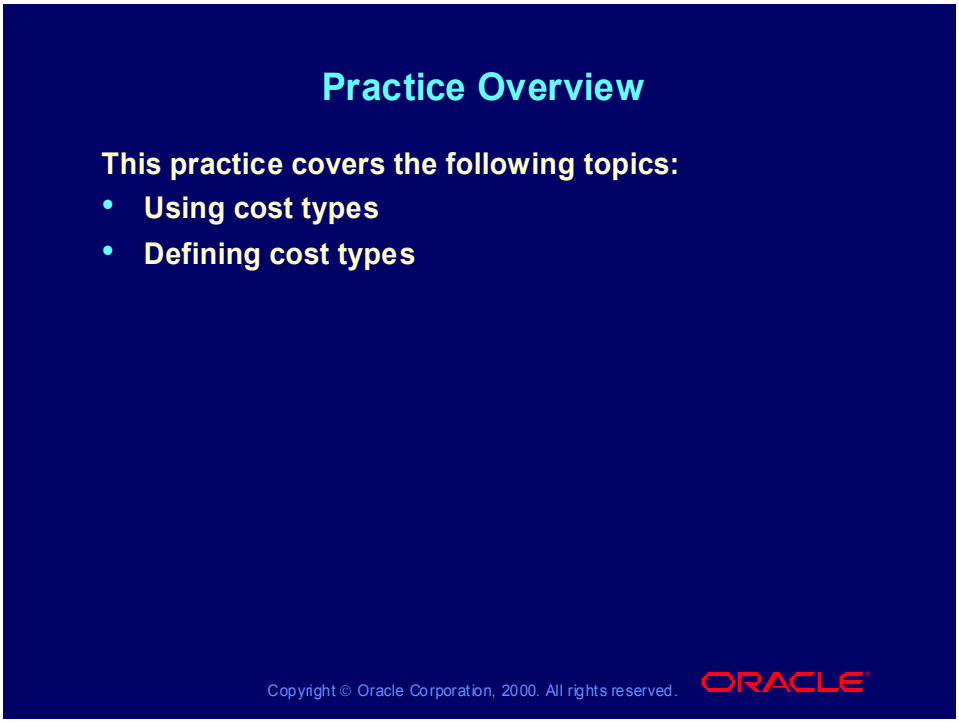
Copyright © Oracle Corporation, 2000. All rights reserved.



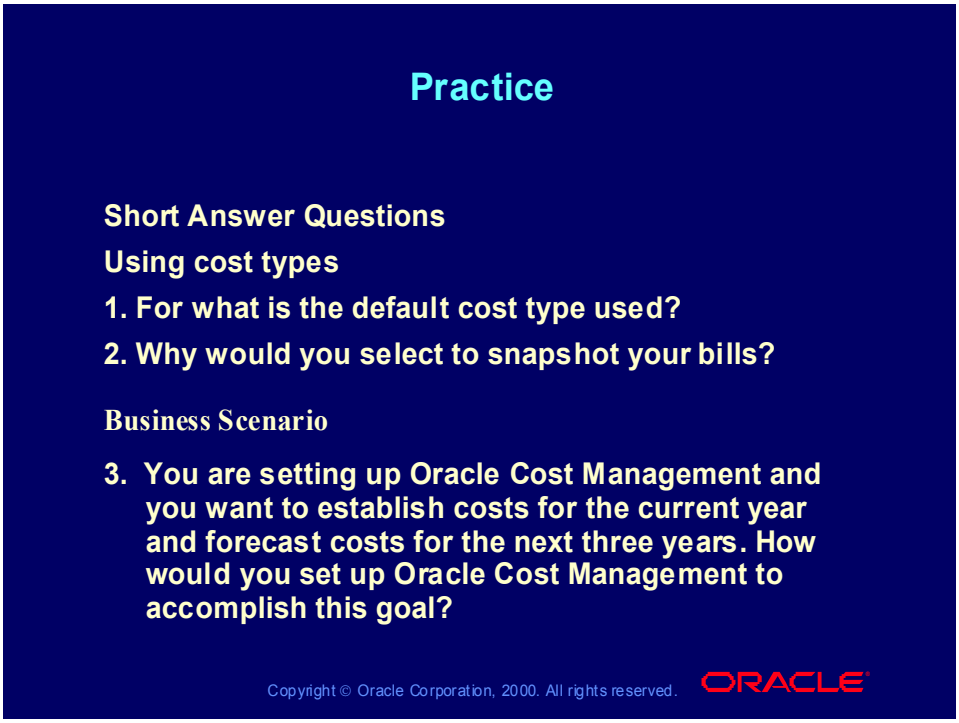
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



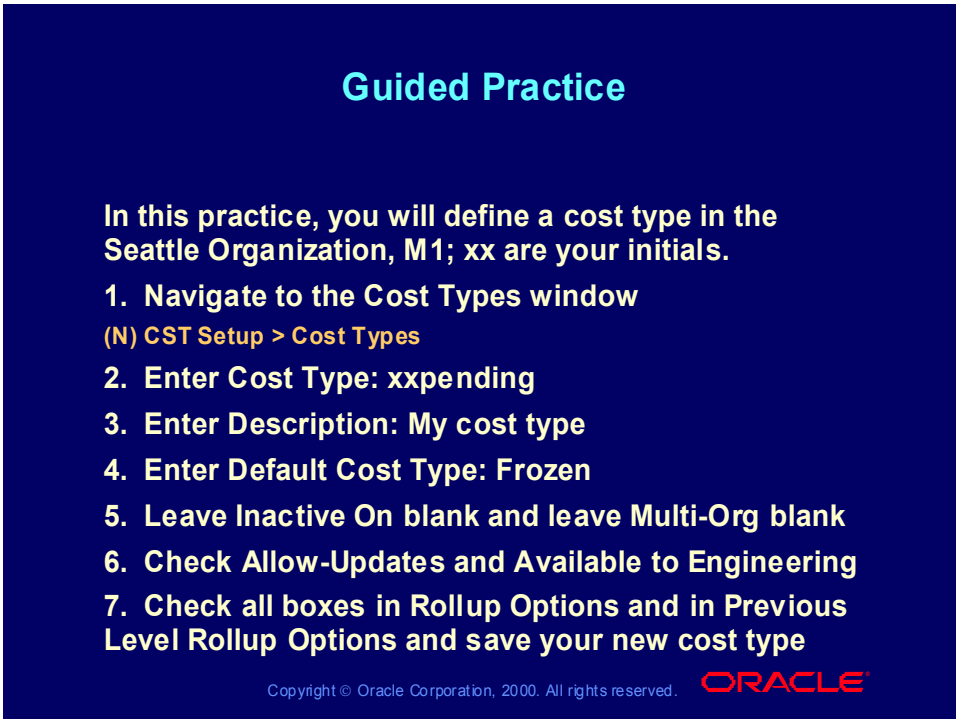
Copyright © Oracle Corporation, 2000. All rights reserved.



Practice Solution

1. The default cost type is the source of the item cost for items required by the update but not associated with the cost type being rolled up.
2. Use the snapshot bills to re-create a costed bill at a future date.
3. Set up two cost types, in addition to the frozen cost type already available. In one cost type, set up current year costs; in the second, set up forecast costs.

Copyright © Oracle Corporation, 2000. All rights reserved.



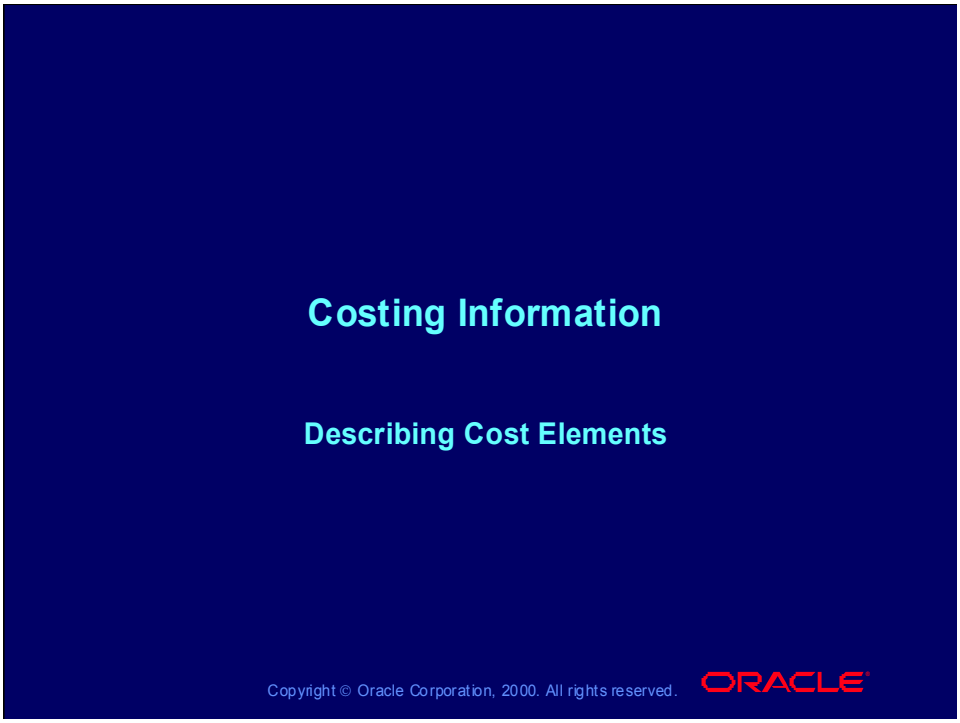
Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.

Describing Cost Elements

Chapter 3

Copyright © Oracle Corporation, 2000. All rights reserved.

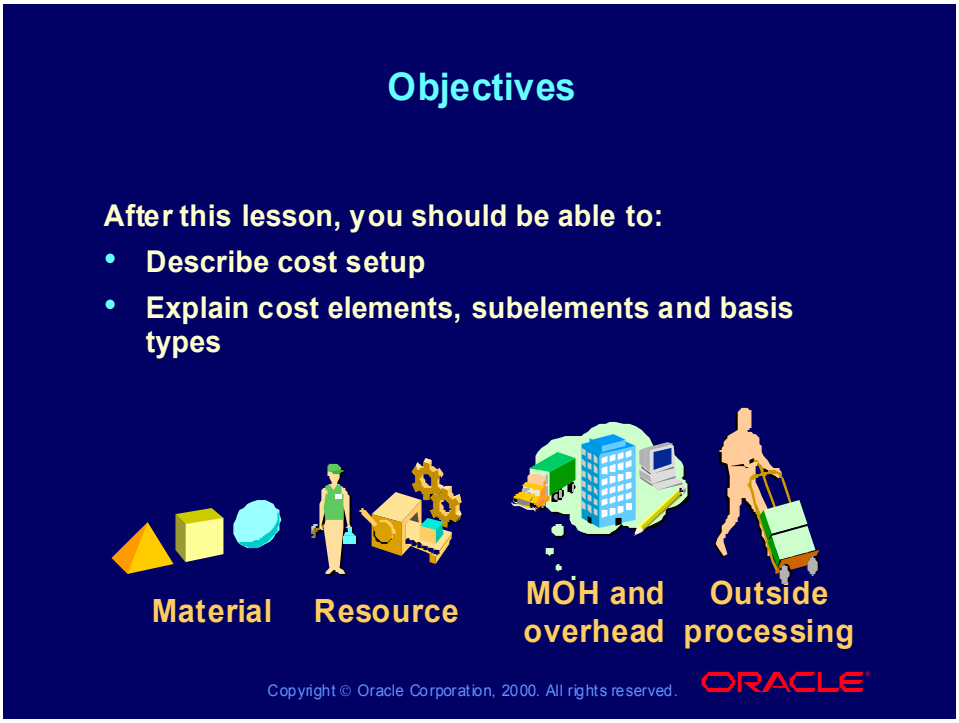


Notations:

N = Navigator
T = Tab
M = Menu
I = Icon
H = Hyperlink
B = Button
Help = Oracle Applications Help System

Copyright © Oracle Corporation, 2000. All rights reserved.

Objectives



Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.

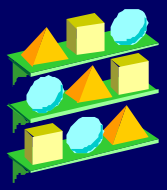
Overview

Common Cost Setup

- Cost elements
- Subelements
- Basis types
- Cost types

Inventory Cost Setup

- Material and material overhead subelements
- Material overhead defaults
- Item cost controls
- Item costs



Inventory

ORACLE

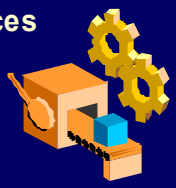
Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.

Overview

Manufacturing Cost Setup

- Resource subelements and costs
- Overhead subelements
- Defining departments and associate resources
- Defining overhead rates by department
- Associating overheads with resources
- Defining routings
- Defining bills of material

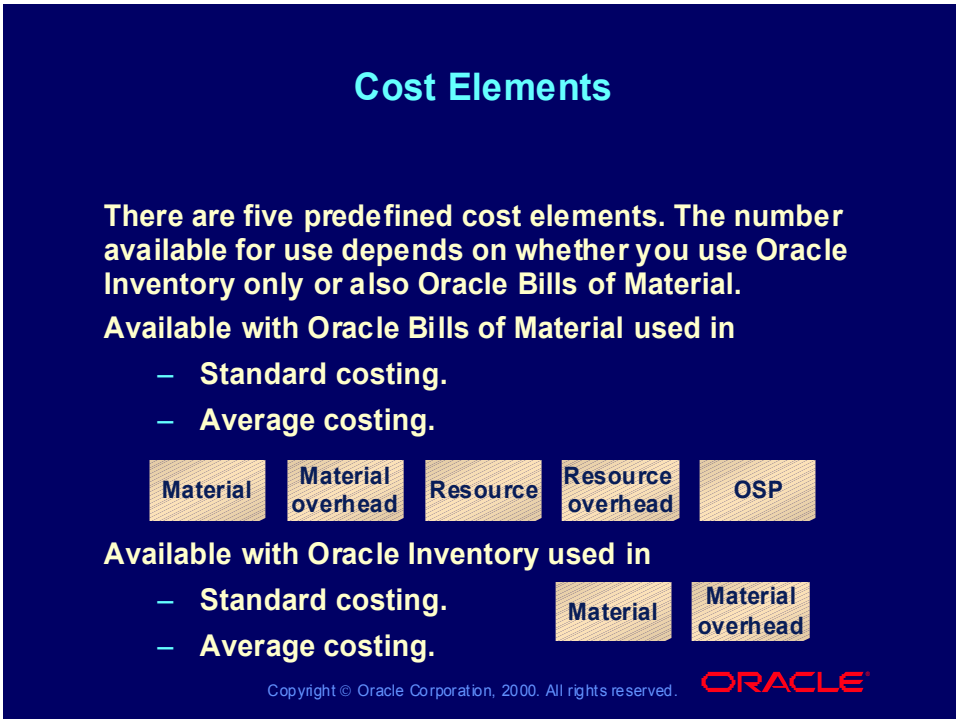


Manufacturing

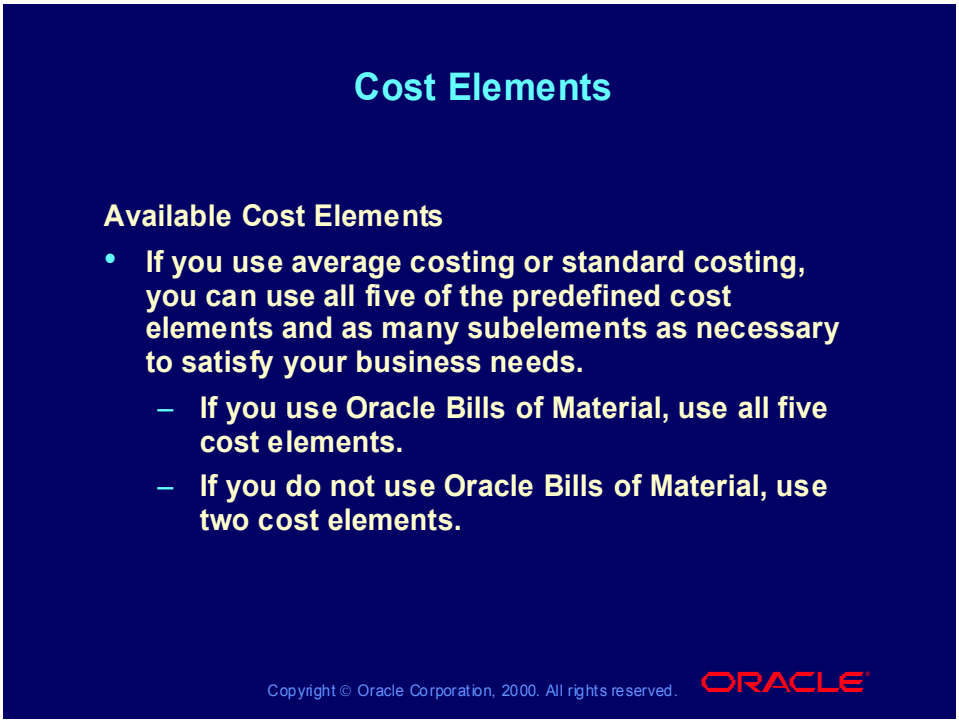
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Copyright © Oracle Corporation, 2000. All rights reserved.

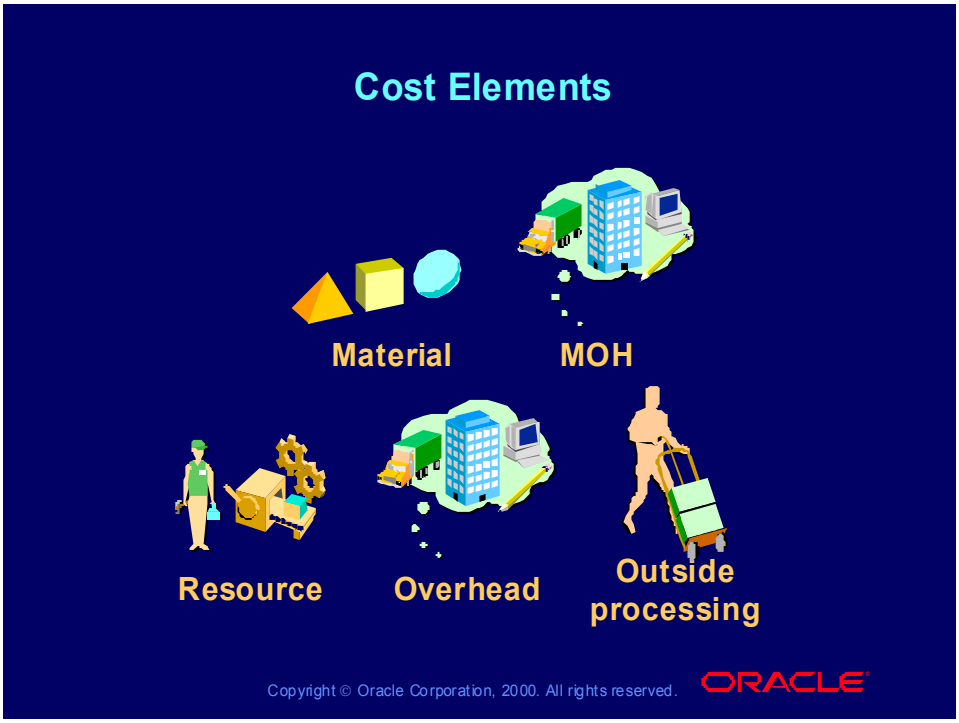


Copyright © Oracle Corporation, 2000. All rights reserved.

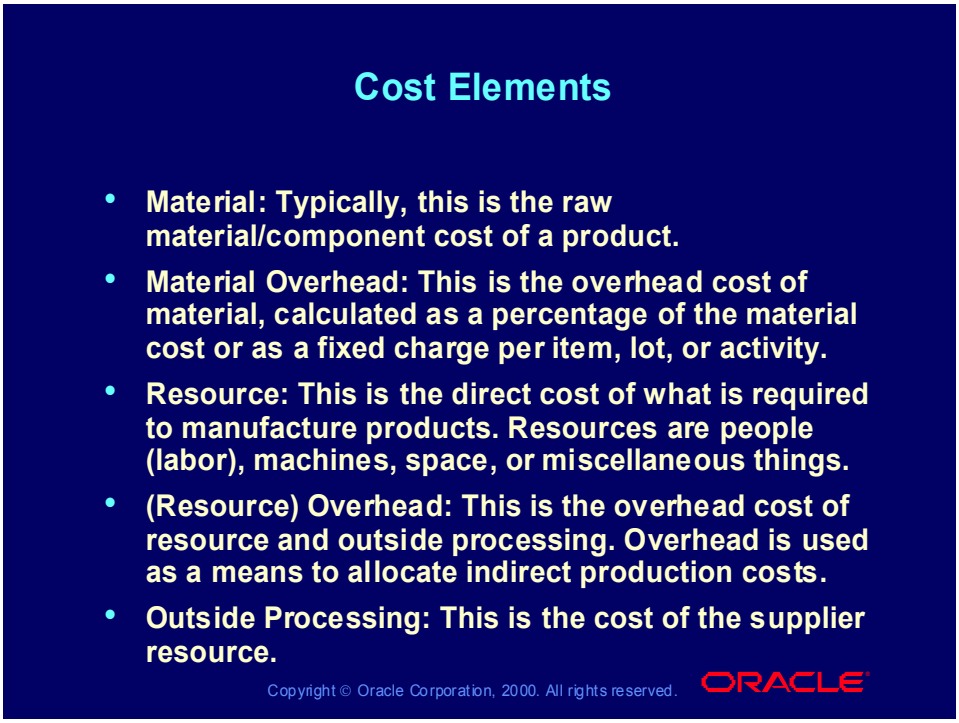


Copyright © Oracle Corporation, 2000. All rights reserved.

Cost Elements

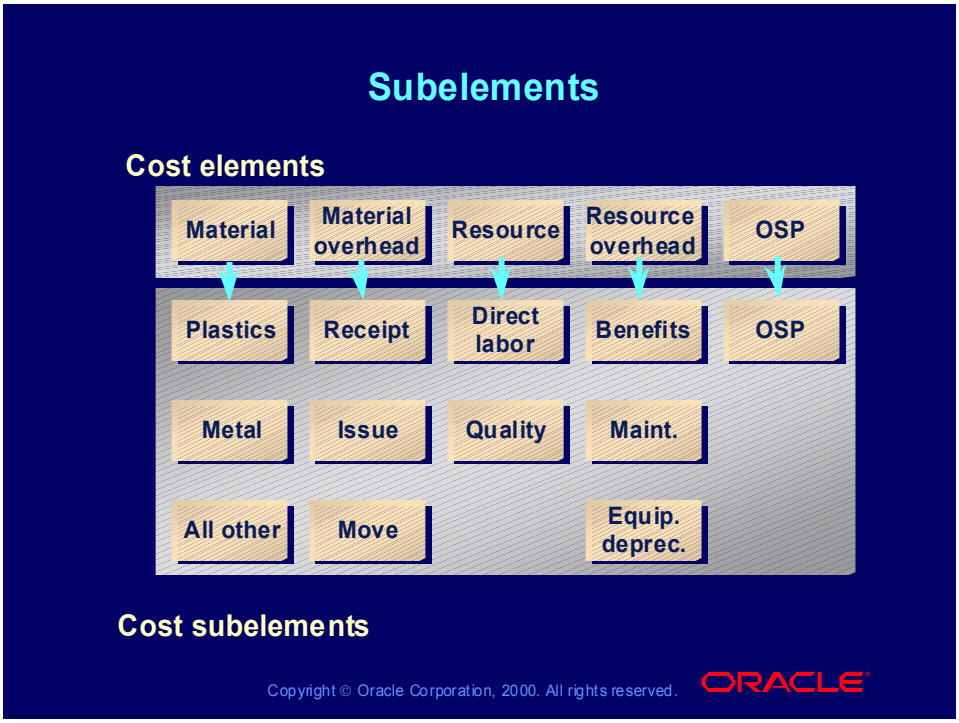


Copyright © Oracle Corporation, 2000. All rights reserved.



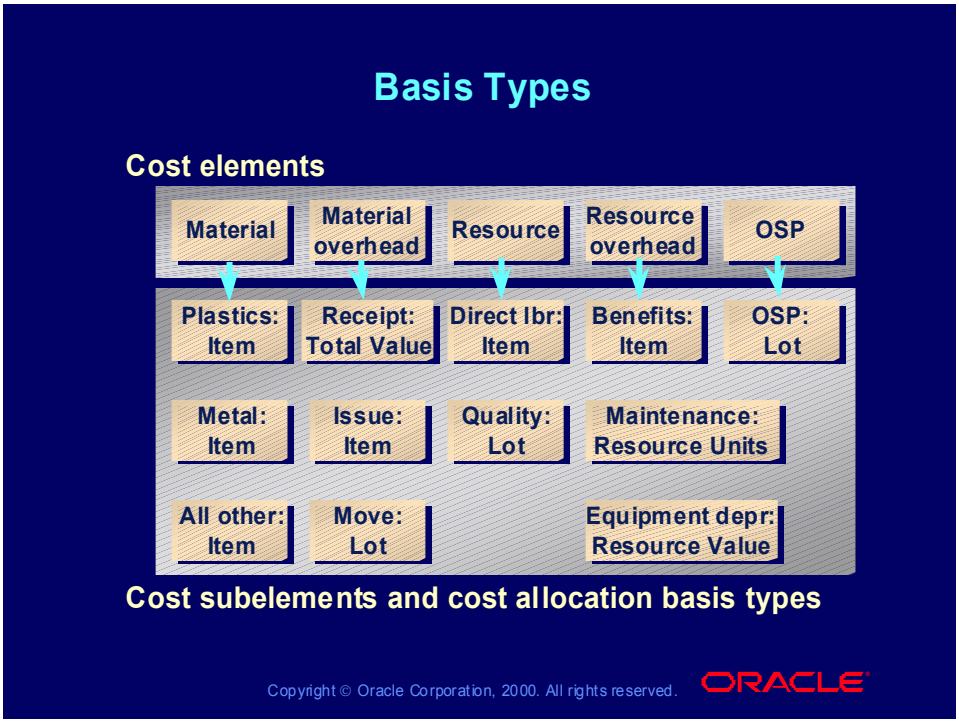
Copyright © Oracle Corporation, 2000. All rights reserved.

Subelements

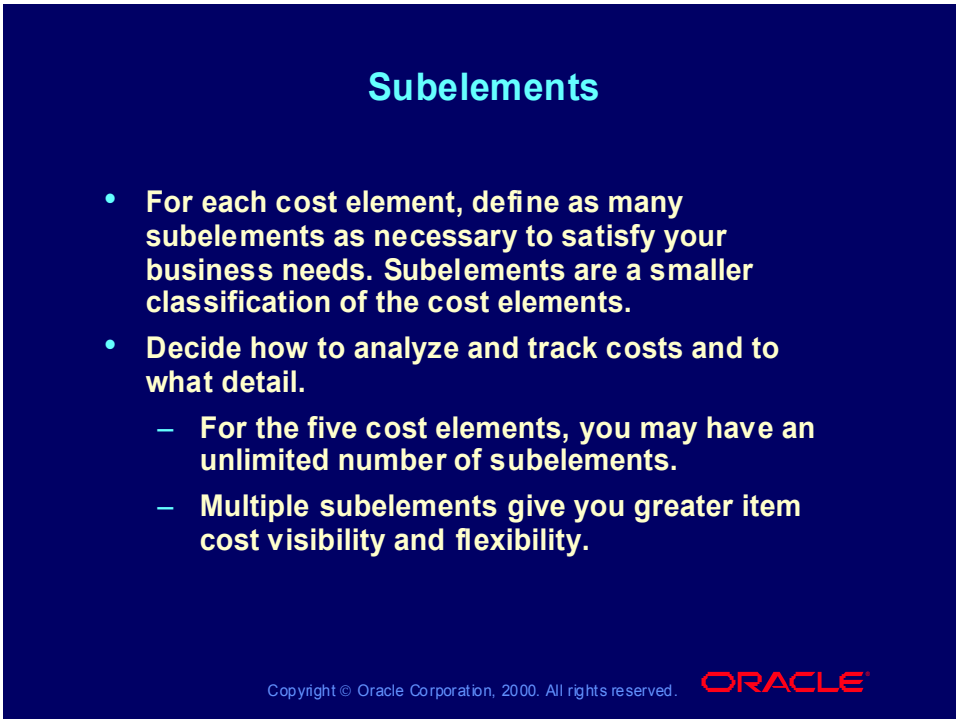


Copyright © Oracle Corporation, 2000. All rights reserved.

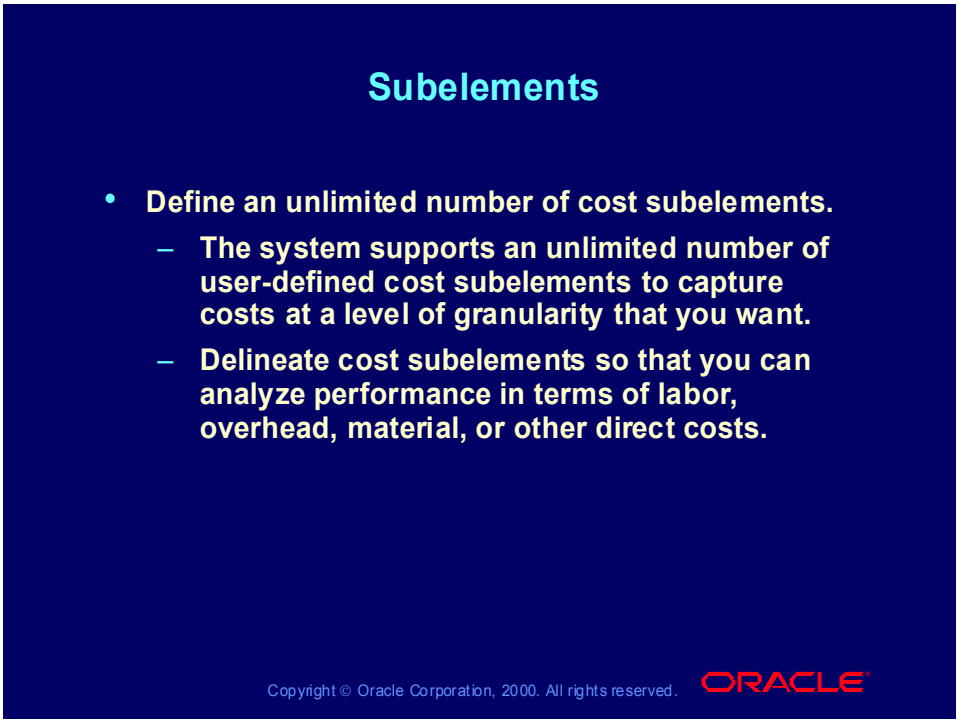
Basis Types



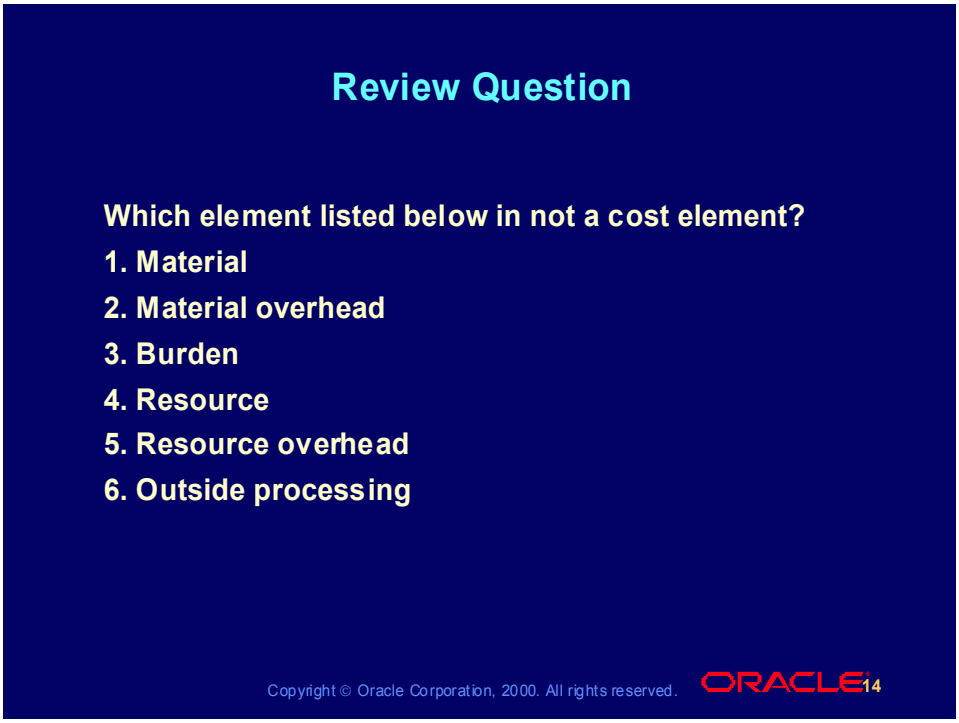
Copyright © Oracle Corporation, 2000. All rights reserved.



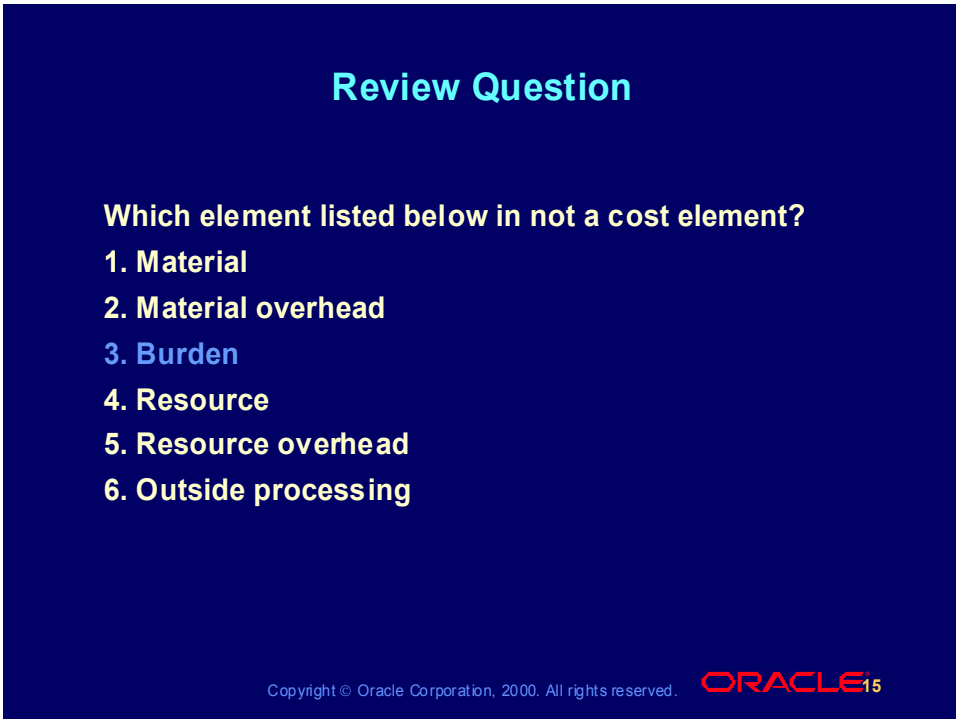
Copyright © Oracle Corporation, 2000. All rights reserved.



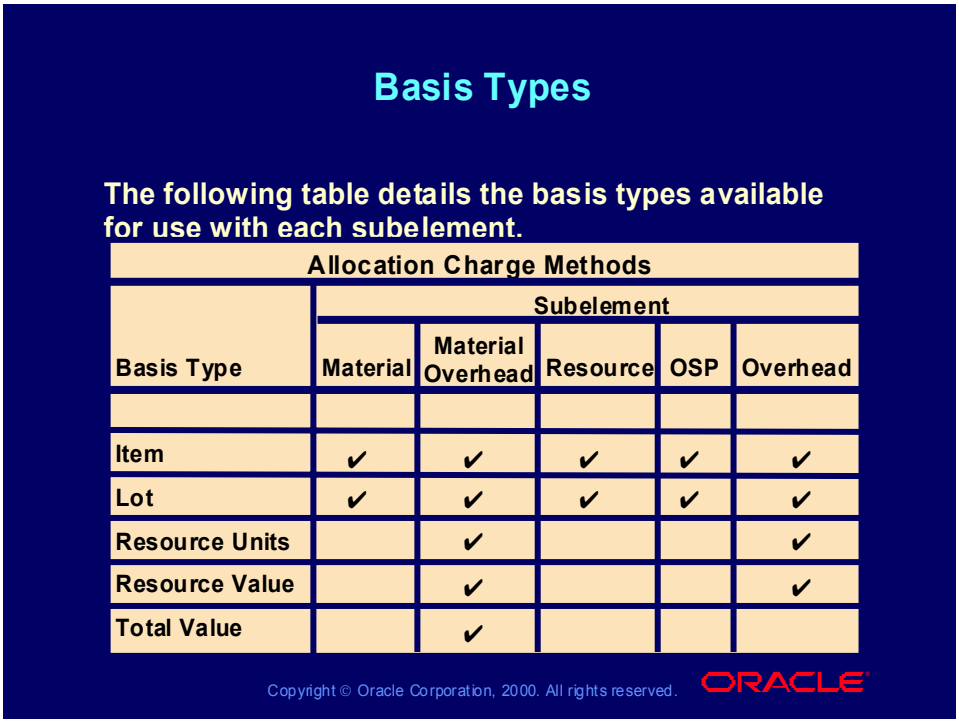
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



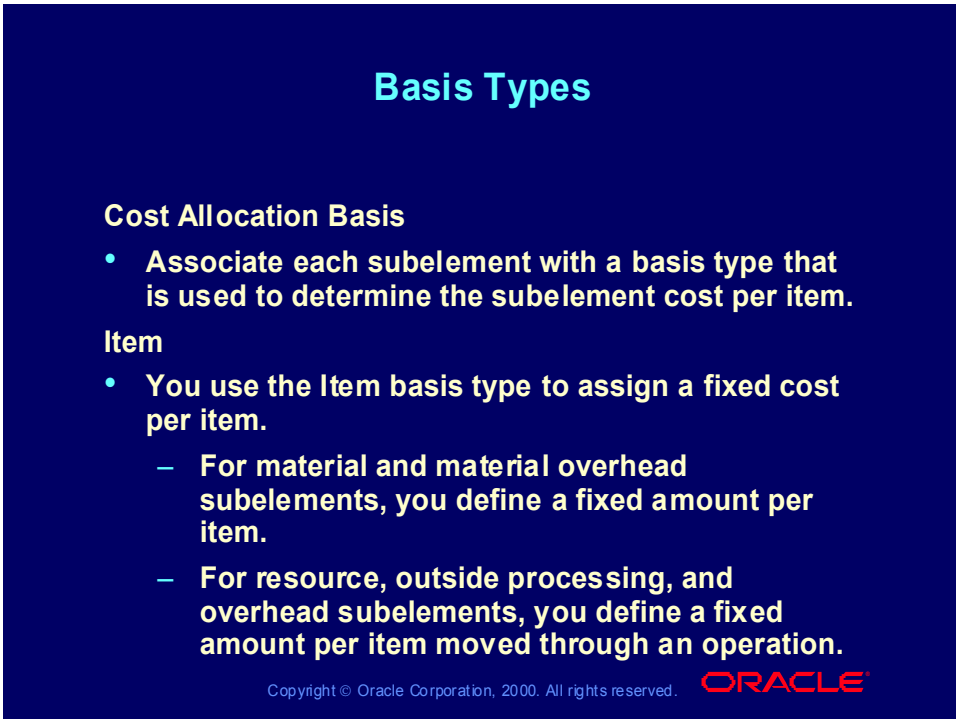
Basis Types

The following table details the basis types available for use with each subelement.

Allocation Charge Methods					
	Subelement				
Basis Type	Material	Material Overhead	Resource	OSP	Overhead
Item	✔	✔	✔	✔	✔
Lot	✔	✔	✔	✔	✔
Resource Units		✔			✔
Resource Value		✔			✔
Total Value		✔			

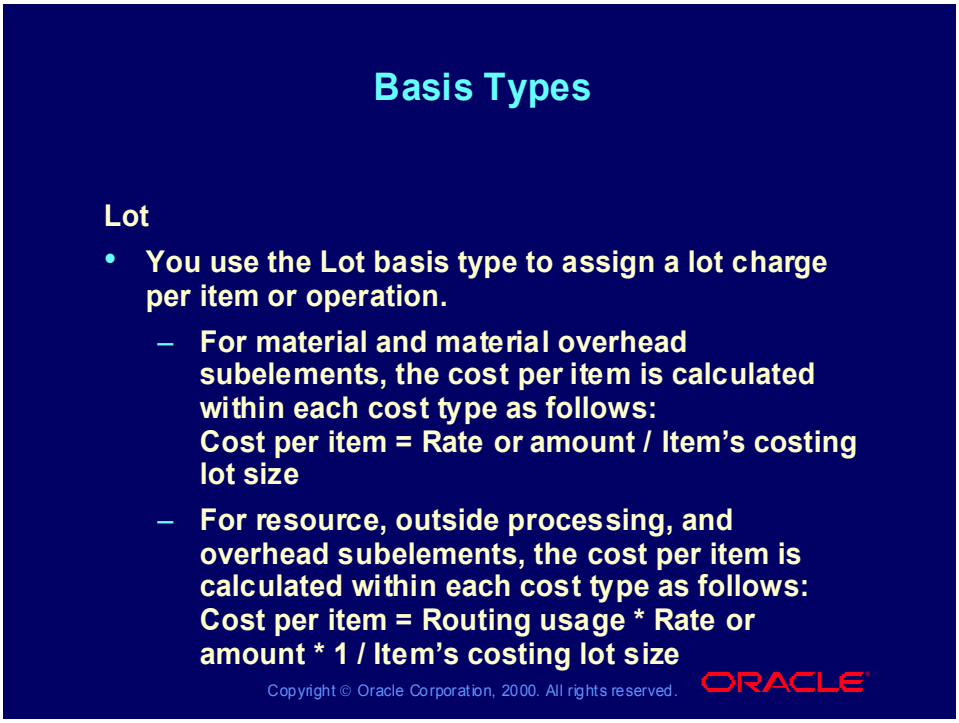
Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

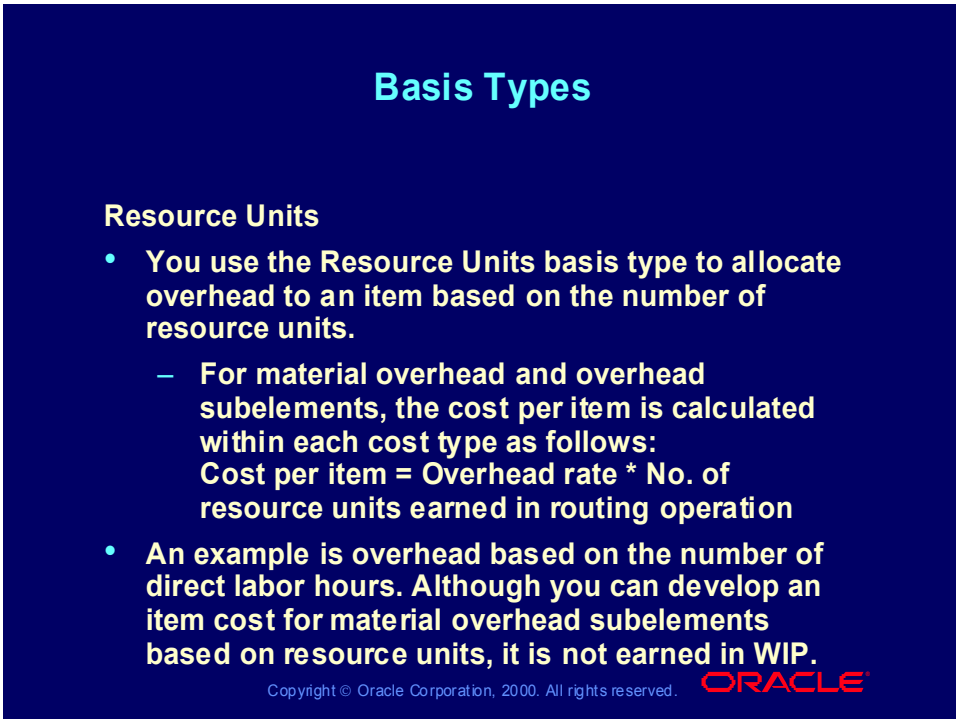
Basis Types



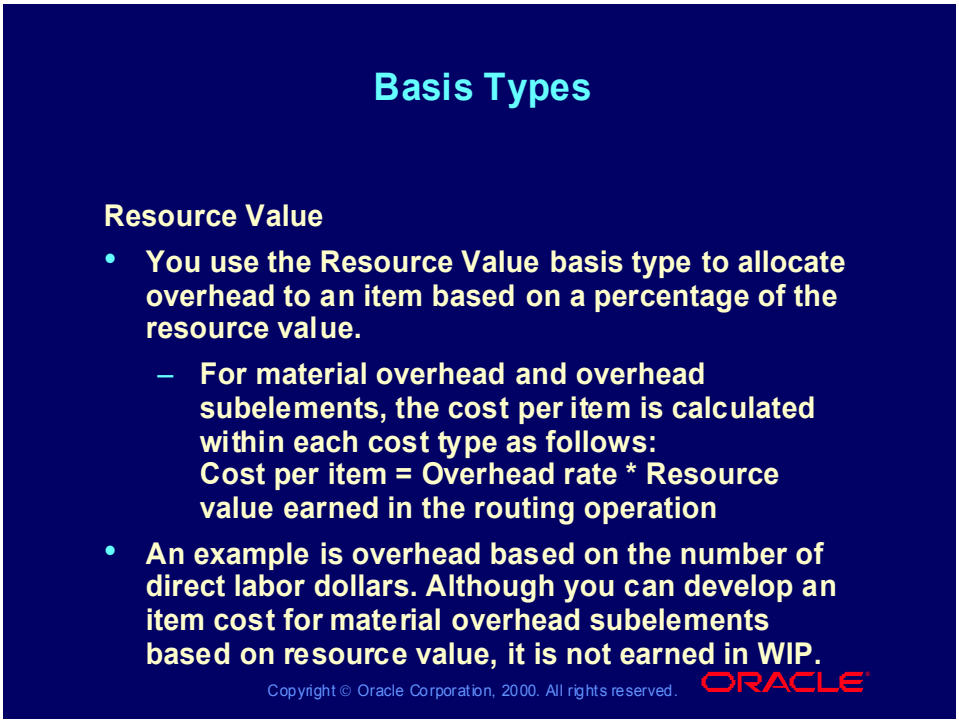
Note

The costing lot size can be different from the planning lot size.

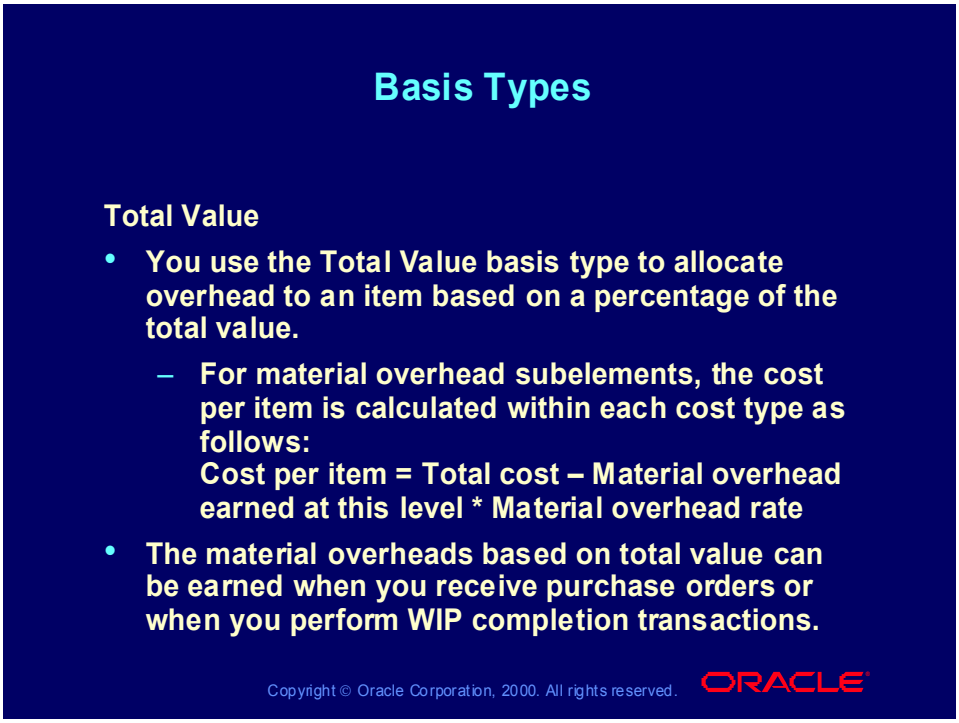
Copyright © Oracle Corporation, 2000. All rights reserved.



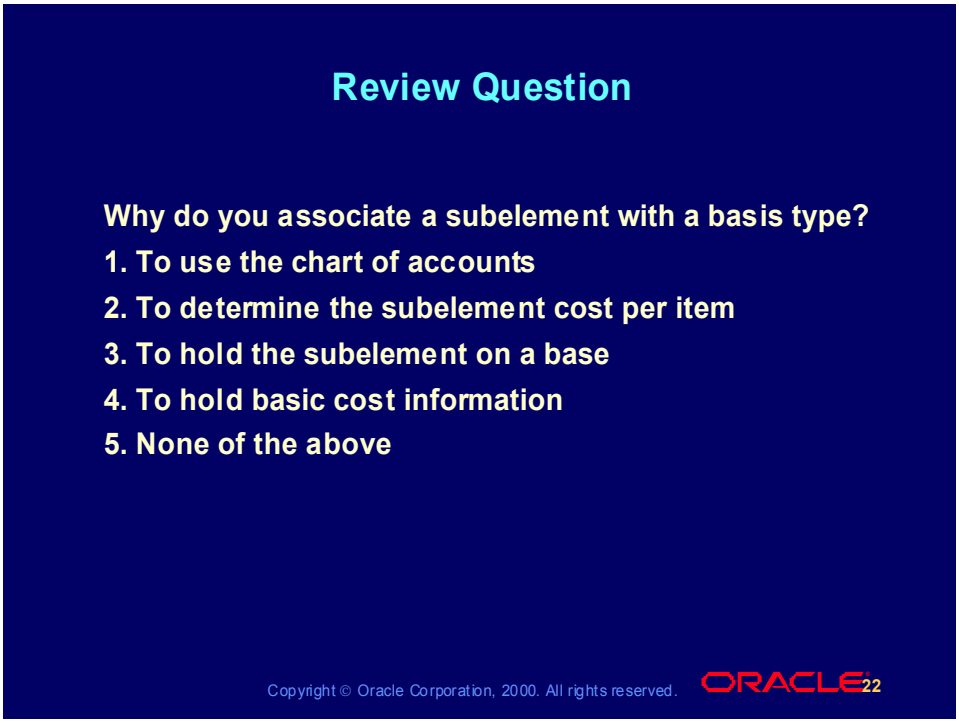
Copyright © Oracle Corporation, 2000. All rights reserved.



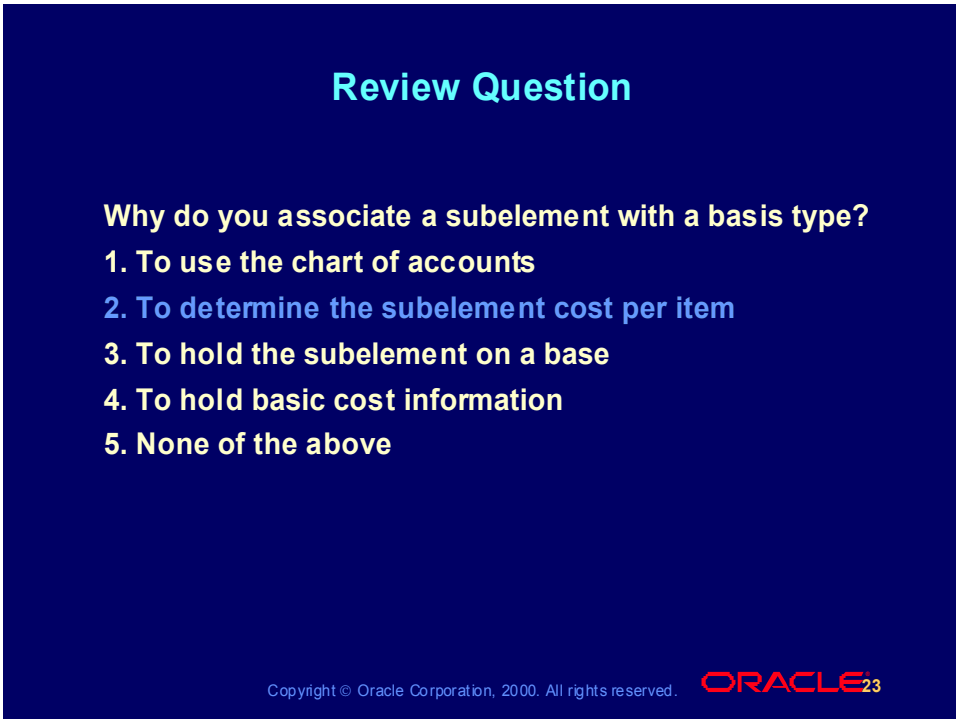
Copyright © Oracle Corporation, 2000. All rights reserved.



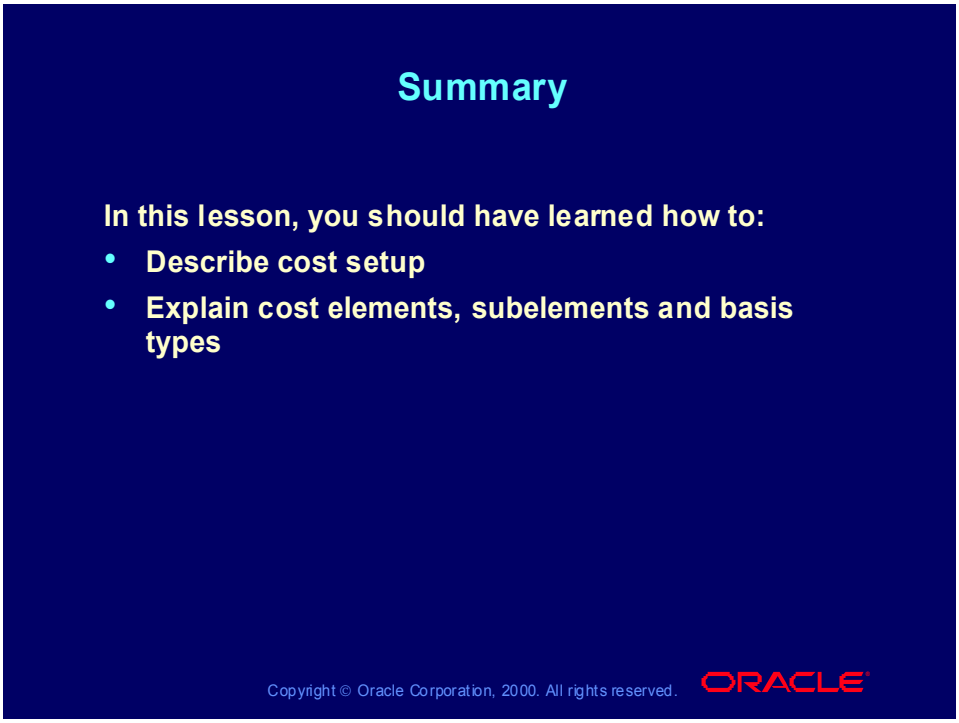
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

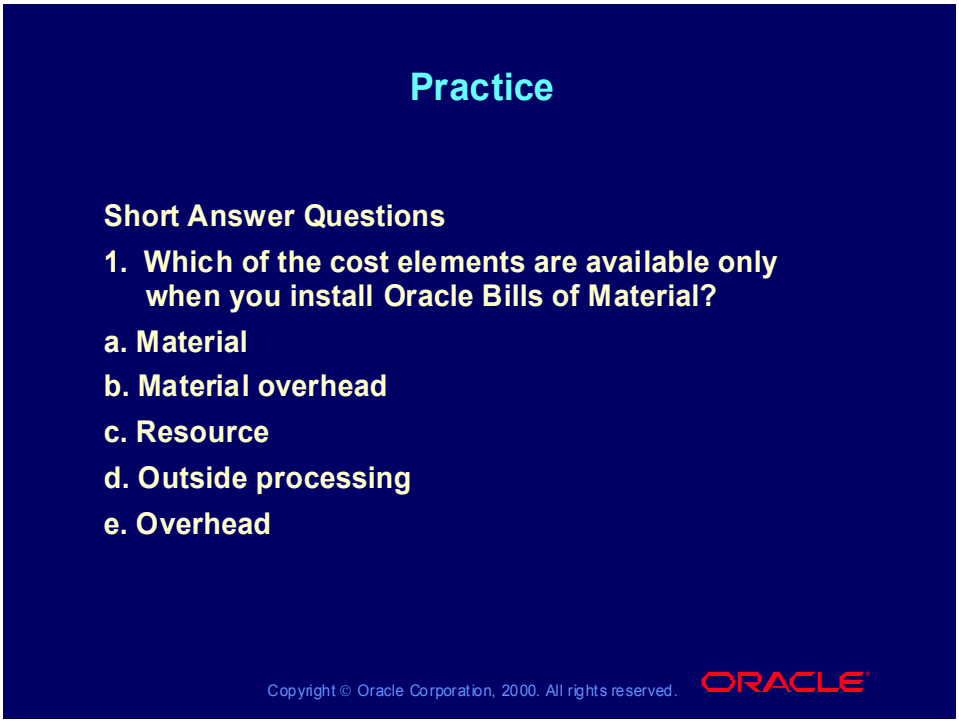


Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.

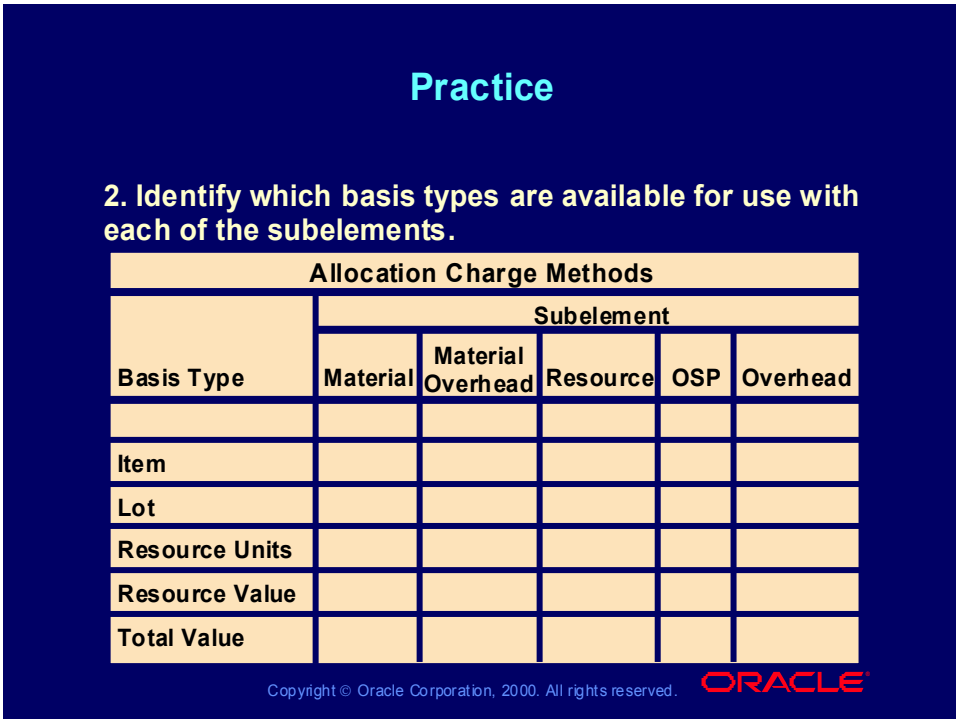


Practice Solution

Short Answer Questions

1. Resource, outside processing and overhead are only available when you install Oracle Bills of Material.

Copyright © Oracle Corporation, 2000. All rights reserved.



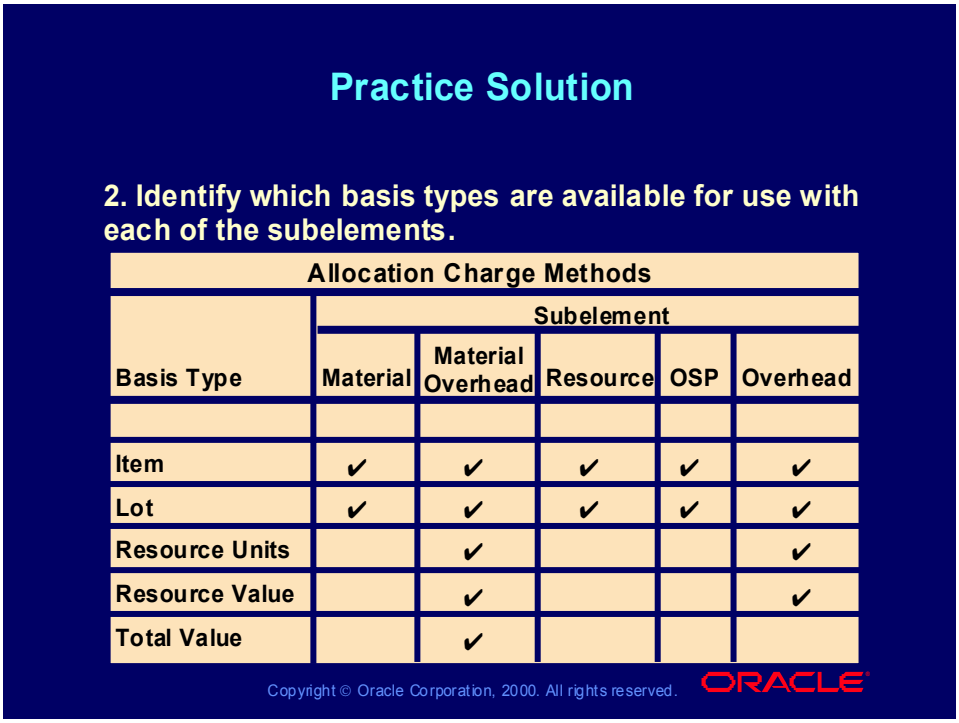
Practice

2. Identify which basis types are available for use with each of the subelements.

Allocation Charge Methods					
Basis Type	Subelement				
	Material	Material Overhead	Resource	OSP	Overhead
Item					
Lot					
Resource Units					
Resource Value					
Total Value					

Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.



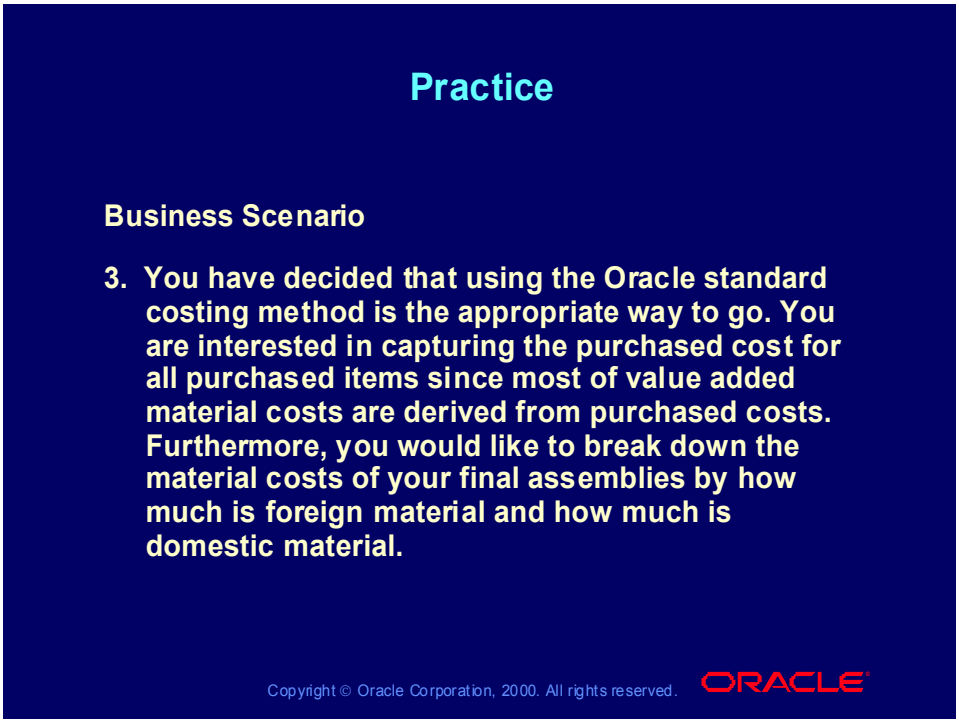
Practice Solution

2. Identify which basis types are available for use with each of the subelements.

Allocation Charge Methods					
	Subelement				
Basis Type	Material	Material Overhead	Resource	OSP	Overhead
Item	✔	✔	✔	✔	✔
Lot	✔	✔	✔	✔	✔
Resource Units		✔			✔
Resource Value		✔			✔
Total Value		✔			

Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.



Practice Solution

Business Scenario

Discuss the fact that Oracle allows for the creation of multiple cost types beyond the already seeded types of Frozen, Average, and Pending. Explain how a new cost type of Current can be set up to capture those purchased costs that are needed. Discuss the significance of cost elements and subelements to facilitate defining a very detailed subset of the overall cost of the final assemblies.

Copyright © Oracle Corporation, 2000. All rights reserved.

Defining Item Costs

Chapter 4

Copyright © Oracle Corporation, 2000. All rights reserved.

Notations:

N = Navigator
T = Tab
M = Menu
I = Icon
H = Hyperlink
B = Button
Help = Oracle Applications Help System

Copyright © Oracle Corporation, 2000. All rights reserved.

Objectives

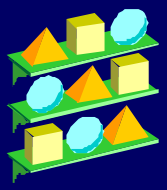
Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.

Overview

Inventory cost setup

- Material and material overhead subelements
- Material overhead defaults
- Item cost controls
- Item costs

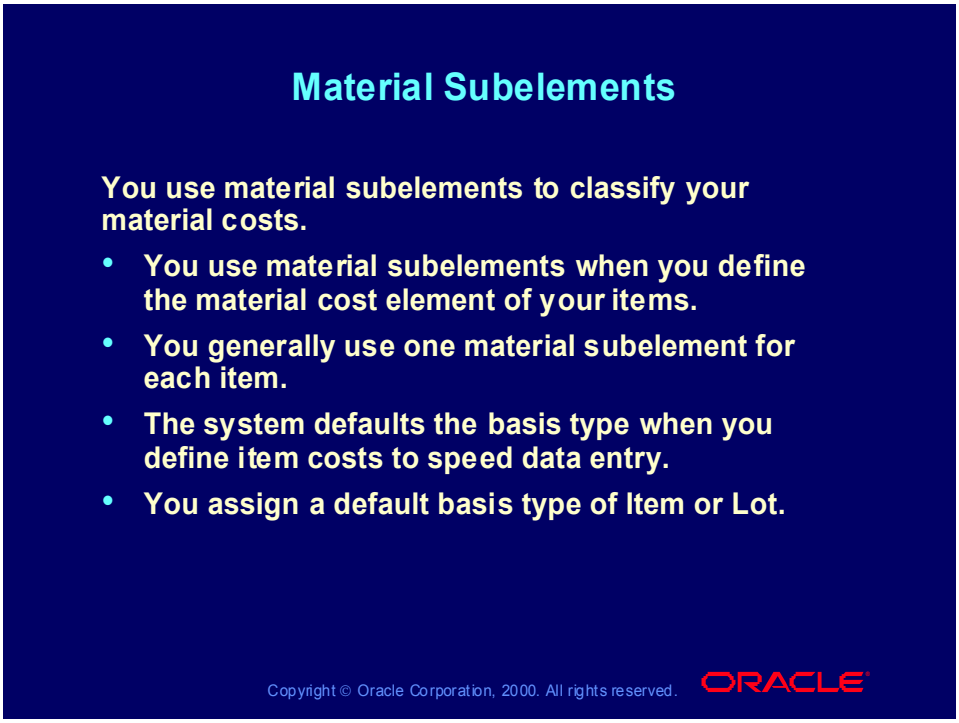


Inventory

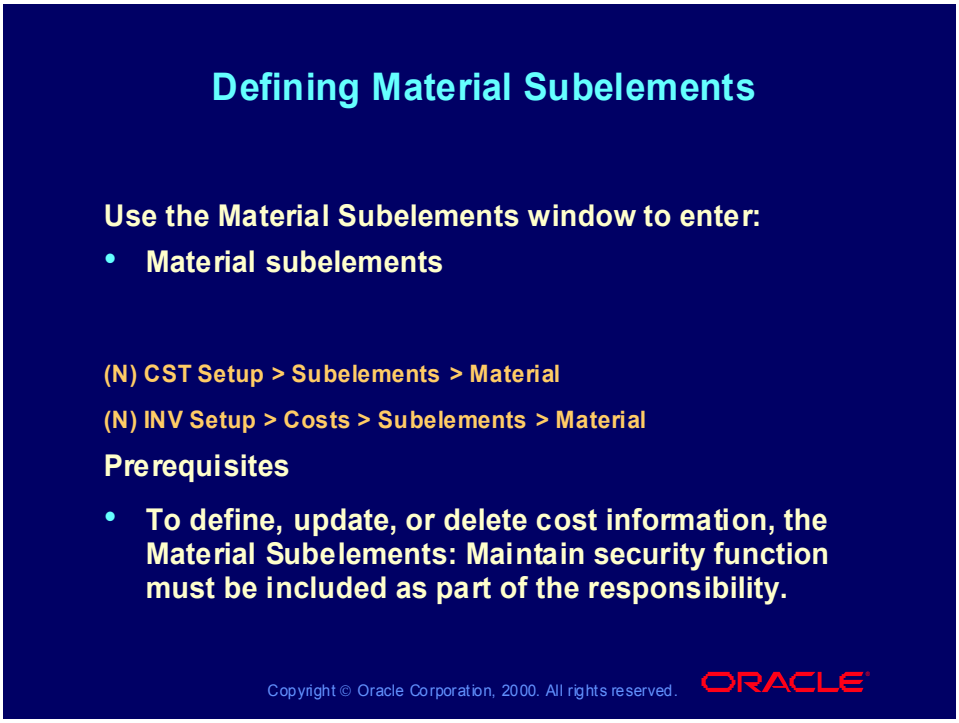
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Copyright © Oracle Corporation, 2000. All rights reserved.



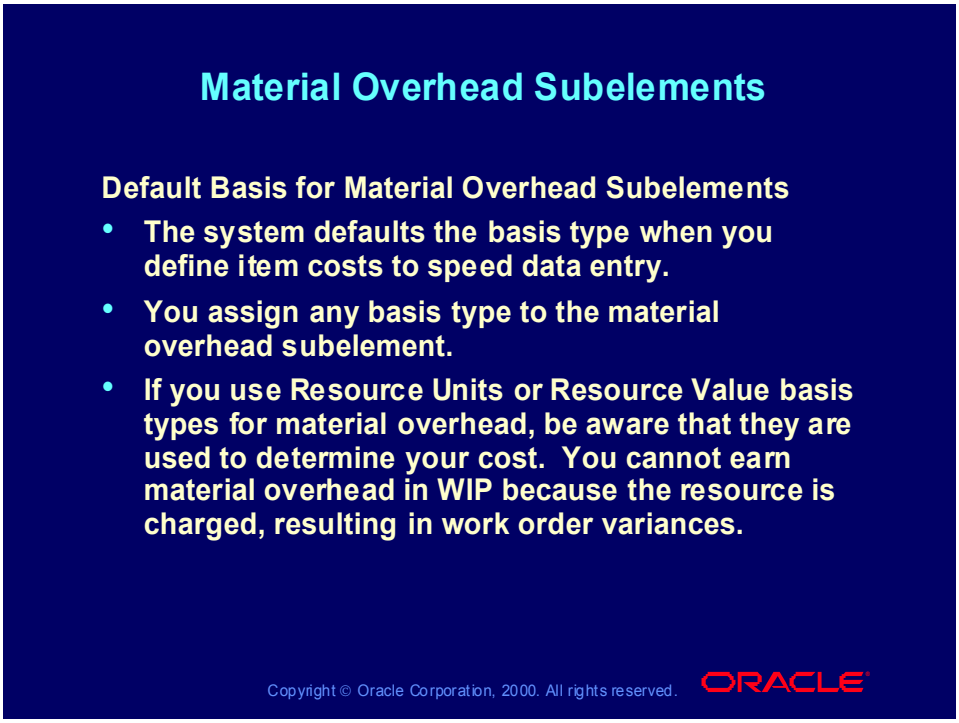
Copyright © Oracle Corporation, 2000. All rights reserved.



(Help) Oracle Manufacturing Applications > Oracle Cost Management > Setting Up > Steps > Defining Subelements > Defining Material Subelements

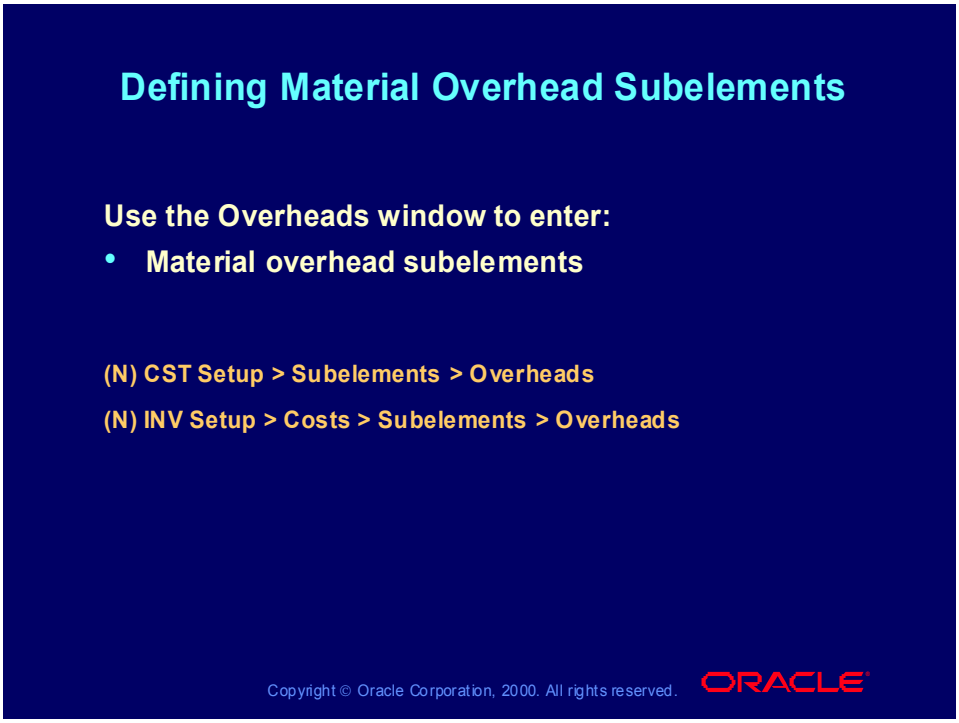
Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.



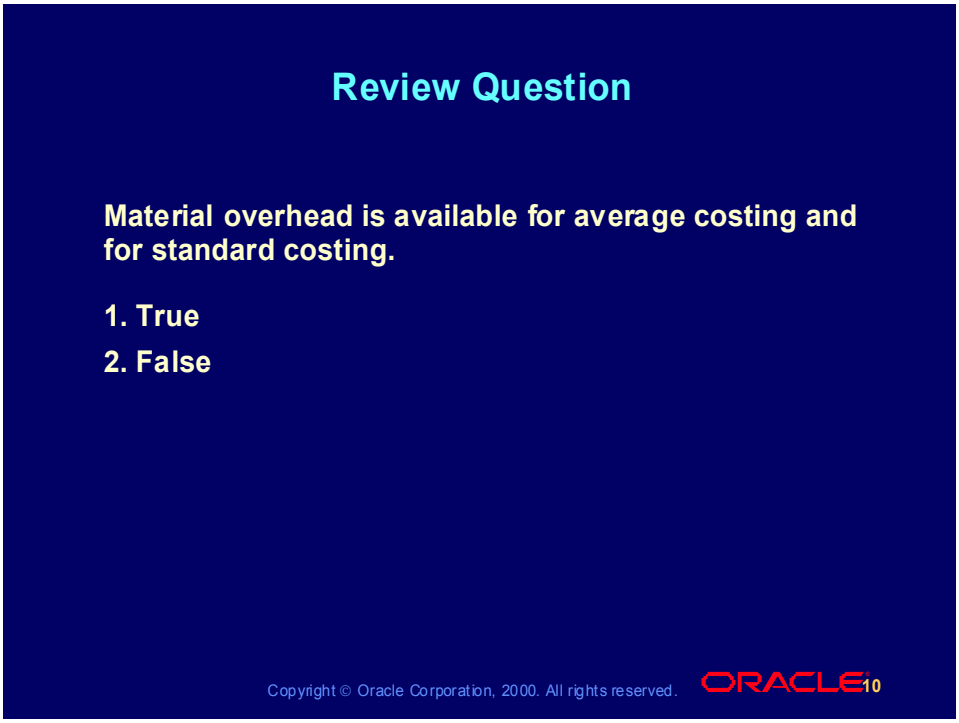
Copyright © Oracle Corporation, 2000. All rights reserved.

Defining Material Overhead Subelements

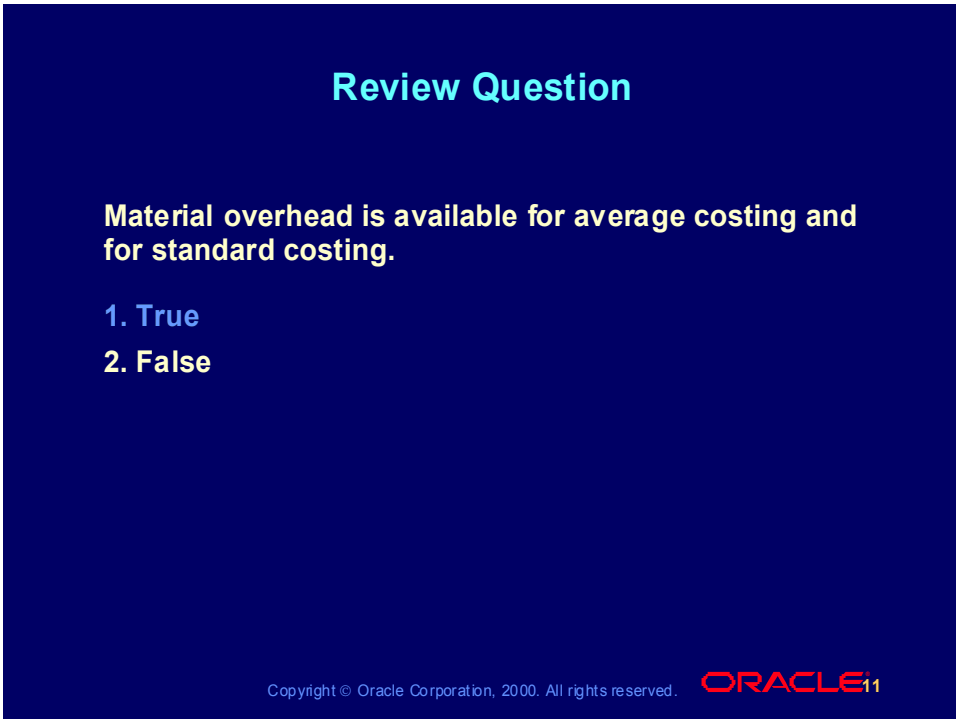


(Help) Oracle Manufacturing Applications > Oracle Cost Management > Setting Up > Steps > Defining Subelements > Defining Overhead

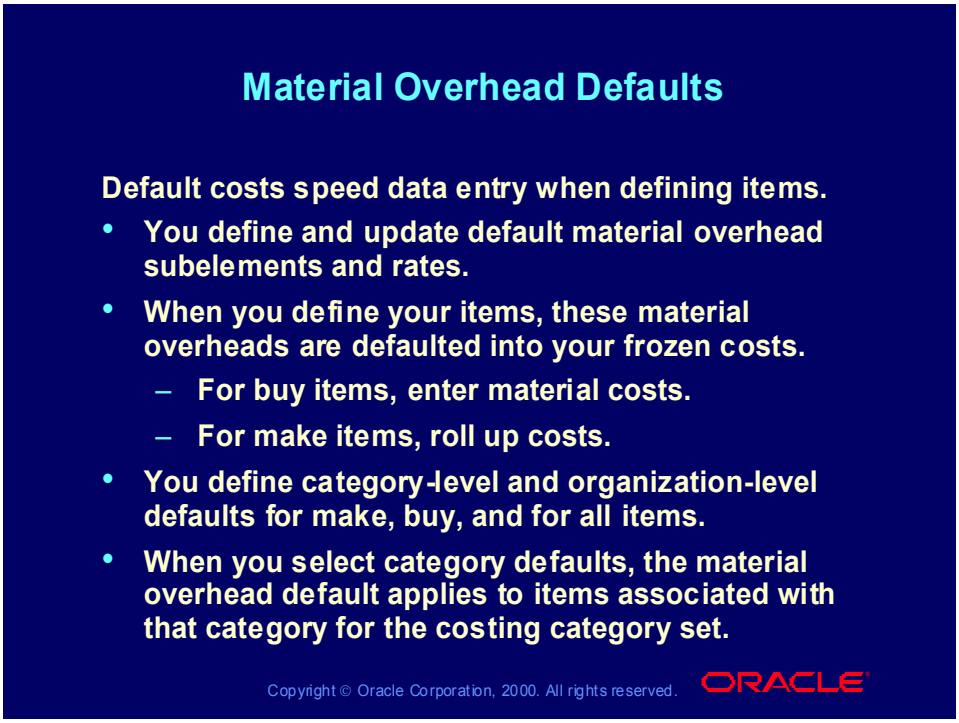
Copyright © Oracle Corporation, 2000. All rights reserved.



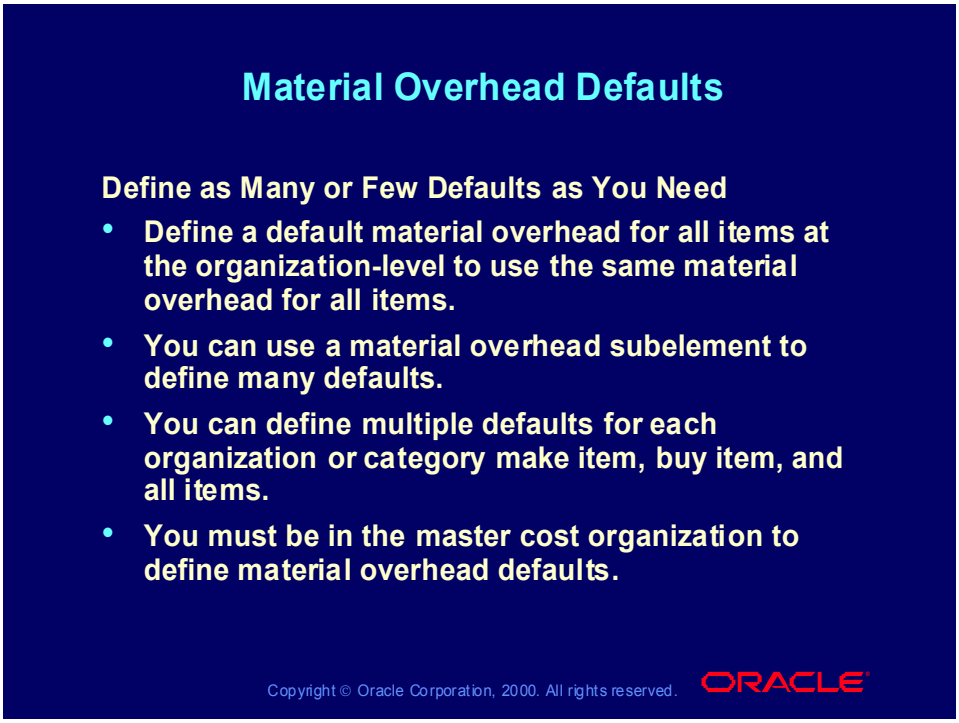
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

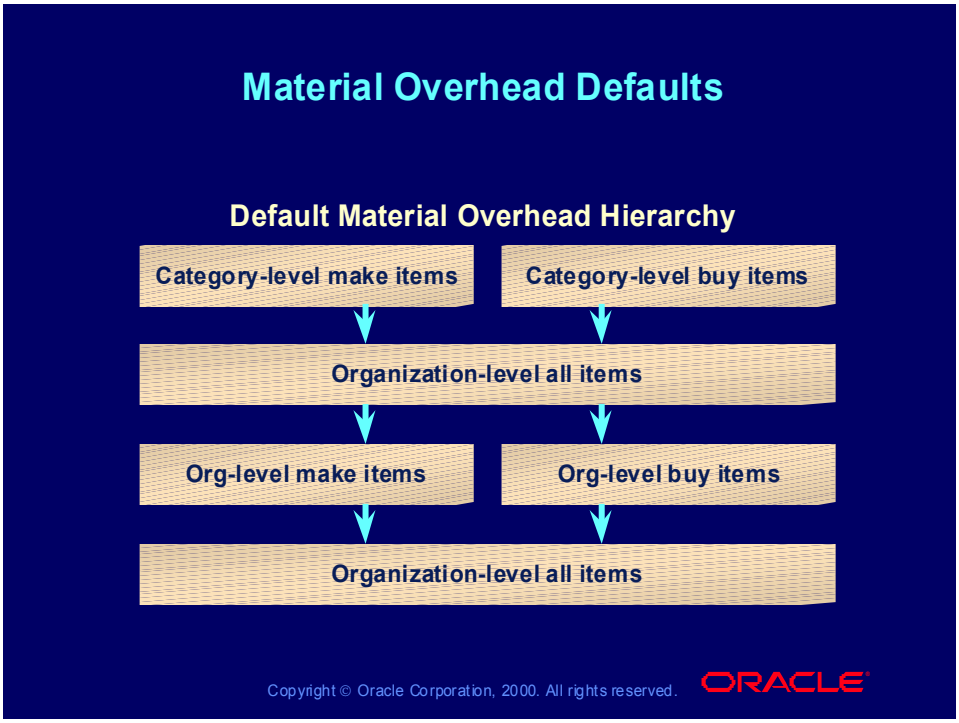


Copyright © Oracle Corporation, 2000. All rights reserved.

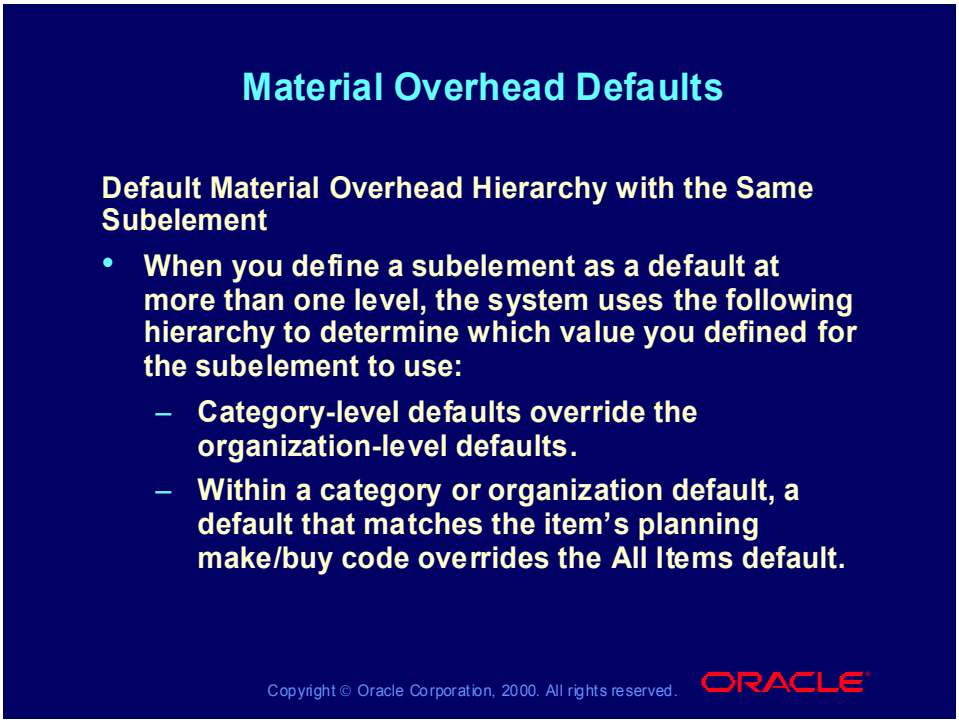


Copyright © Oracle Corporation, 2000. All rights reserved.

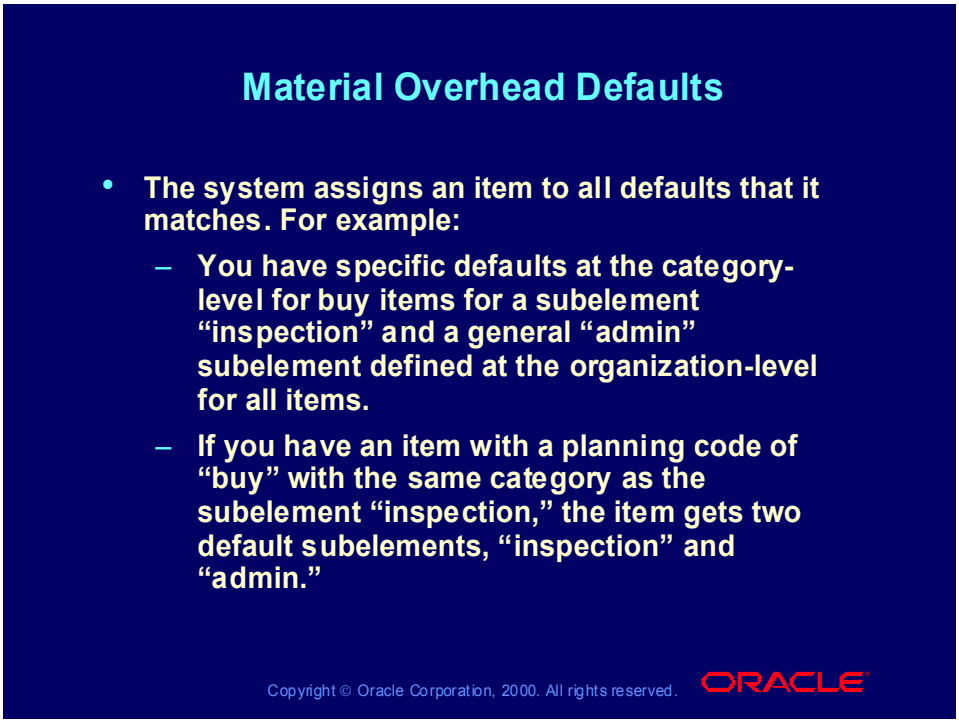
Material Overhead Defaults



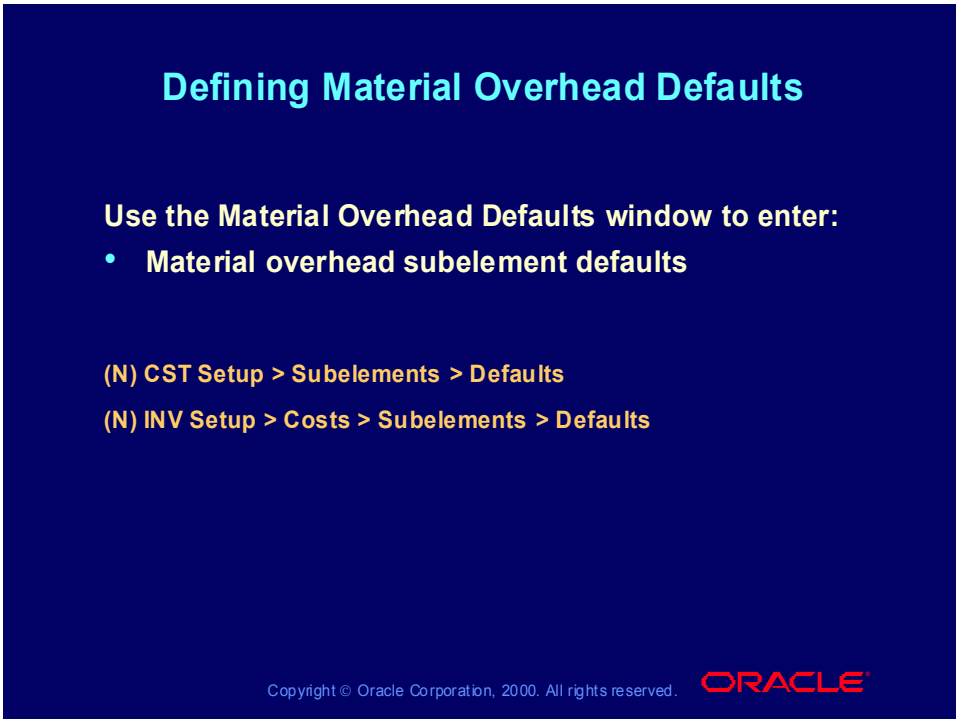
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

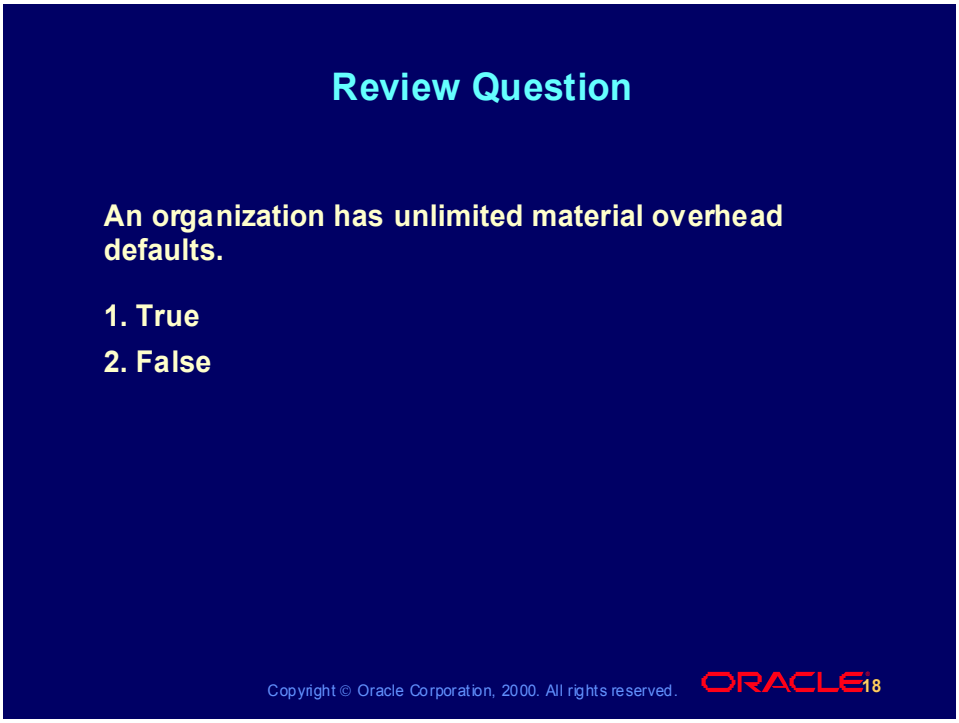


Copyright © Oracle Corporation, 2000. All rights reserved.

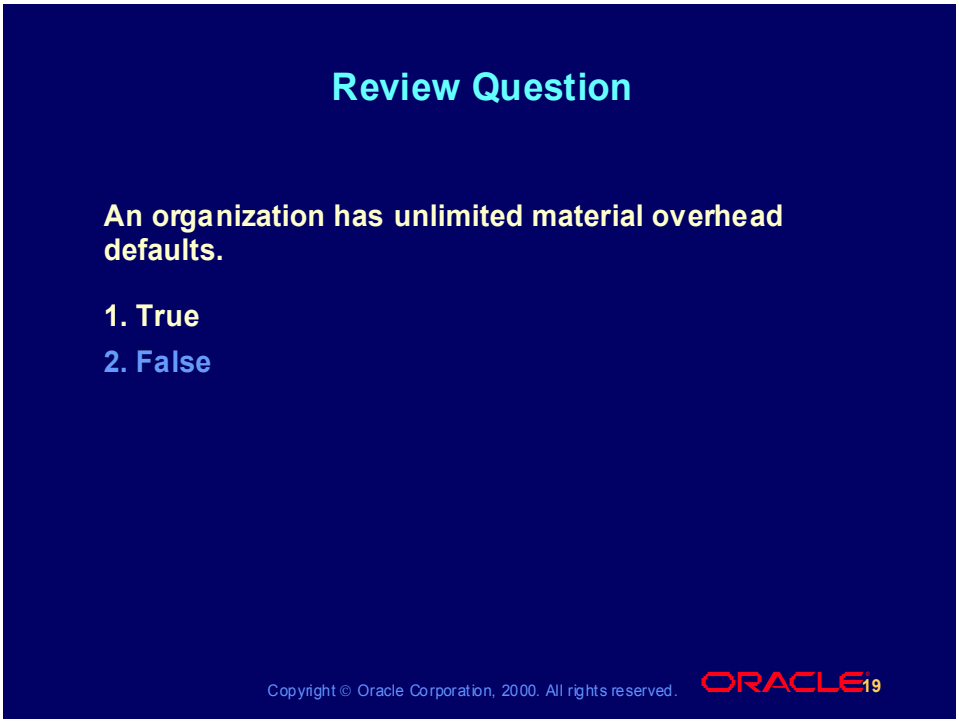


(Help) Oracle Manufacturing Applications > Oracle Cost Management > Setting Up > Steps > Defining Subelements > Defining Material Overhead Defaults

Copyright © Oracle Corporation, 2000. All rights reserved.

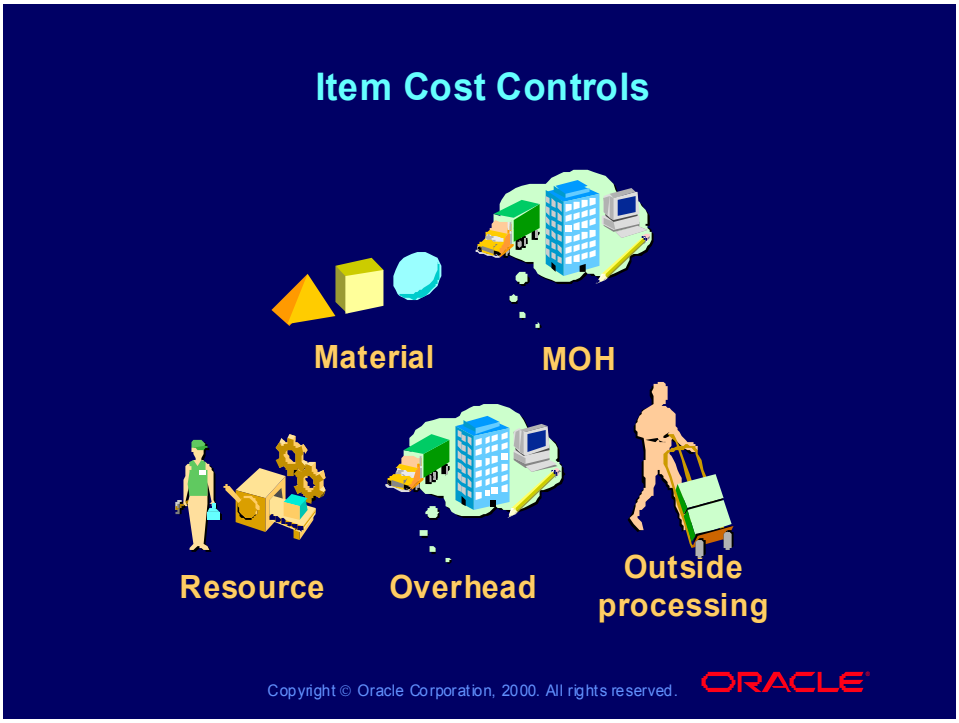


Copyright © Oracle Corporation, 2000. All rights reserved.

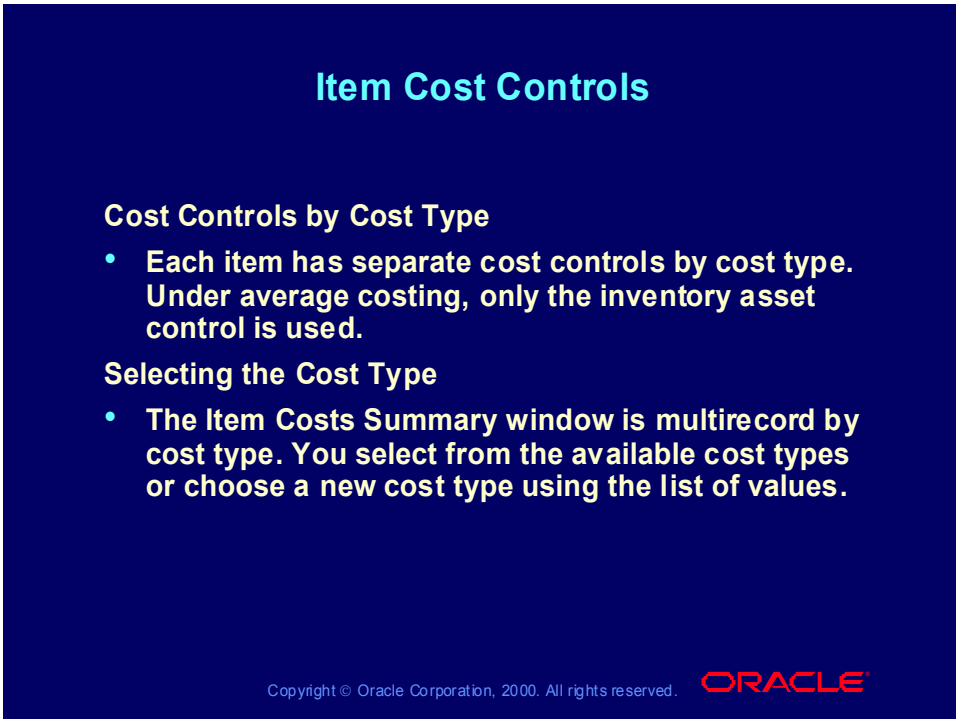


Copyright © Oracle Corporation, 2000. All rights reserved.

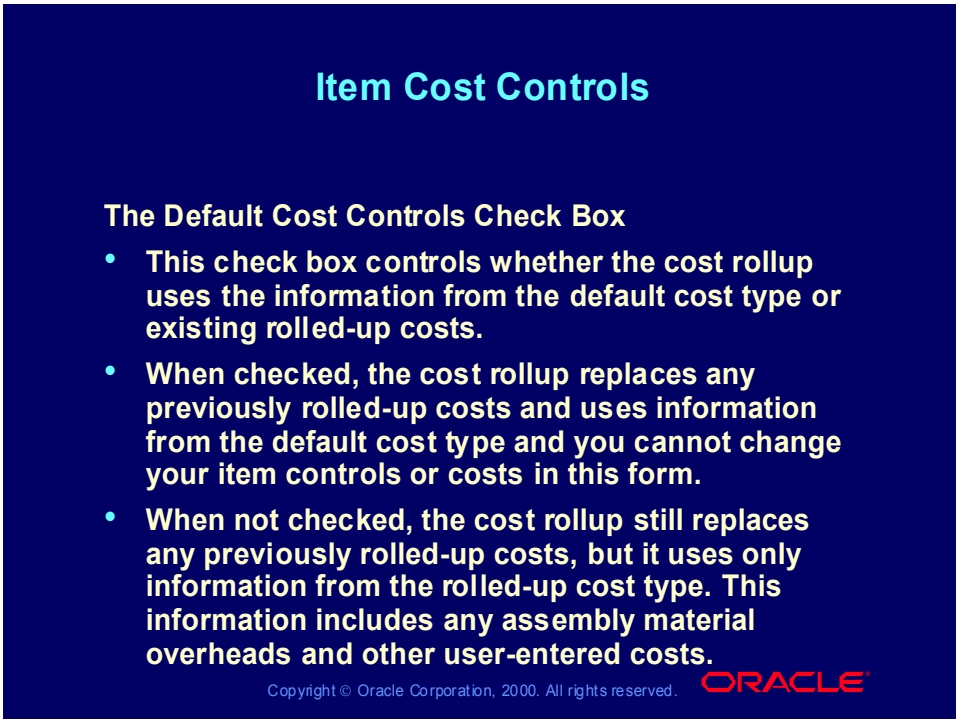
Item Cost Controls



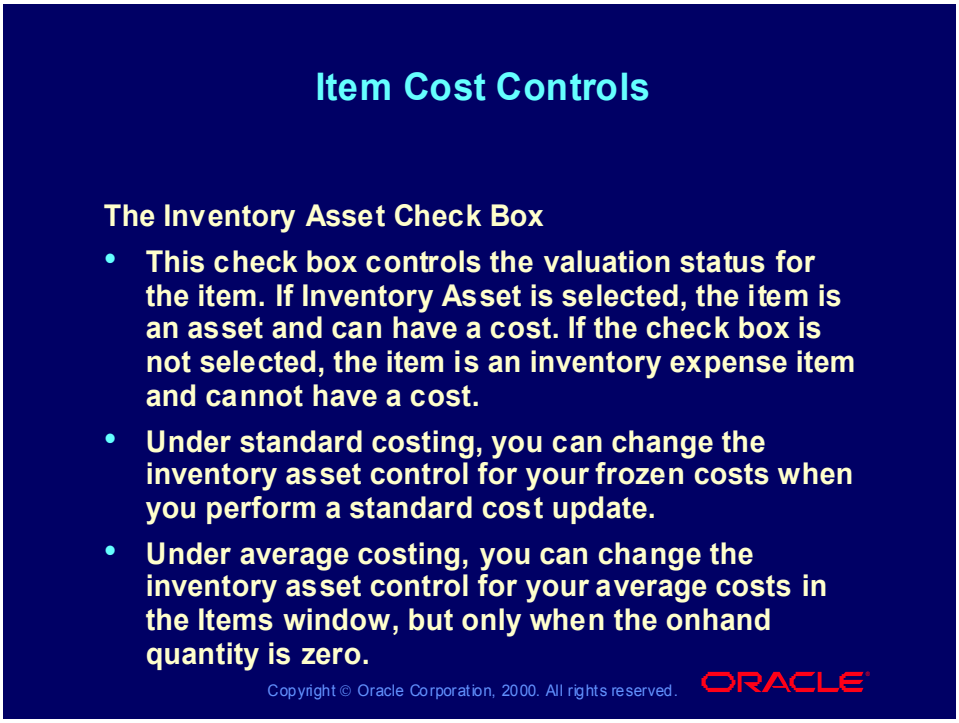
Copyright © Oracle Corporation, 2000. All rights reserved.



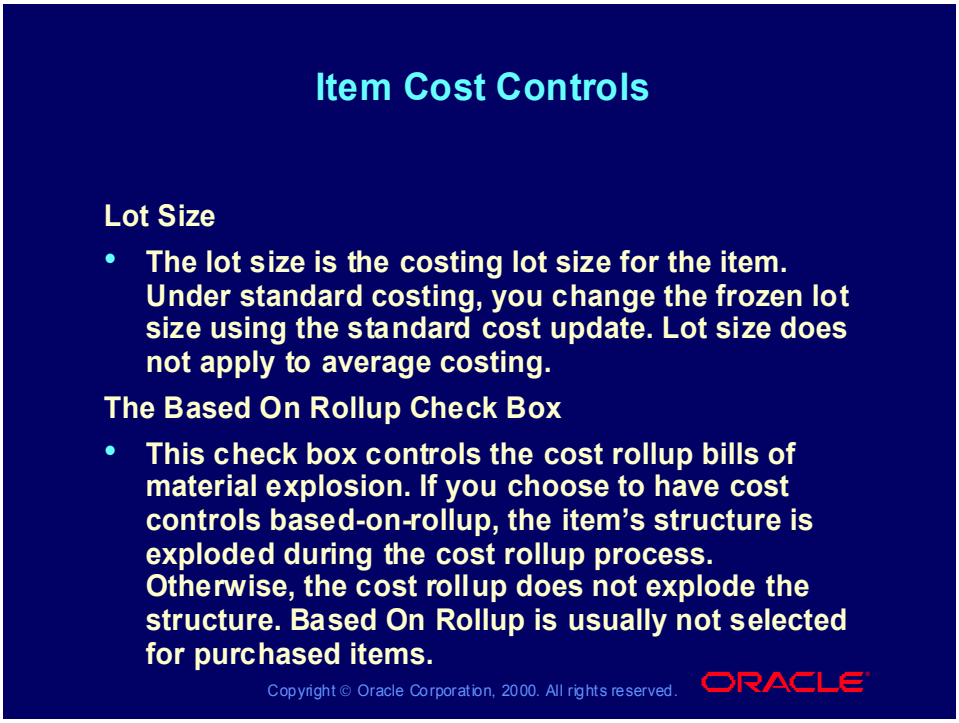
Copyright © Oracle Corporation, 2000. All rights reserved.



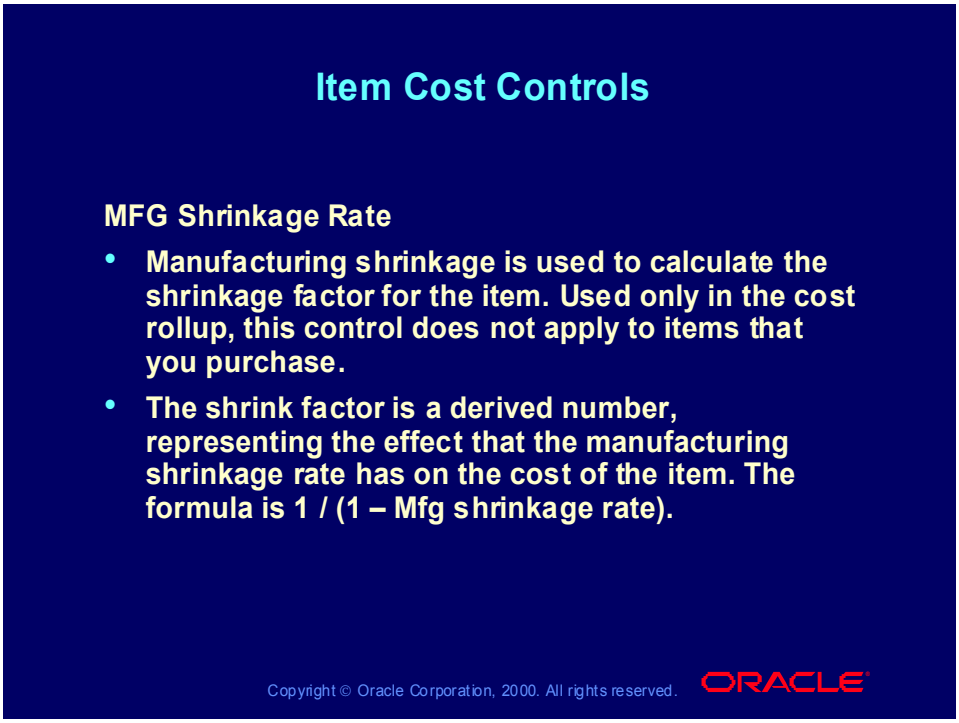
Copyright © Oracle Corporation, 2000. All rights reserved.



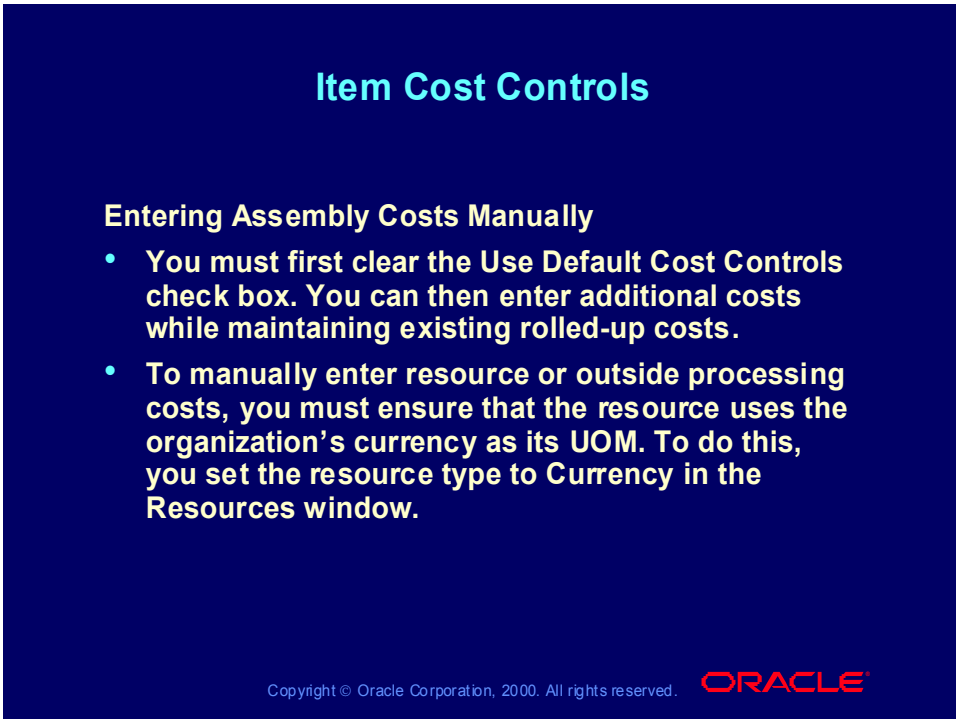
Copyright © Oracle Corporation, 2000. All rights reserved.



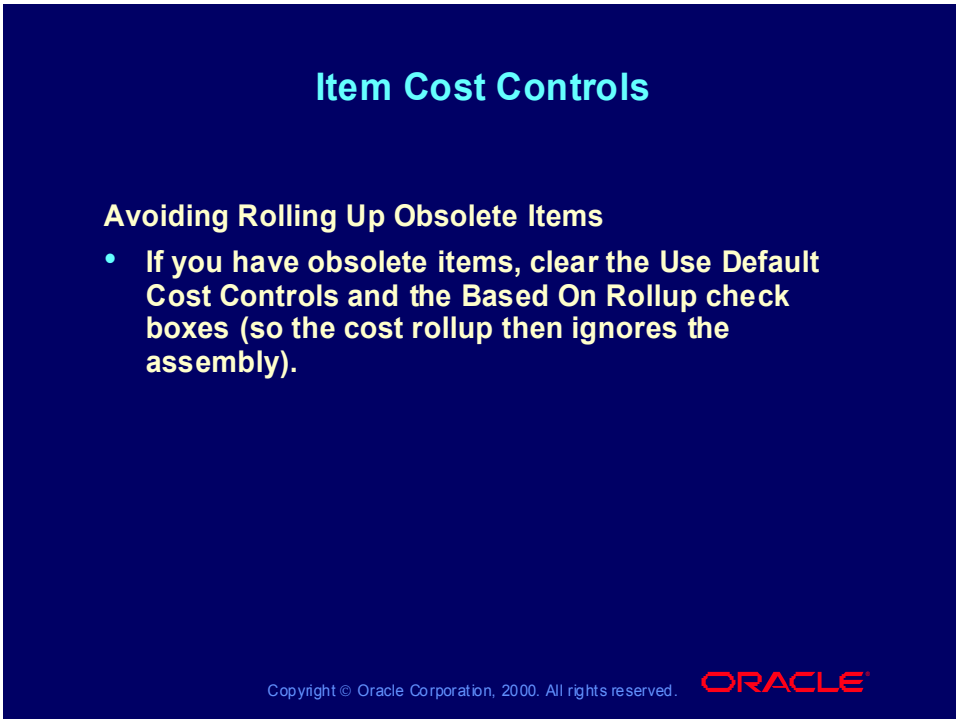
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

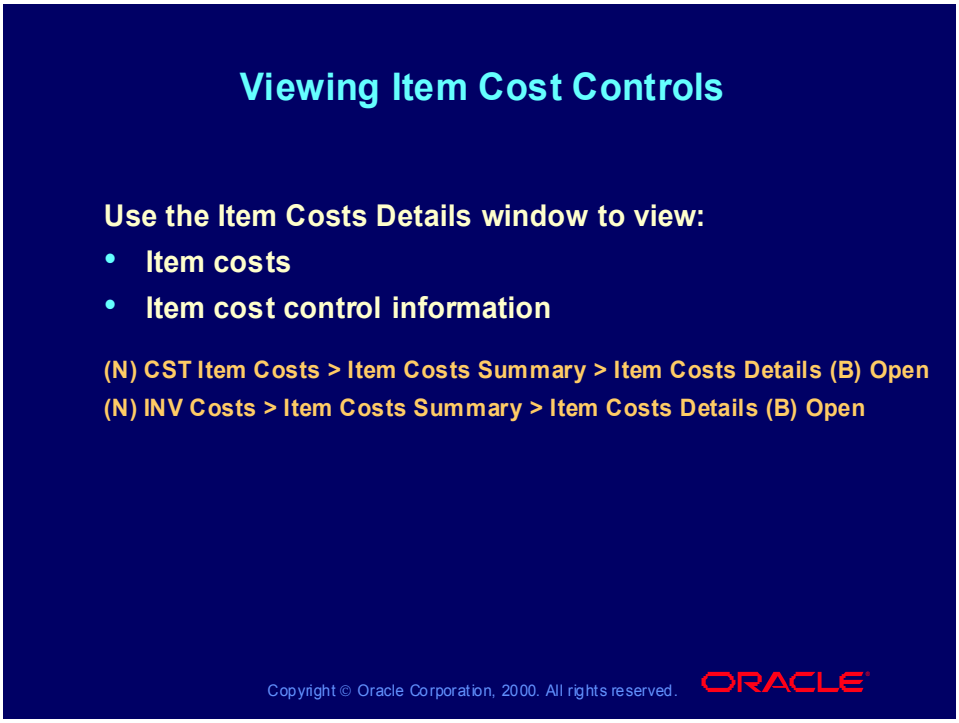


Copyright © Oracle Corporation, 2000. All rights reserved.



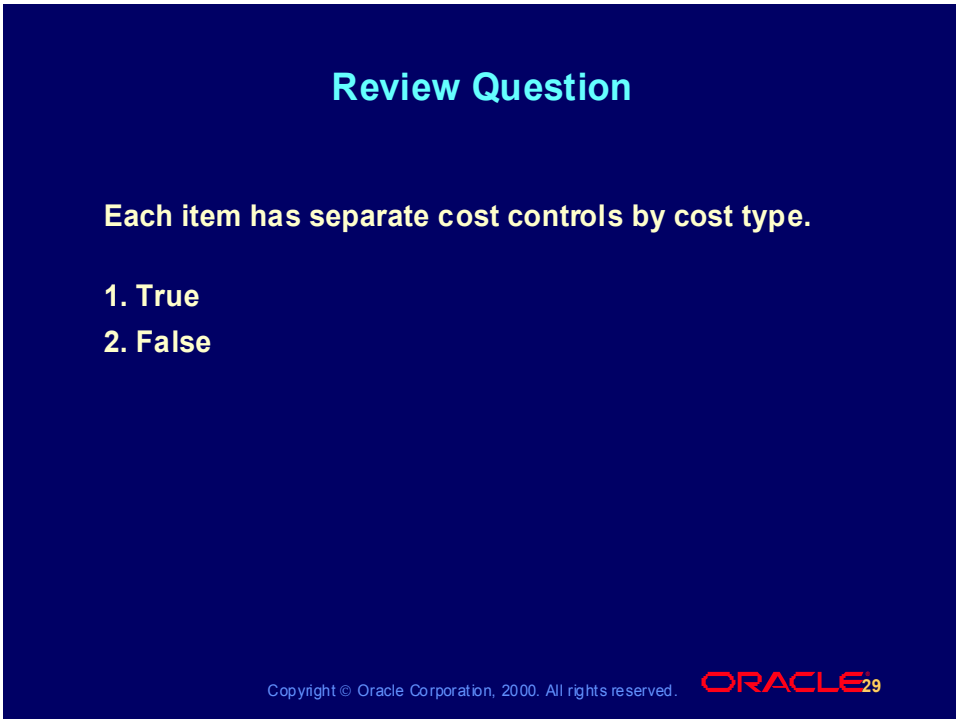
Copyright © Oracle Corporation, 2000. All rights reserved.

Viewing Item Cost Controls

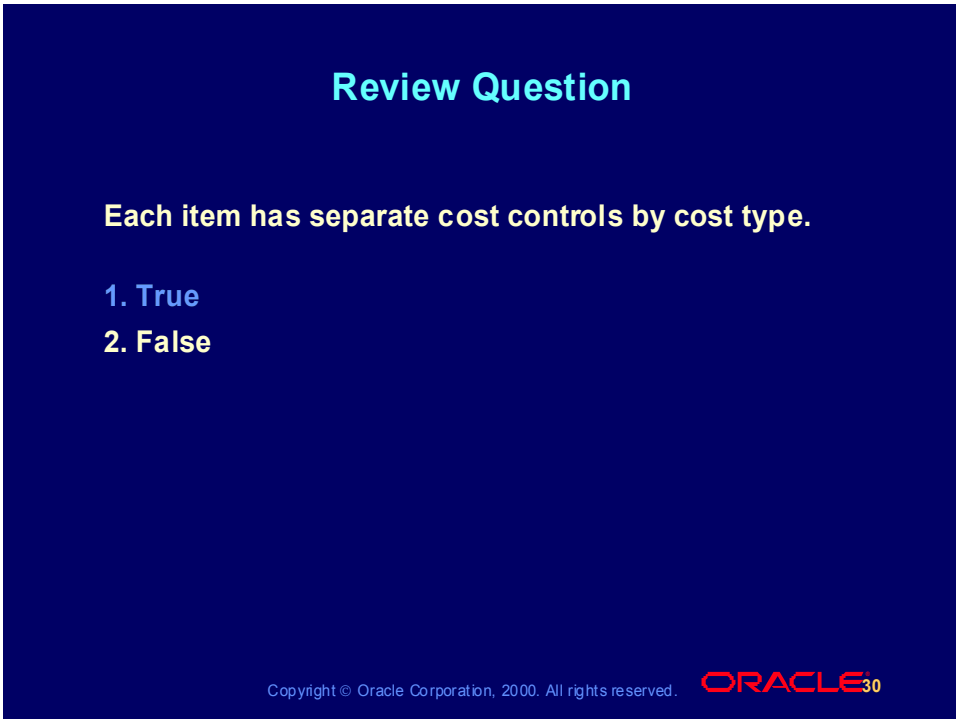


(Help) Oracle Manufacturing Applications > Oracle Cost Management > Item Costing > Viewing Item Costs

Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

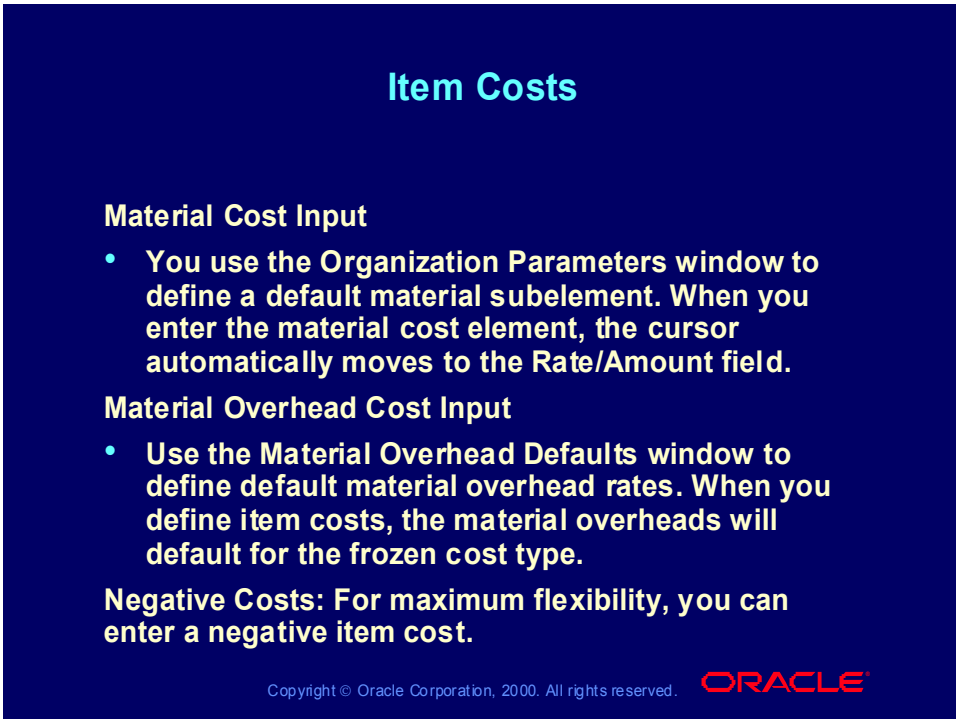
Item Costs

- For your purchased items, enter your material and material overhead costs.

Material MOH

Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.



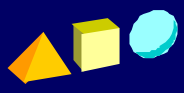
Copyright © Oracle Corporation, 2000. All rights reserved.

Summary

In this lesson, you should have learned how to:

- Set up your product costs for the items you purchase
- Define material and material overhead subelements
- Setup your item cost controls
- Define item costs

Item costs



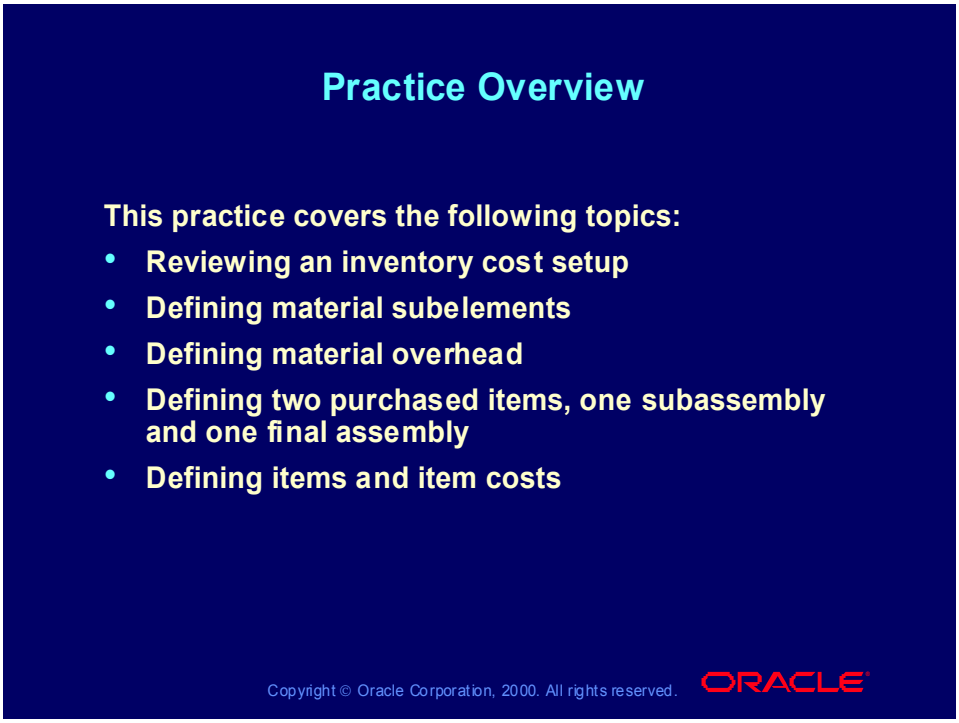
Material

MOH

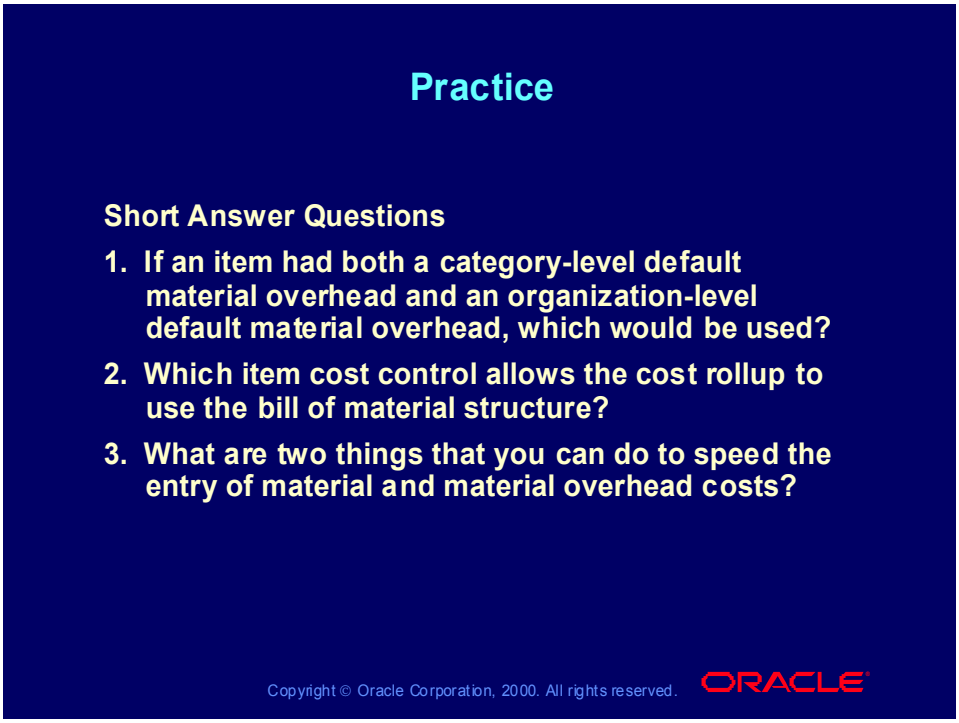
Copyright © Oracle Corporation, 2000. All rights reserved.

ORACLE

Copyright © Oracle Corporation, 2000. All rights reserved.



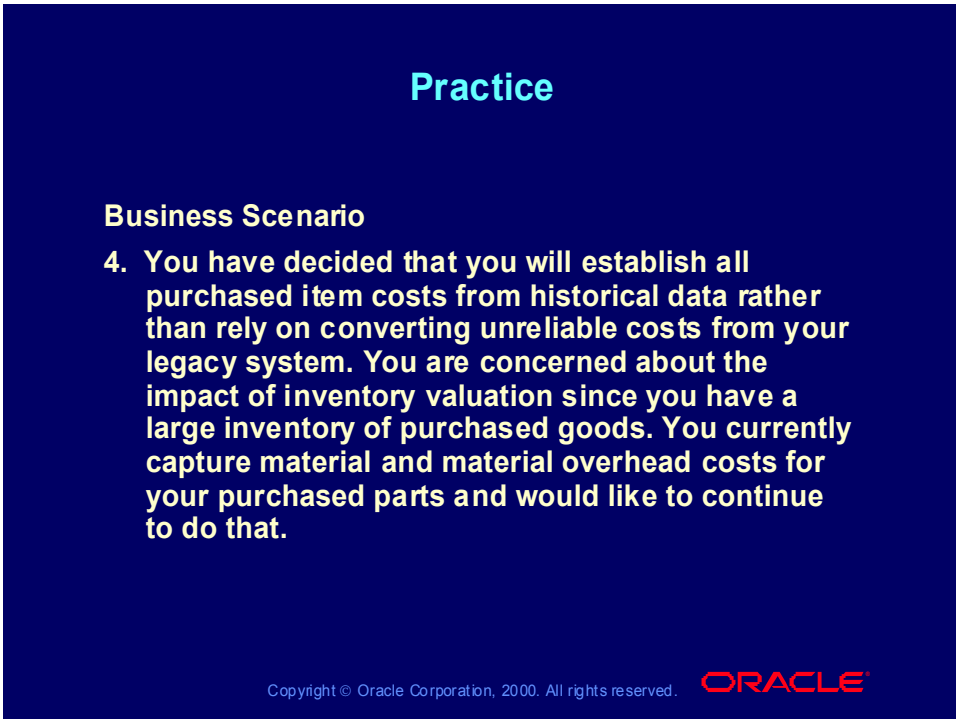
Copyright © Oracle Corporation, 2000. All rights reserved.



Practice Solution

1. Category-level defaults override organization-level defaults.
2. The based-on-rollup item cost control.
3 You can speed the entry of material and material overhead costs by defining a default material subelement in the Organization Parameters window and by defining default material overhead rates in the Material Overhead Defaults window.

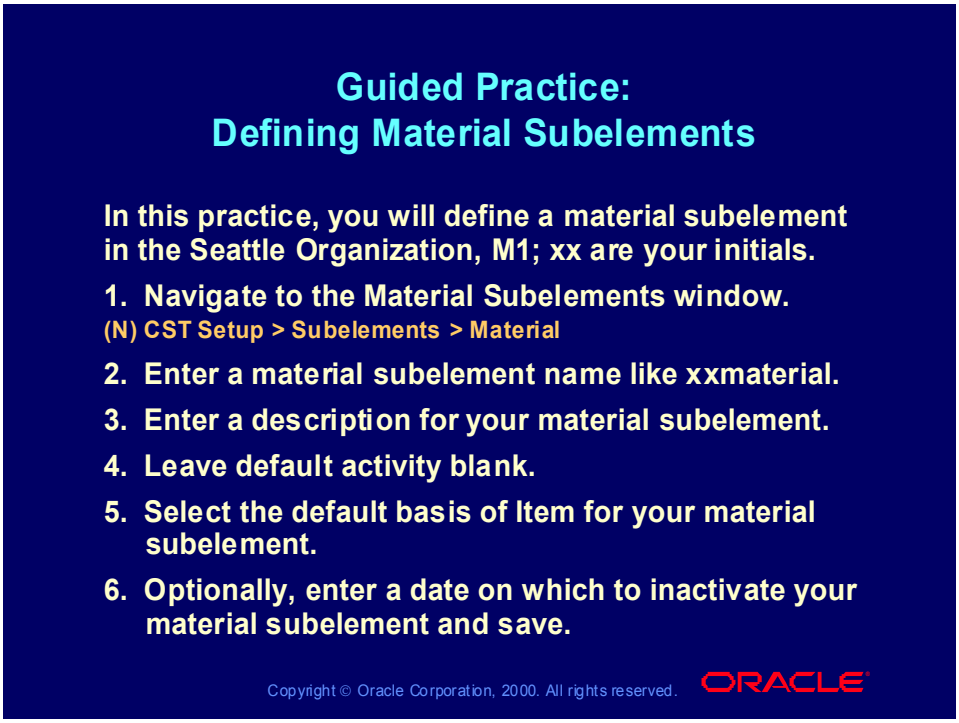
Copyright © Oracle Corporation, 2000. All rights reserved.



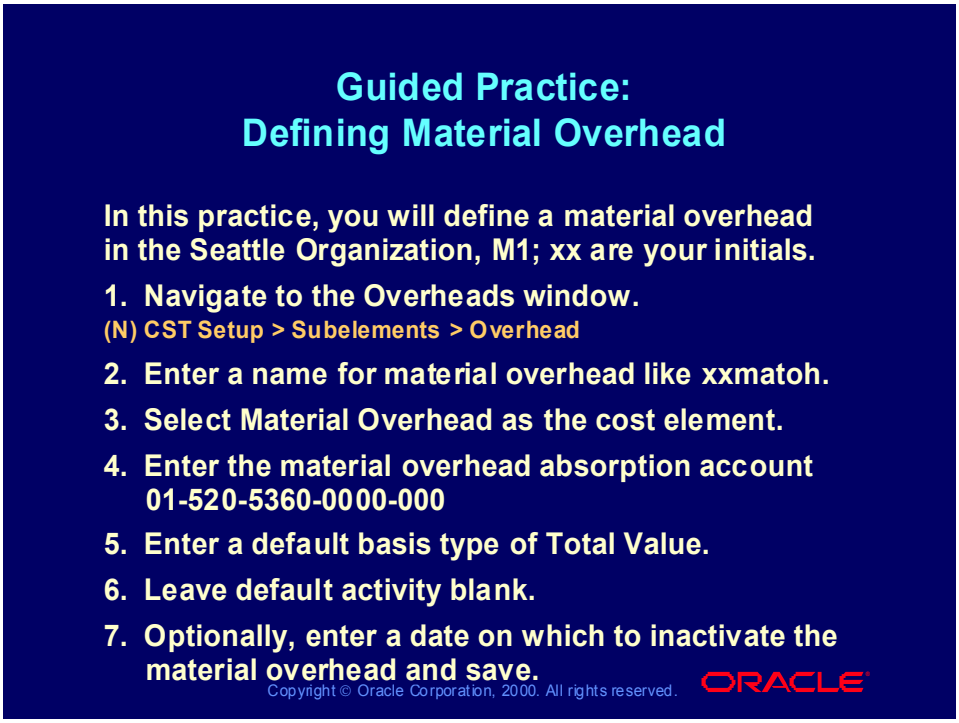
Practice Solution

4. Discuss the ability to directly input item frozen costs directly for each item given that the material and material overhead cost elements have been defined. Also discuss that once the costs have been updated and the inventory revalued, that upon transacting these parts, the frozen cost can no longer be directly updated and must be updated via a copy of another cost type to the frozen cost type.

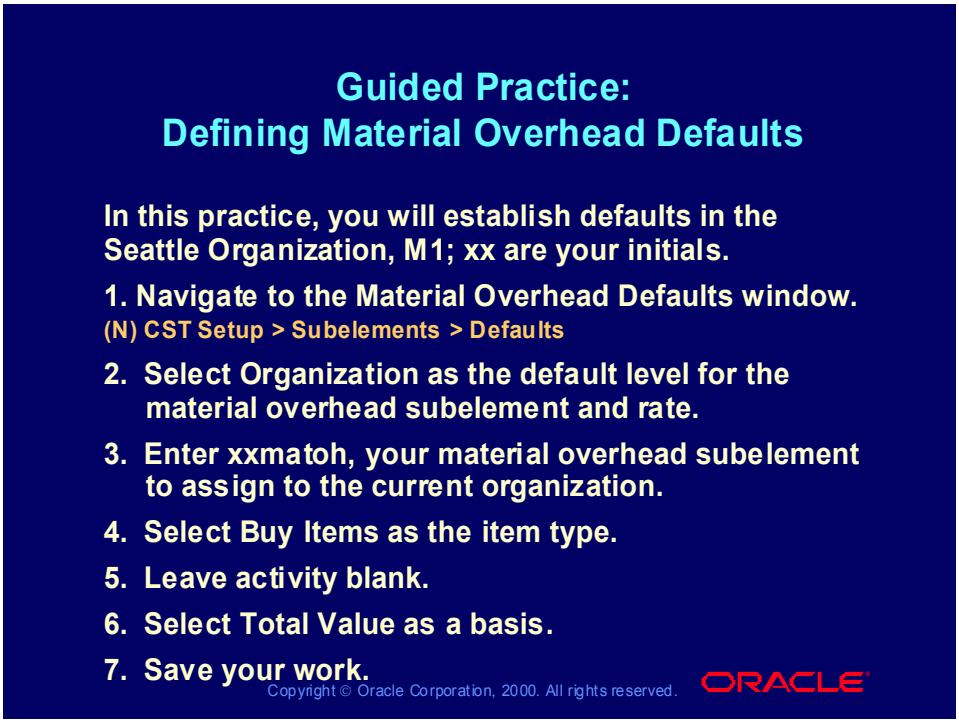
Copyright © Oracle Corporation, 2000. All rights reserved.



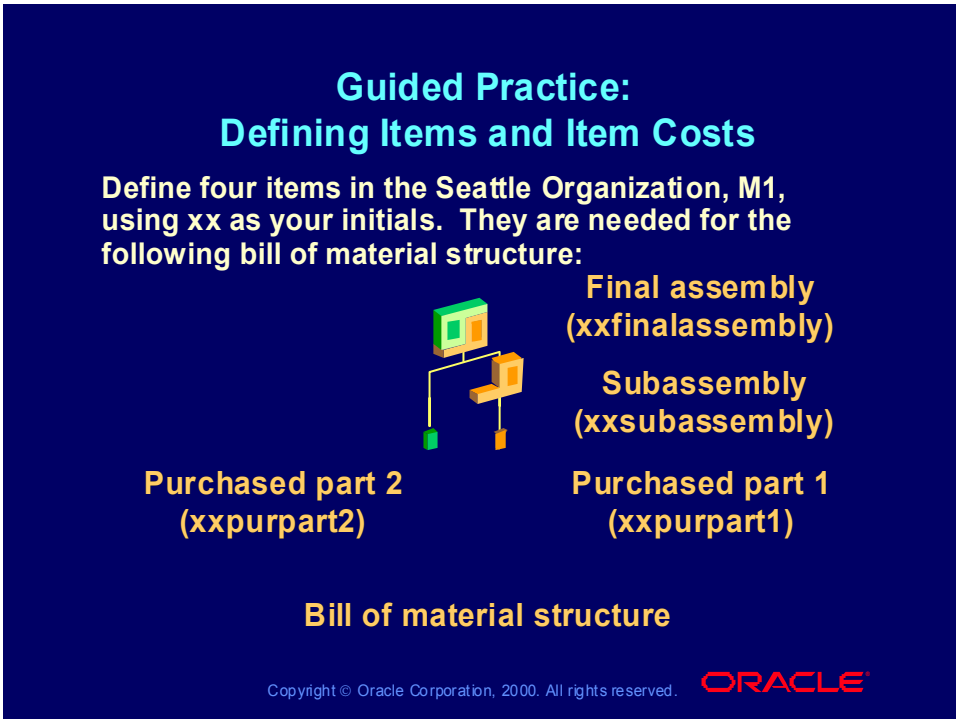
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



Defining Four Items

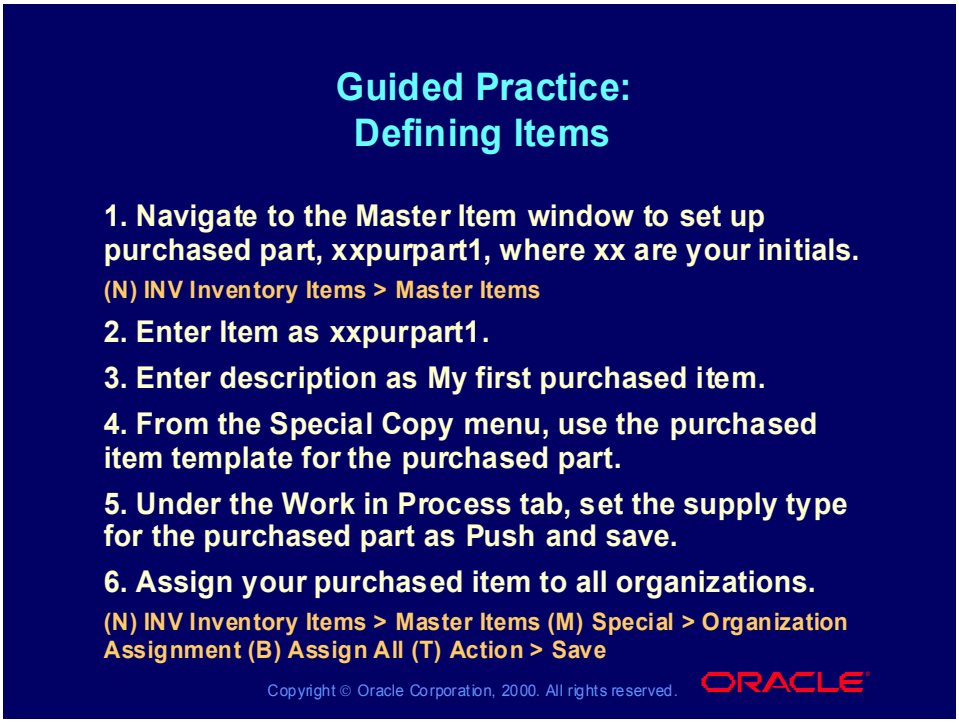
You are free to use your imagination in assigning item numbers and descriptions with one rule: *Use your initials as the prefix of all your item numbers!* This will ensure that your data does not conflict with anyone else's, and it will facilitate processing and reporting by a range of item numbers.

Make sure that your end item and subassembly can be built in WIP.

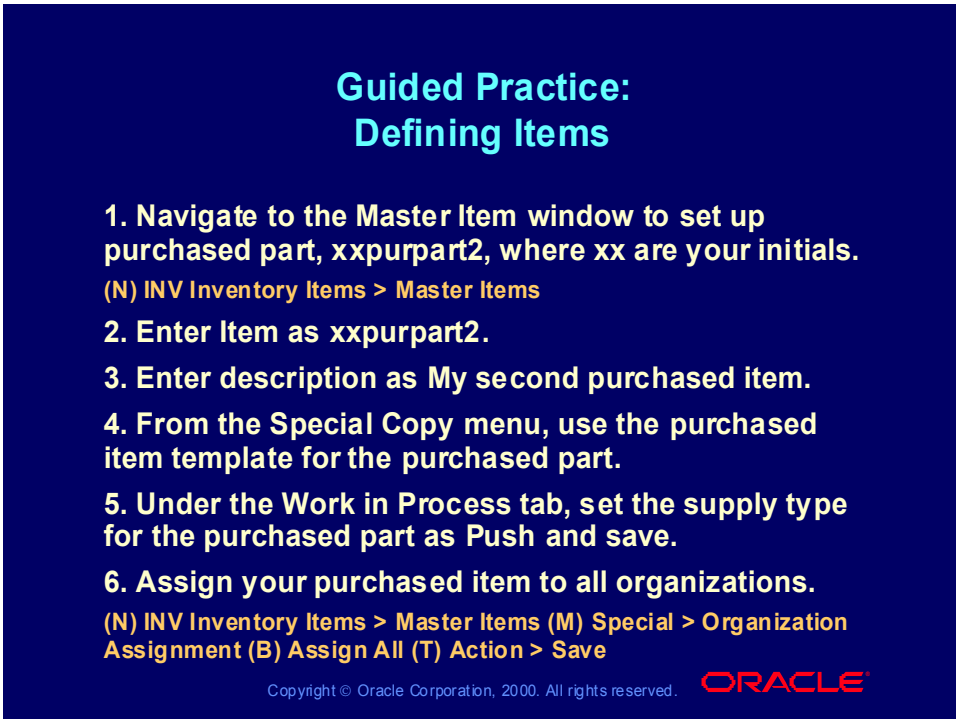
Suggestion: Use the "Finished Good" template for the end item and subassembly; use the "Purchased Item" template for both the purchased components.

Remember to assign the items to the Seattle organization or to all organizations.

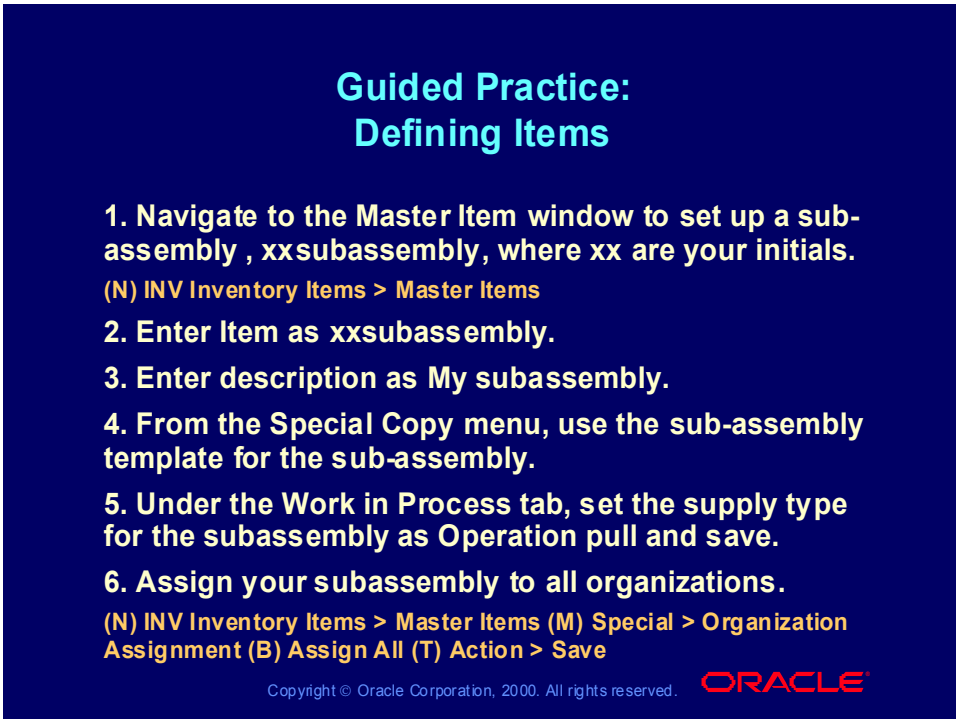
Copyright © Oracle Corporation, 2000. All rights reserved.



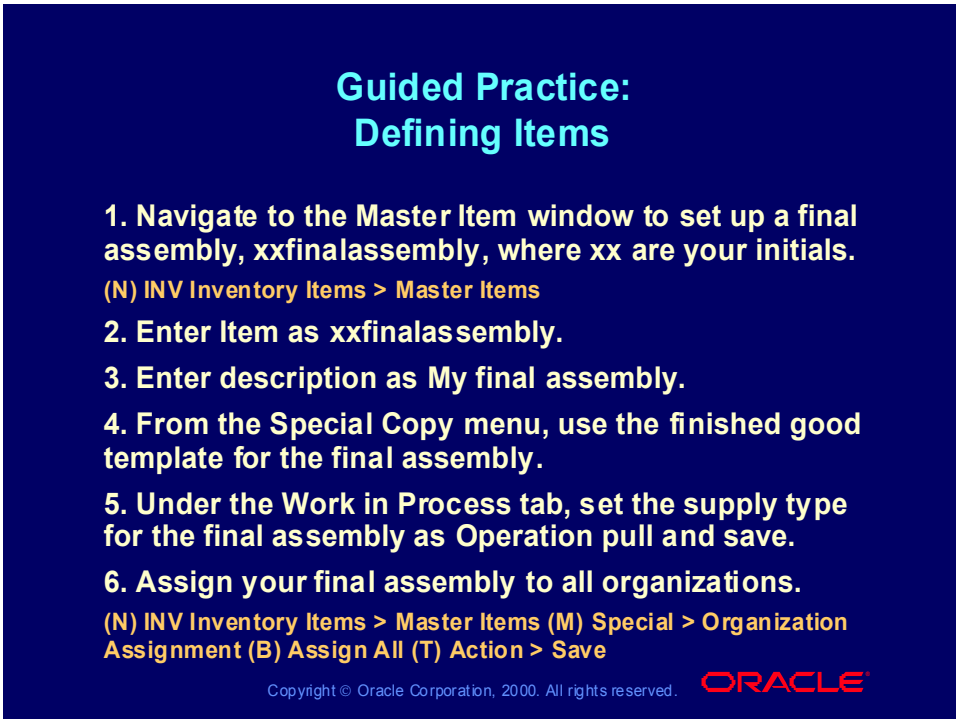
Copyright © Oracle Corporation, 2000. All rights reserved.



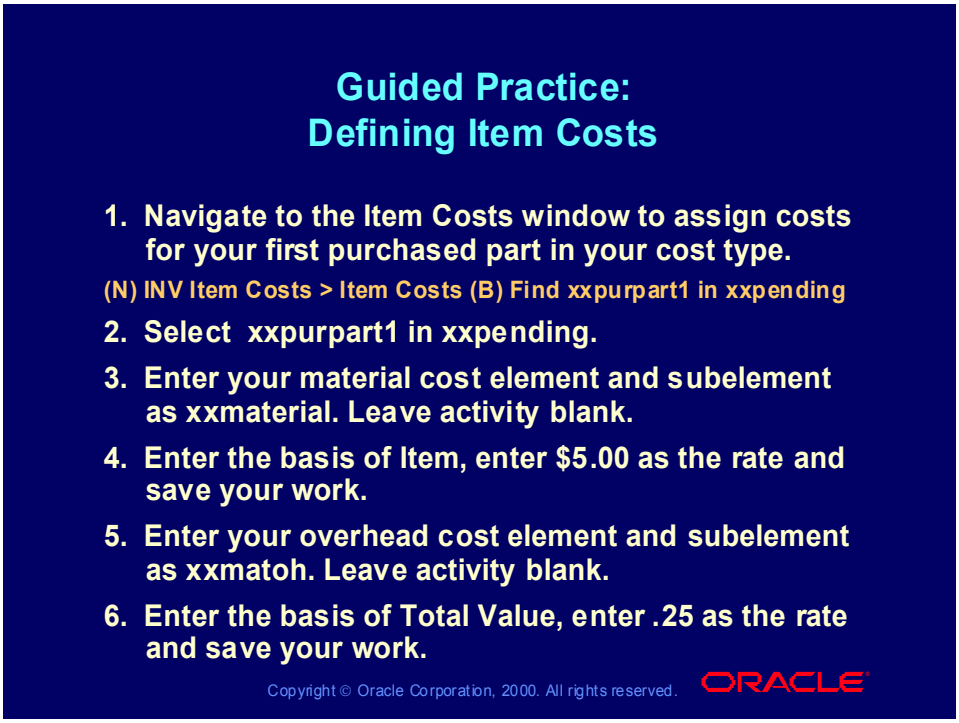
Copyright © Oracle Corporation, 2000. All rights reserved.



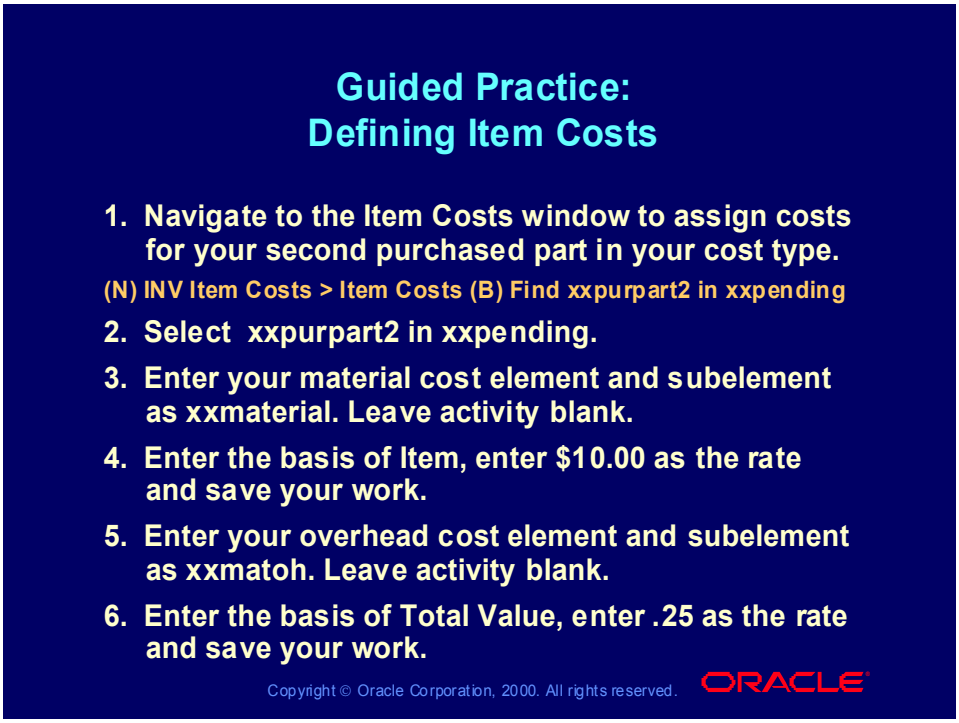
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



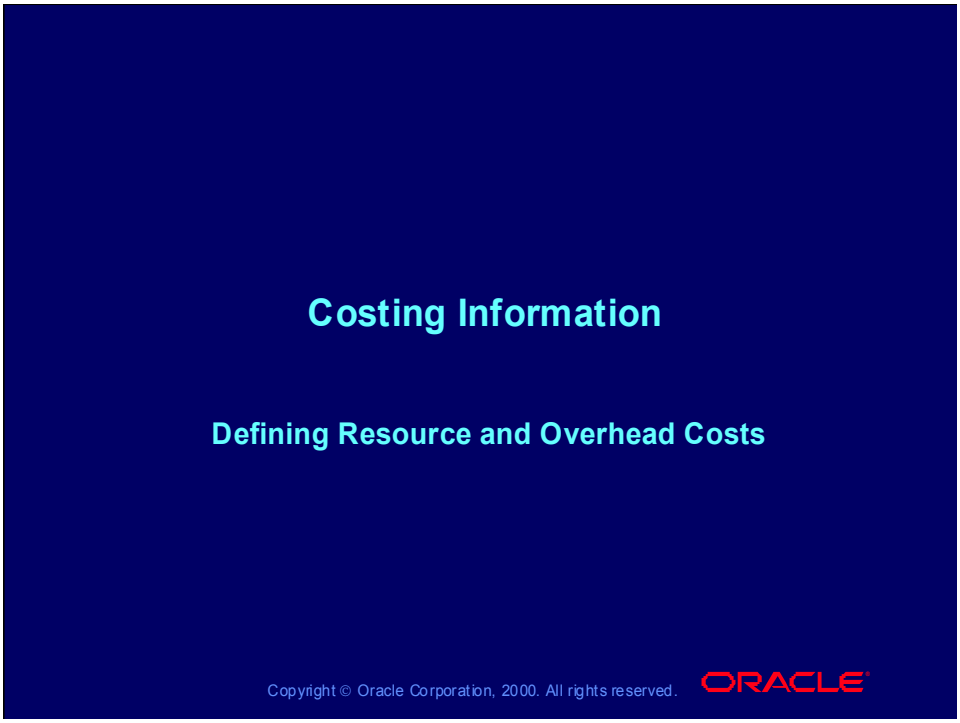
Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.

Defining Resource and Overhead Costs

Chapter 5

Copyright © Oracle Corporation, 2000. All rights reserved.



Notations:

N = Navigator

T = Tab

M = Menu

I = Icon

H = Hyperlink

B = Button

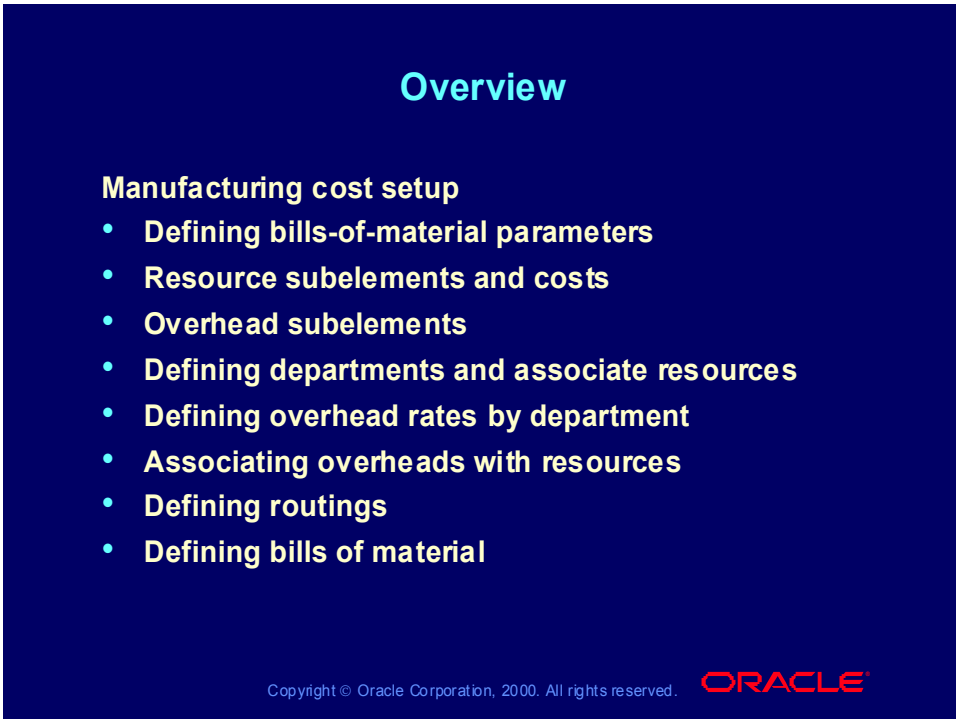
Help = Oracle Applications Help System

Copyright © Oracle Corporation, 2000. All rights reserved.

Objectives

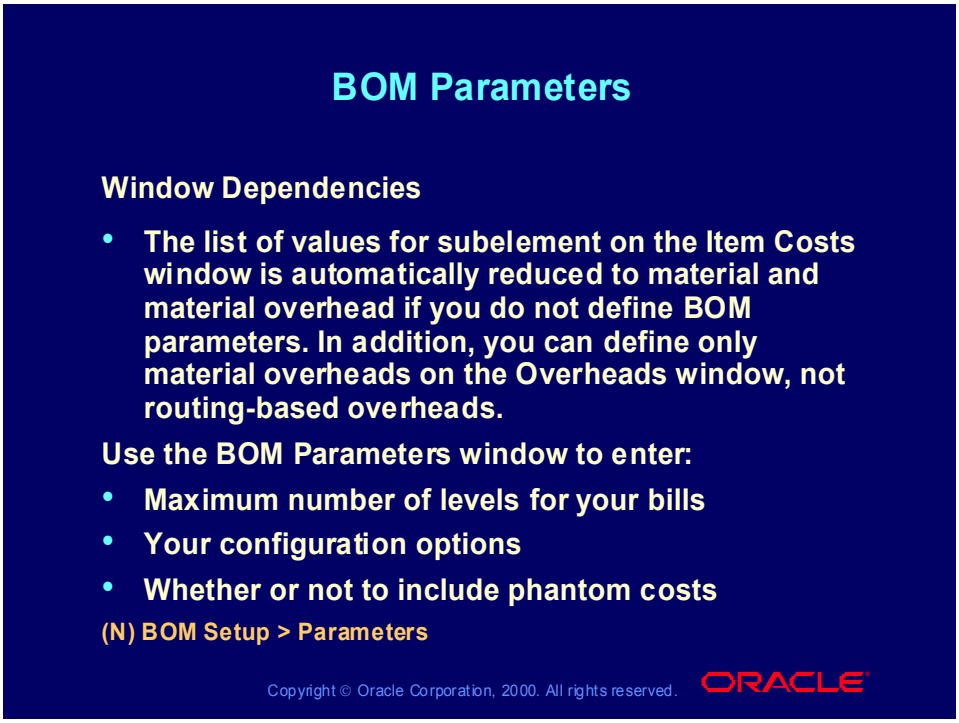
Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

BOM Parameters



(Help) Oracle Manufacturing Applications > Oracle Bills of Material > Setting Up > Defining Bills of Material Parameters

Copyright © Oracle Corporation, 2000. All rights reserved.

Resource Subelements and Costs

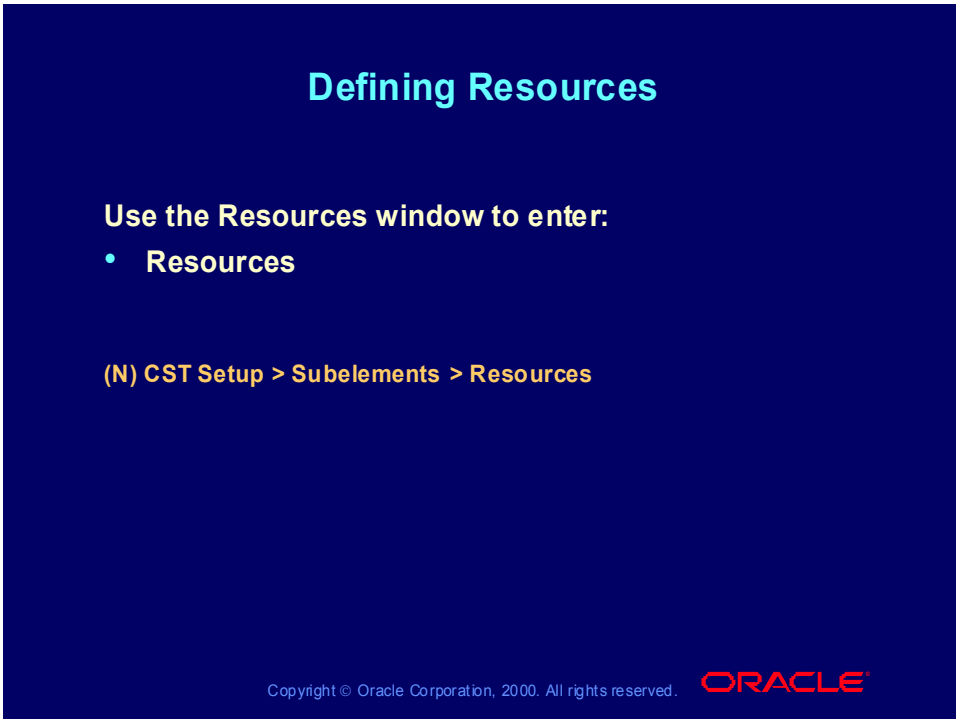
Resource Subelements and Costs

- You define resource costs by creating resources, departments, bills, and routings with Oracle Bills of Material.
- Resources are labor, machines, and other production services used to make products.

Resource Overhead Outside processing

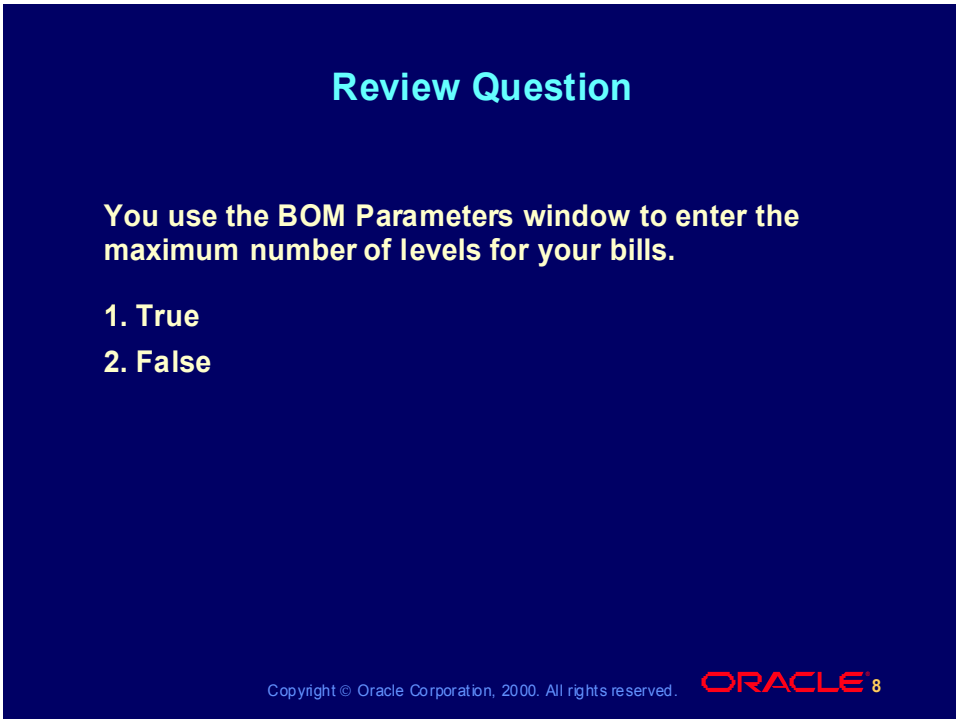
Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.

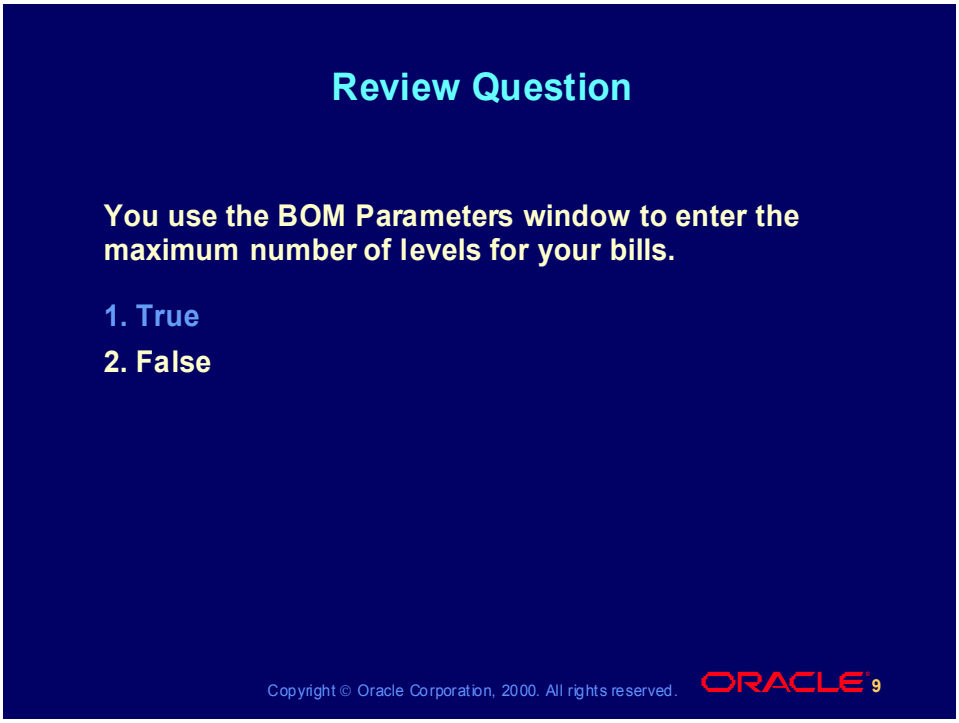


(Help) Oracle Manufacturing Applications > Oracle Cost Management > Setting Up > Steps > Defining Subelements > Defining Resources

Copyright © Oracle Corporation, 2000. All rights reserved.

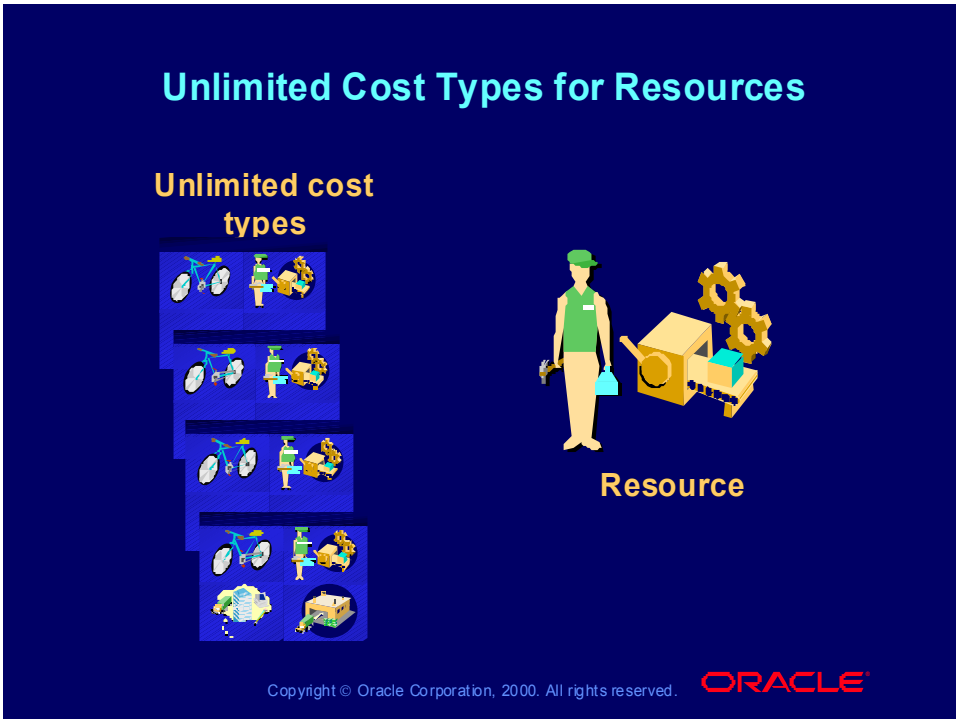


Copyright © Oracle Corporation, 2000. All rights reserved.



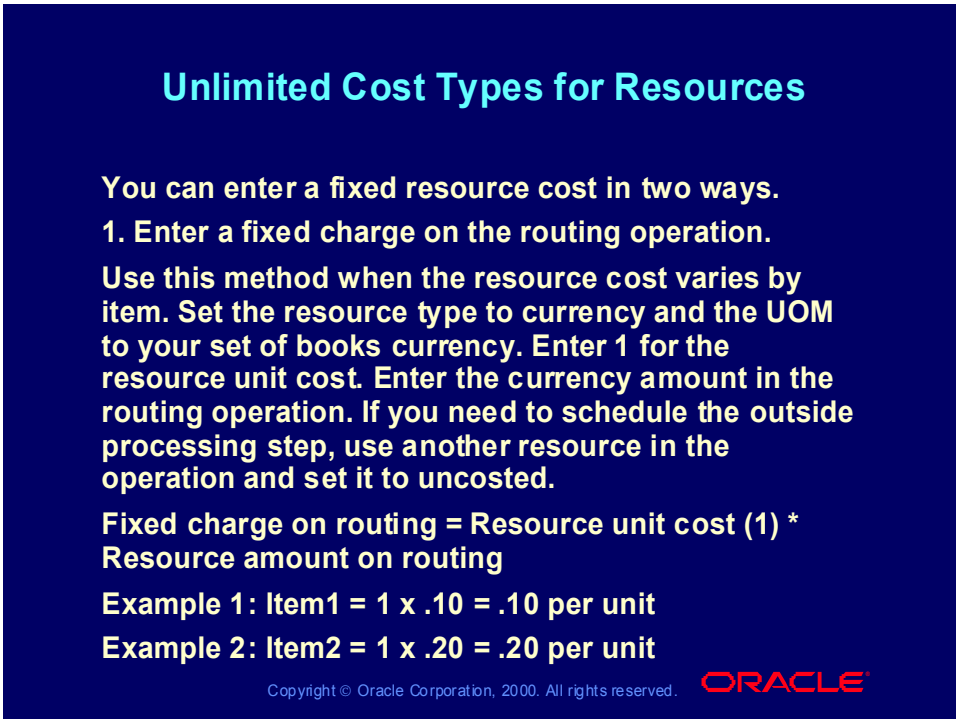
Copyright © Oracle Corporation, 2000. All rights reserved.

Unlimited Cost Types for Resources



Copyright © Oracle Corporation, 2000. All rights reserved.

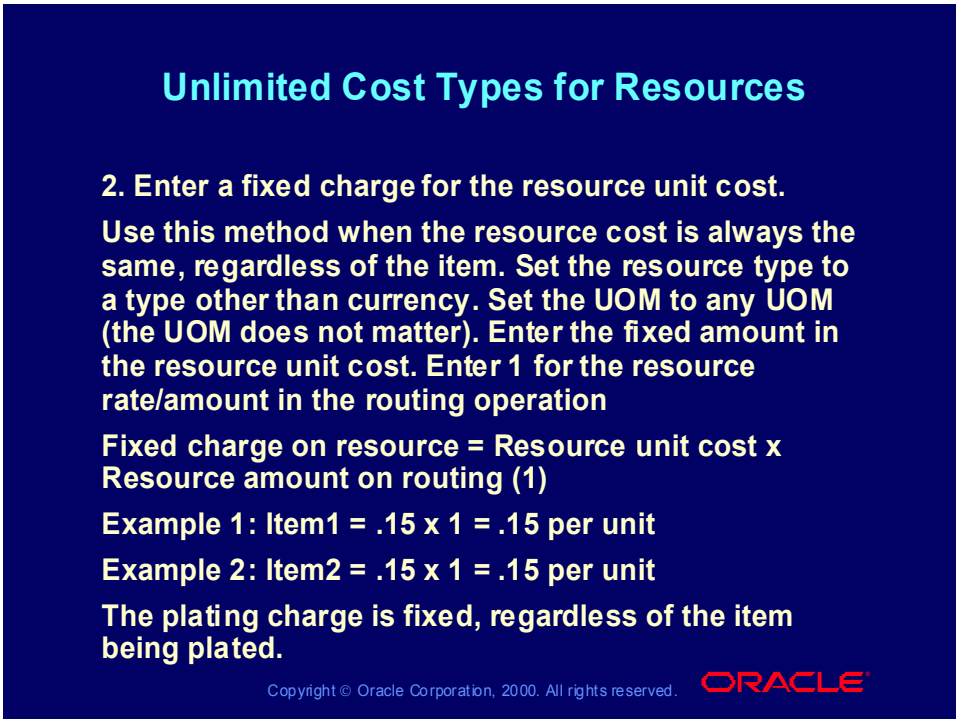
Unlimited Cost Types for Resources



Example

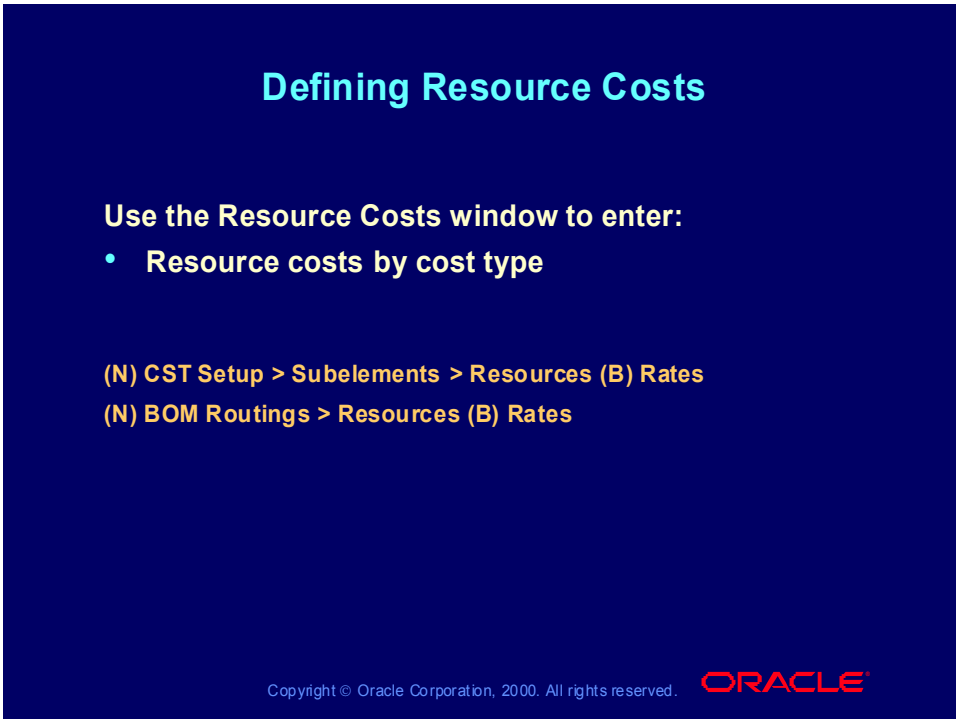
The resource is a plating charge that costs .10 to plate item1 but .20 to plate item2 because item2 is larger.

Copyright © Oracle Corporation, 2000. All rights reserved.



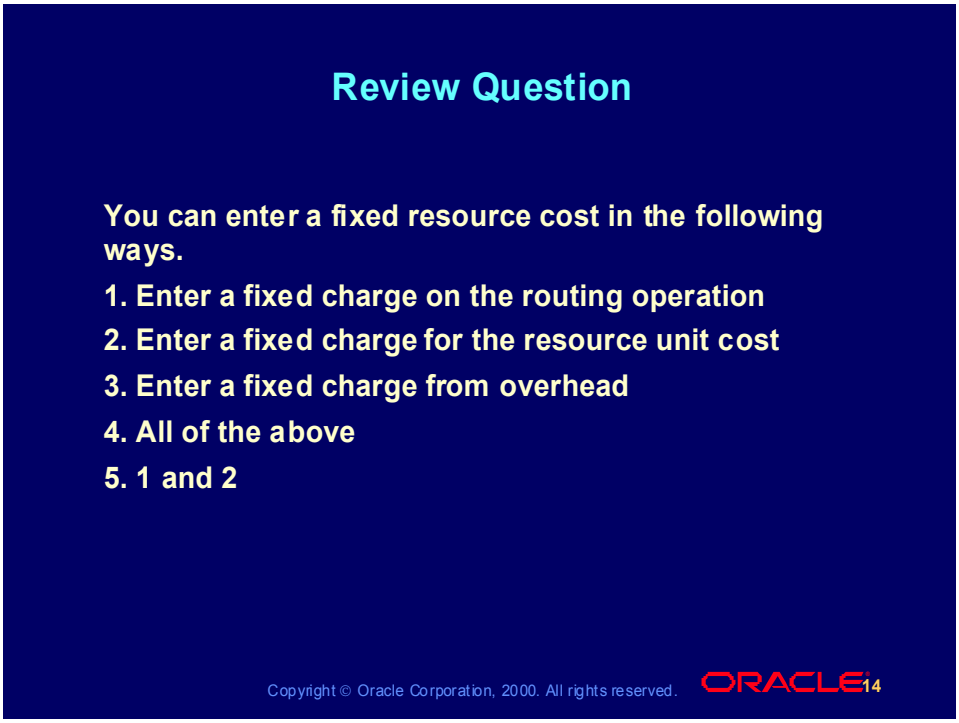
Copyright © Oracle Corporation, 2000. All rights reserved.

Defining Resource Costs

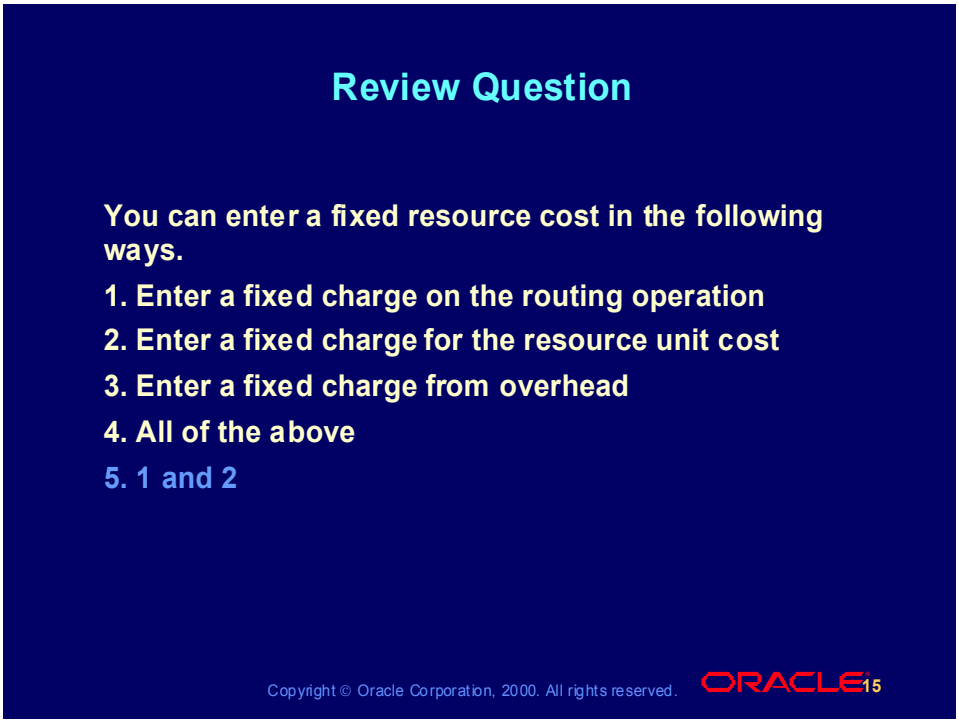


(Help) Oracle Manufacturing Applications > Oracle Cost Management > Setting Up > Steps > Defining Subelements > Defining Resources

Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

Overhead Subelements

Overhead Subelements

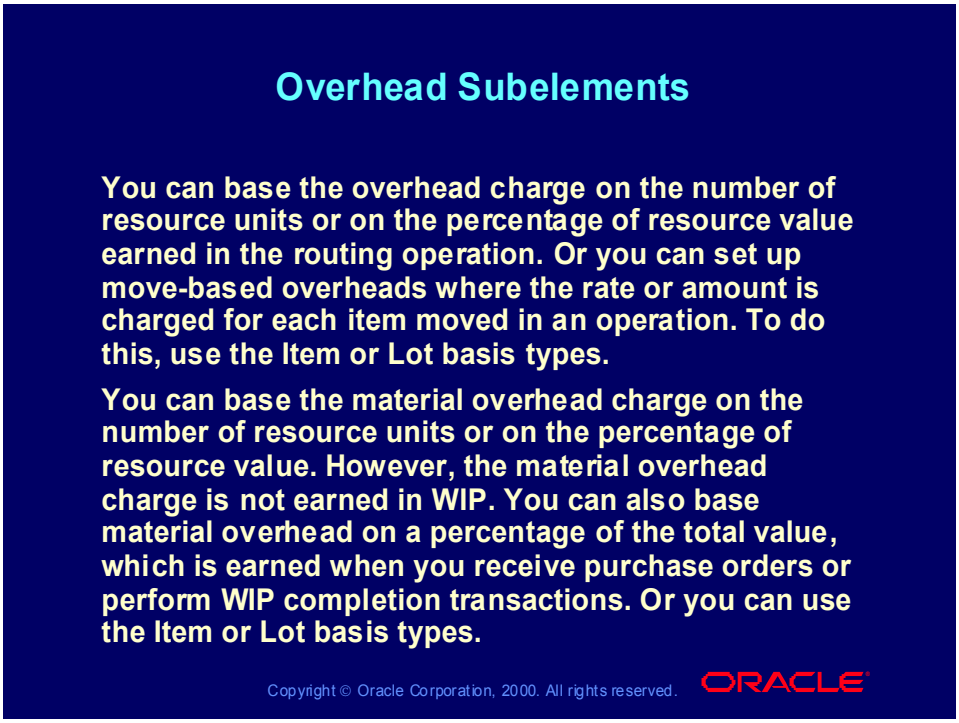
- In standard costing and in average costing, you can use material overhead and overhead cost subelements to add indirect costs to item costs as either a percentage or a fixed amount.
- Each overhead subelement has a default basis, a default activity, and an absorption account.
- The overhead absorption account offsets the corresponding overhead cost pool in the general ledger.

Overhead

Copyright © Oracle Corporation, 2000. All rights reserved.

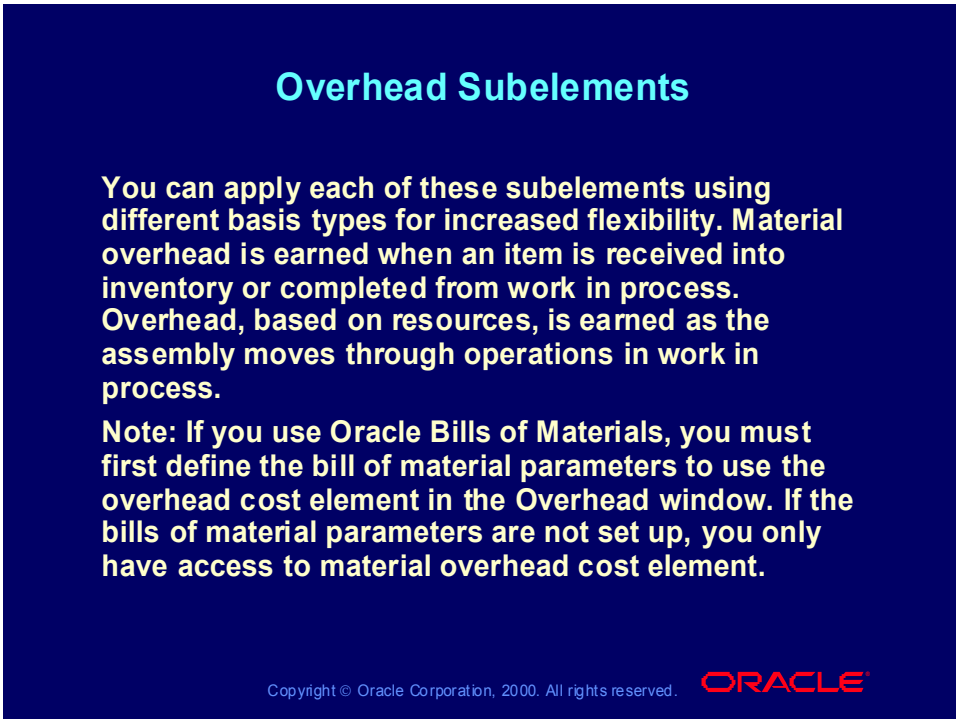
Copyright © Oracle Corporation, 2000. All rights reserved.

Overhead Subelements

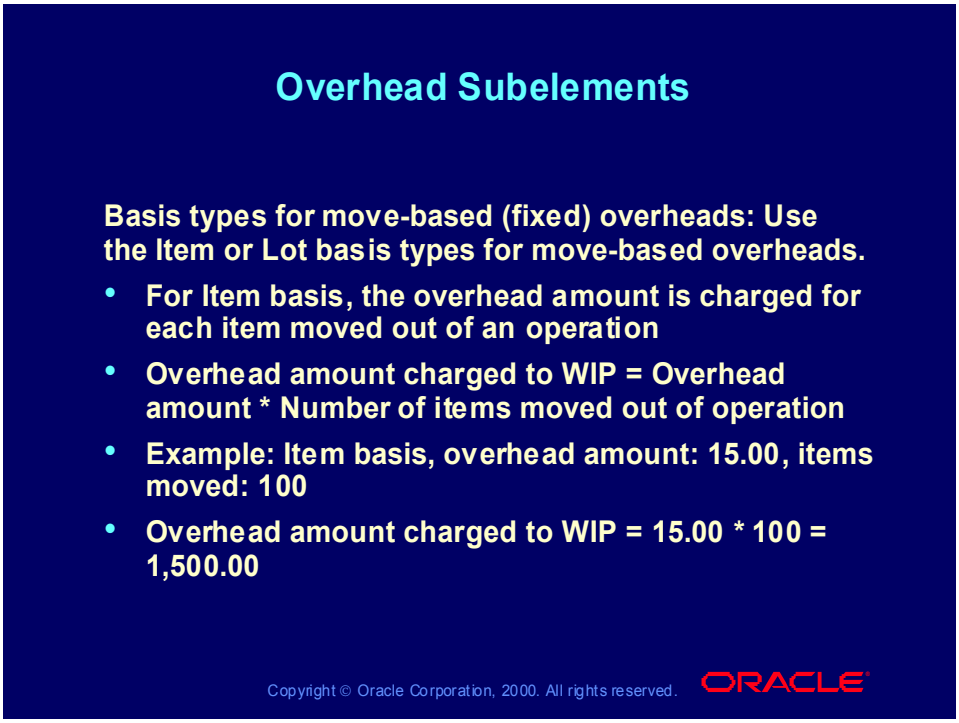


Copyright © Oracle Corporation, 2000. All rights reserved.

Overhead Subelements

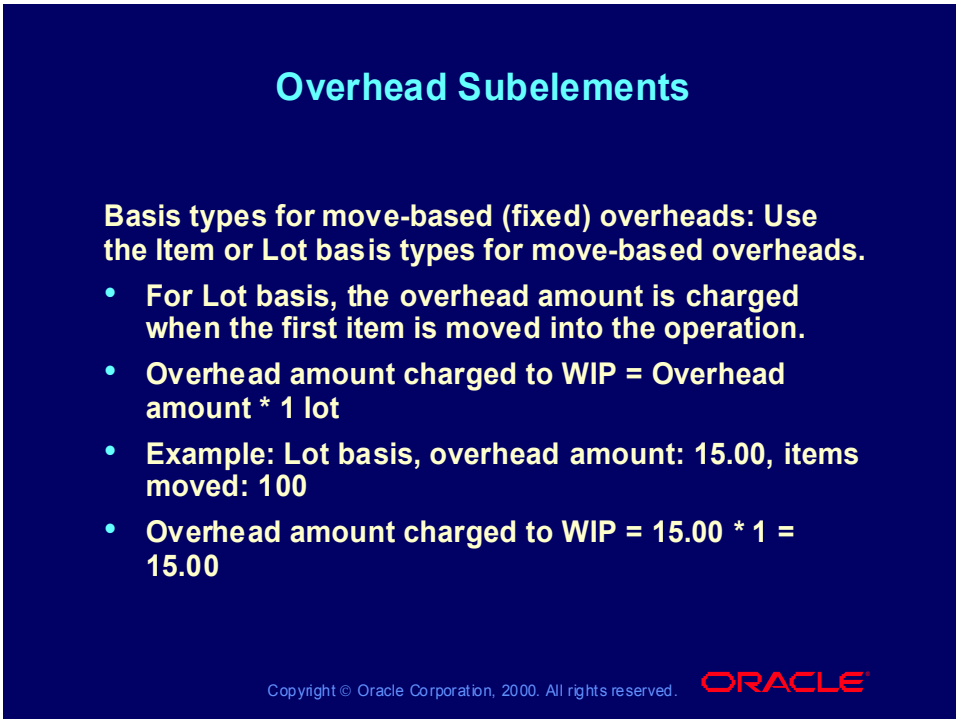


Copyright © Oracle Corporation, 2000. All rights reserved.



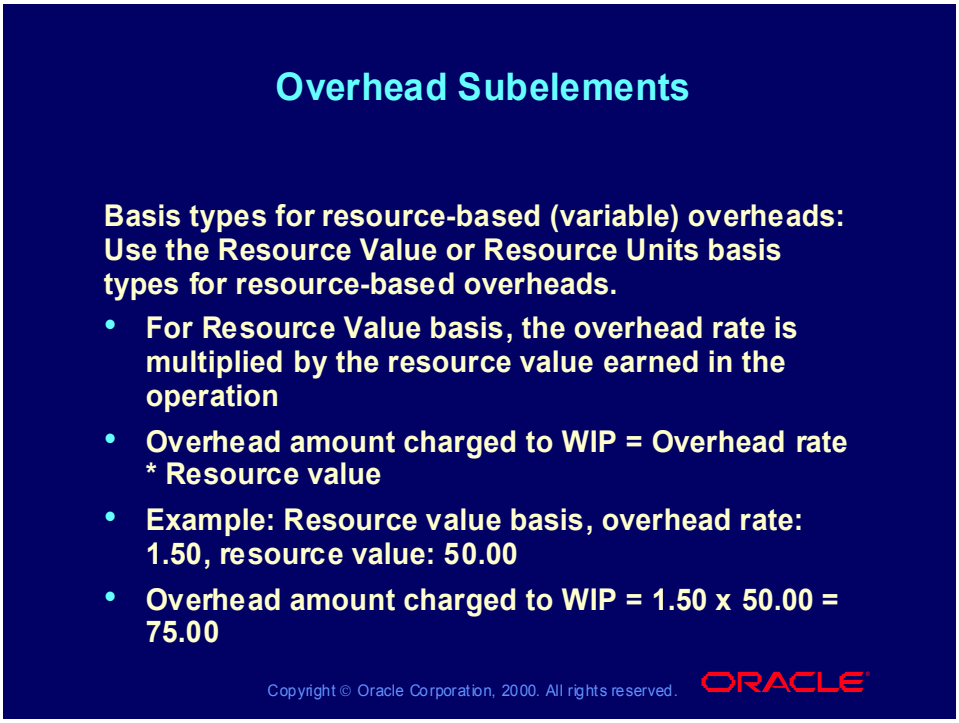
Copyright © Oracle Corporation, 2000. All rights reserved.

Overhead Subelements



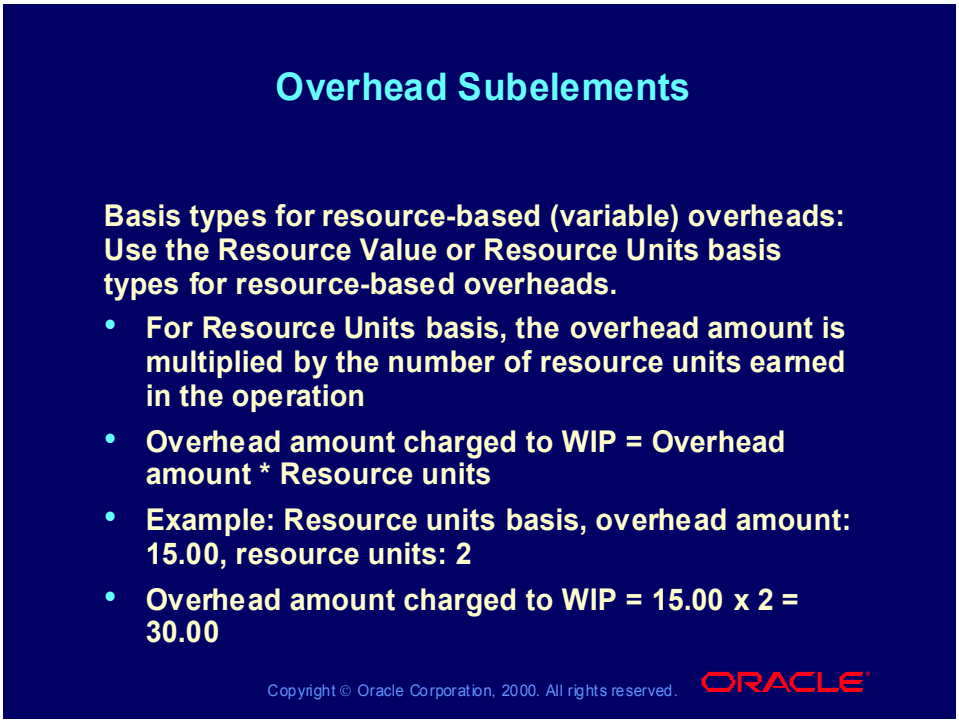
Copyright © Oracle Corporation, 2000. All rights reserved.

Overhead Subelements



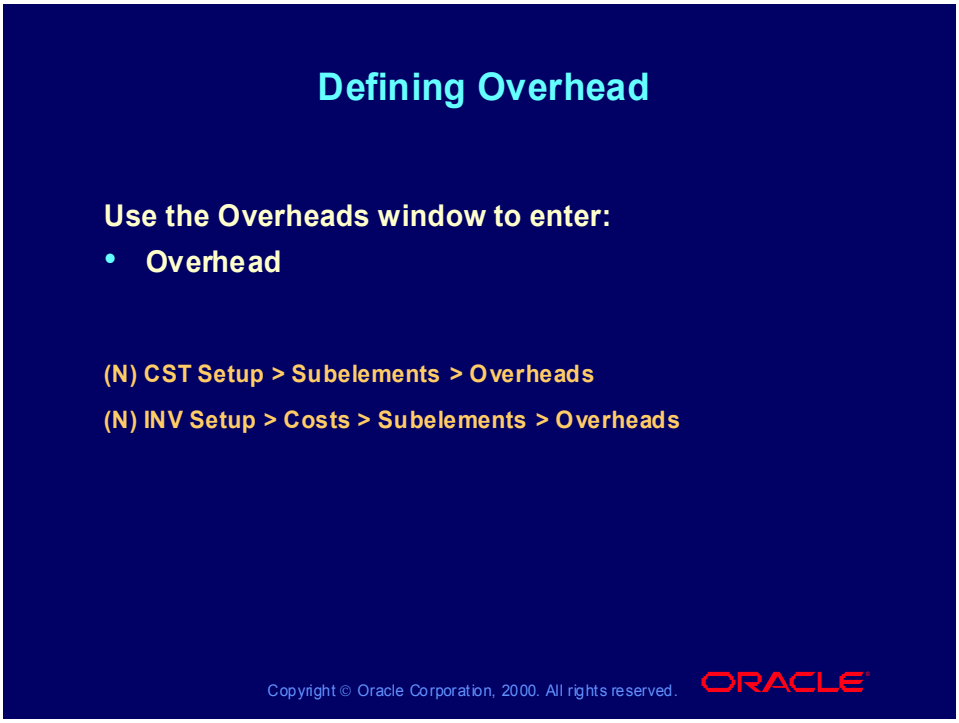
Copyright © Oracle Corporation, 2000. All rights reserved.

Overhead Subelements



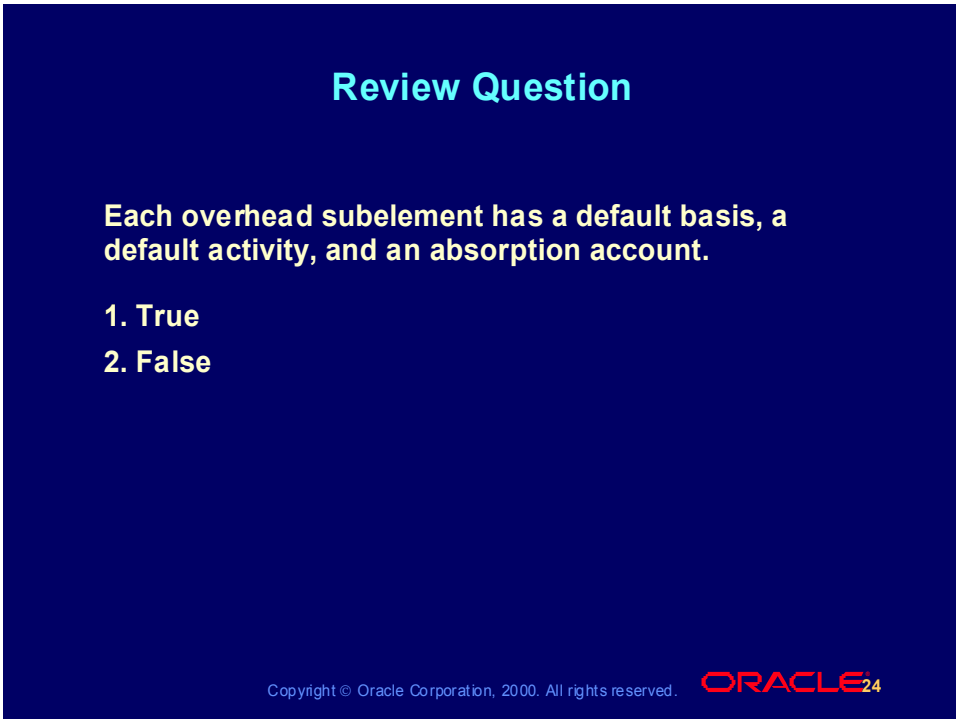
Copyright © Oracle Corporation, 2000. All rights reserved.

Defining Overhead

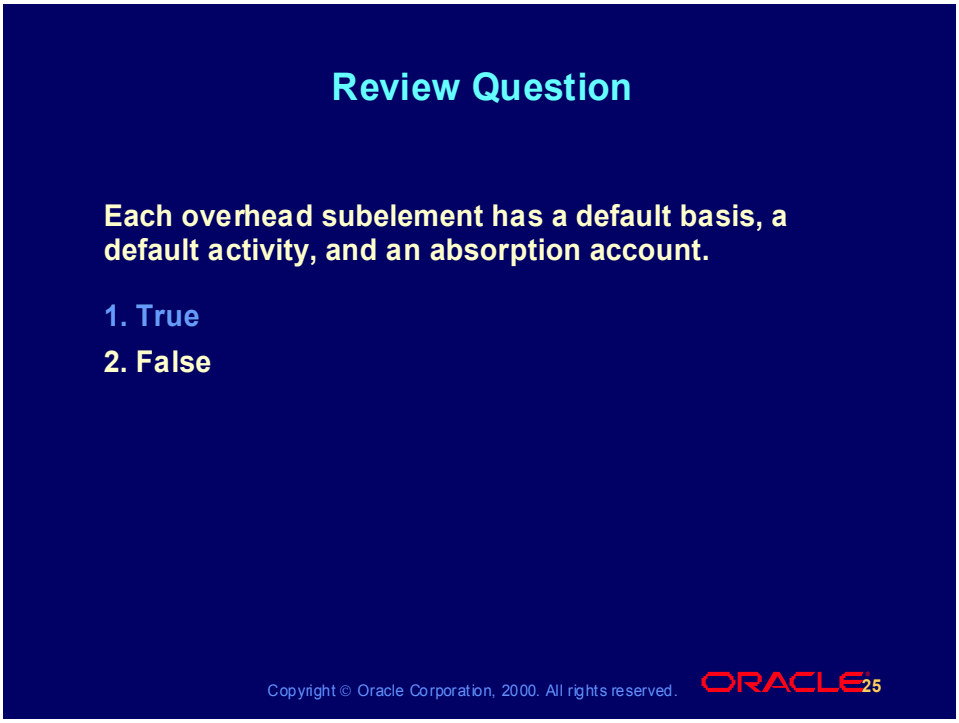


(Help) Oracle Manufacturing Applications > Oracle Cost Management > Setting Up > Steps > Defining Subelements > Defining Overheads

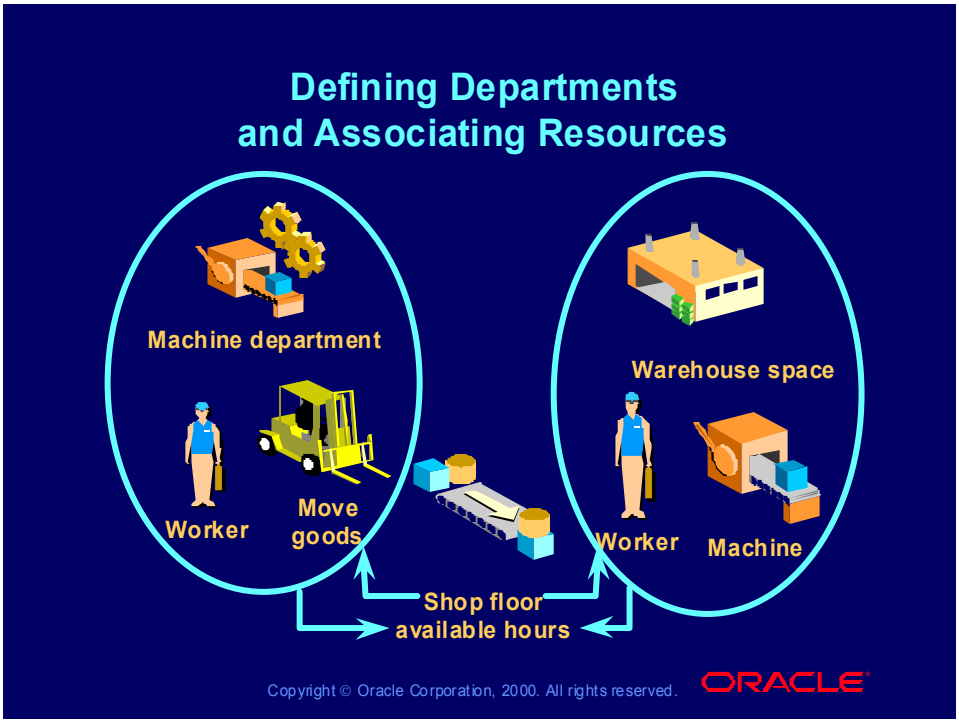
Copyright © Oracle Corporation, 2000. All rights reserved.



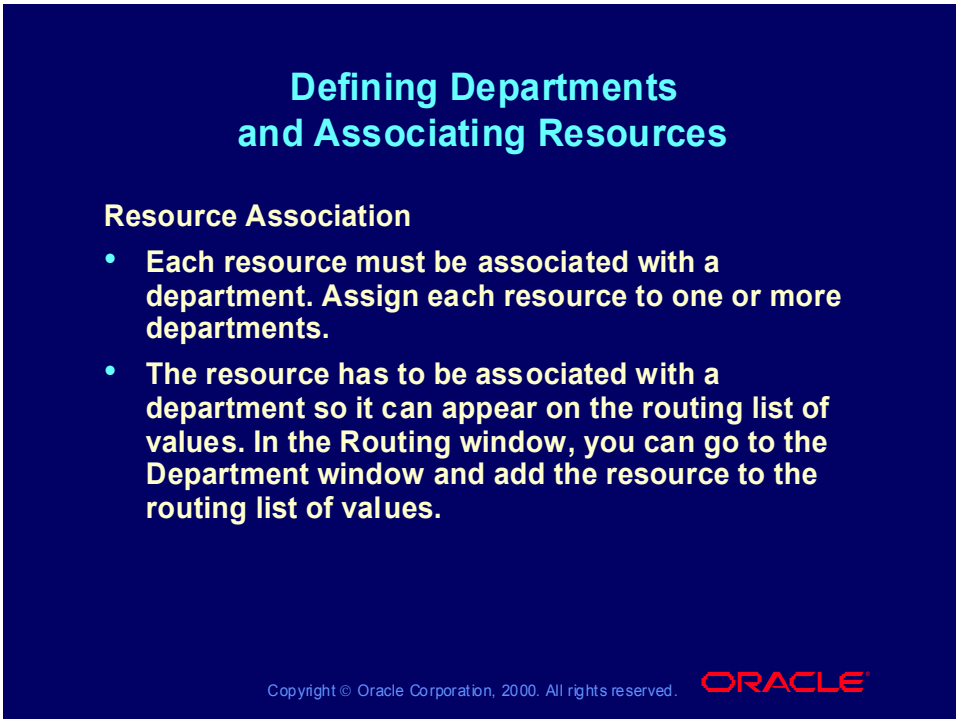
Copyright © Oracle Corporation, 2000. All rights reserved.



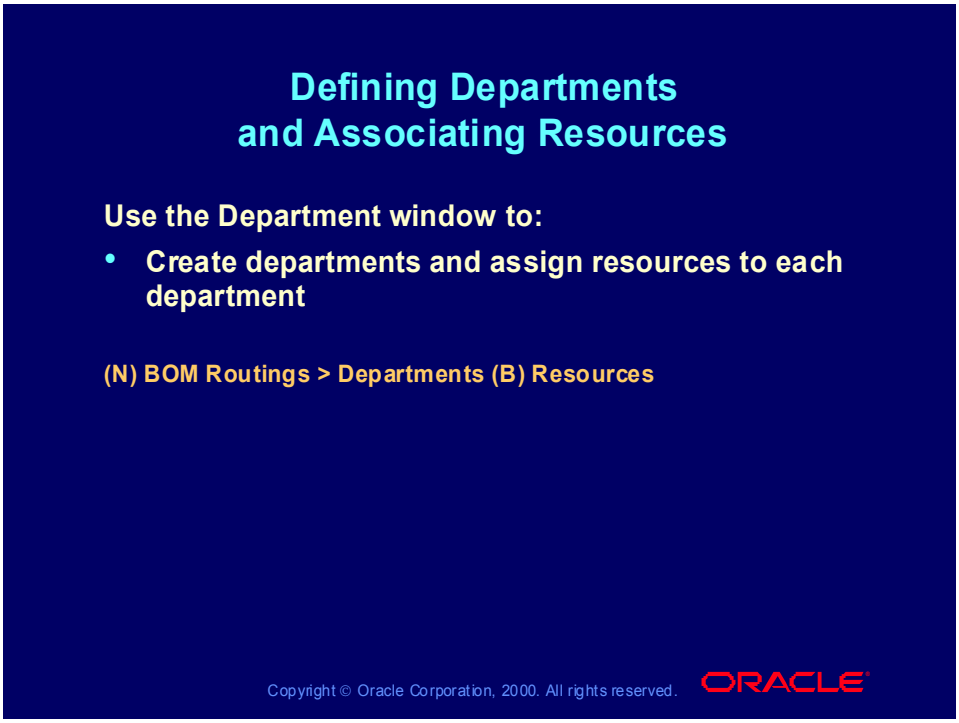
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



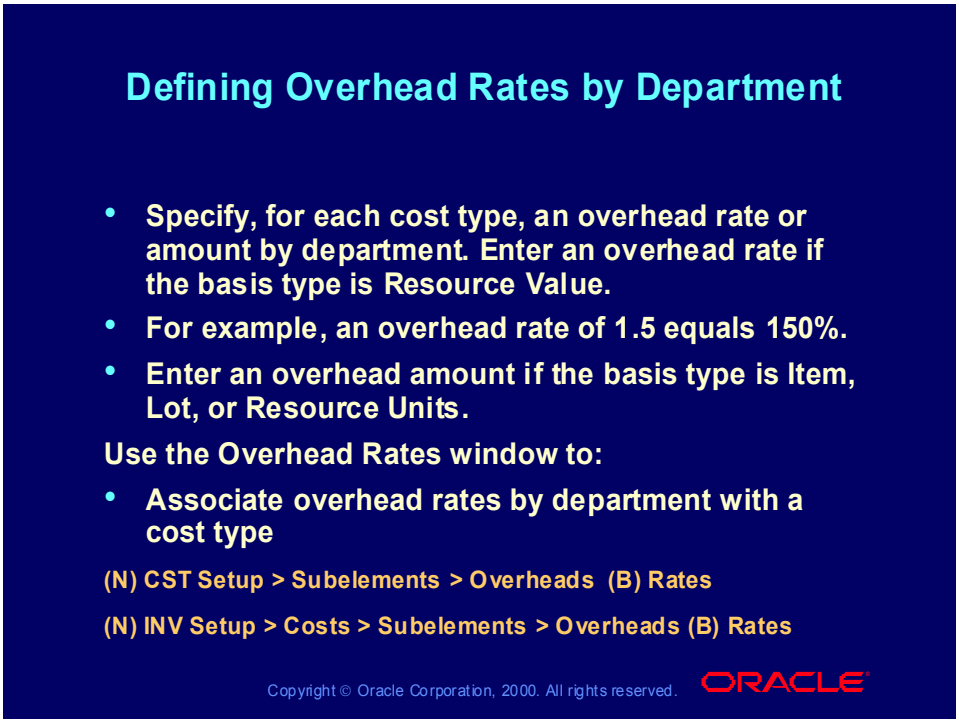
Copyright © Oracle Corporation, 2000. All rights reserved.



(Help) Oracle Manufacturing Applications > Oracle Bills of Material > Setting Up > Defining a Department

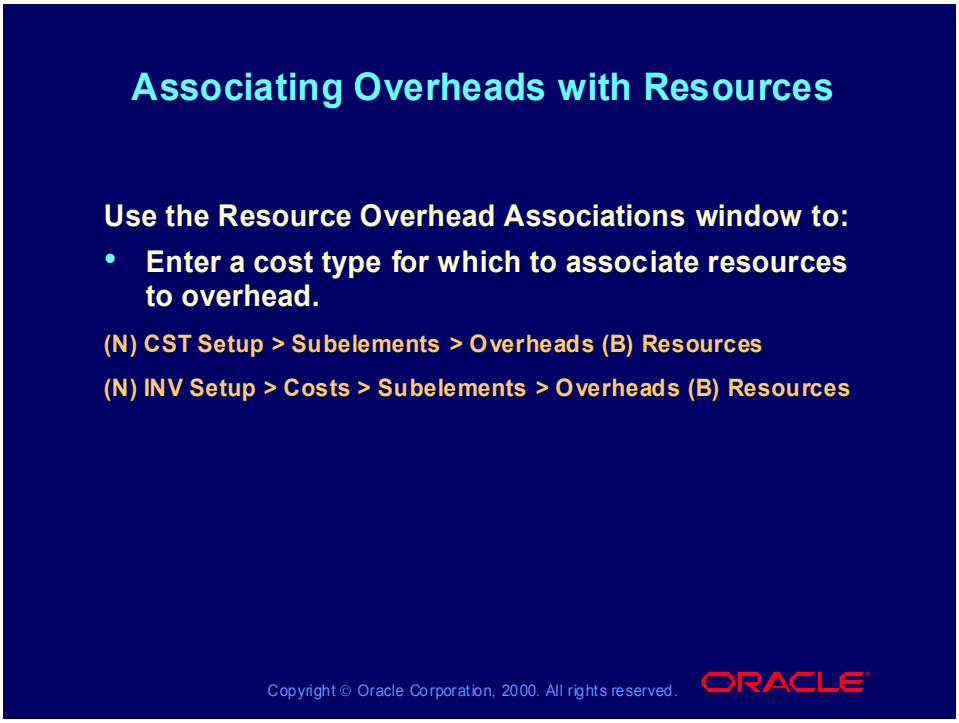
Copyright © Oracle Corporation, 2000. All rights reserved.

Defining Overhead Rates by Department



(Help) Oracle Manufacturing Applications > Oracle Cost Management > Setting Up > Steps > Defining Subelements > Defining Overheads

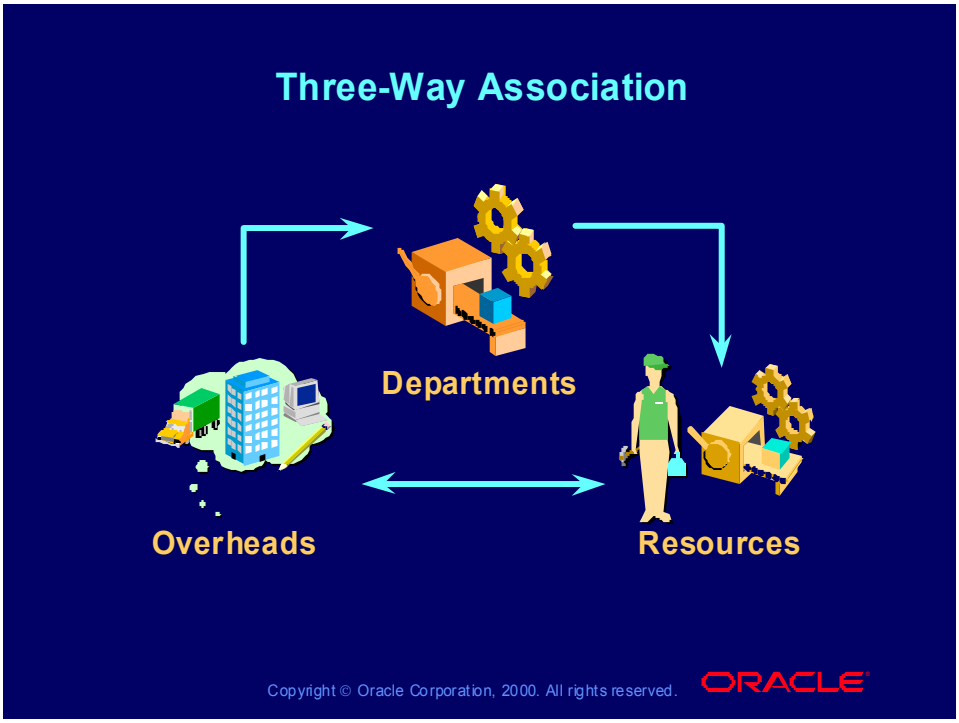
Copyright © Oracle Corporation, 2000. All rights reserved.



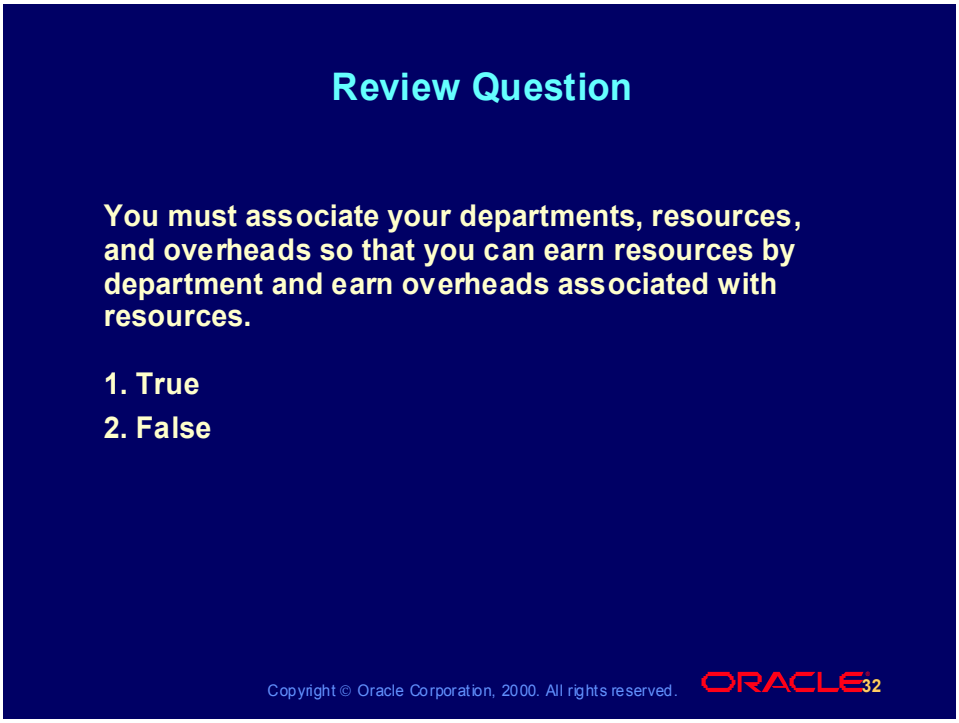
(Help) Oracle Manufacturing Applications > Oracle Cost Management > Setting Up > Steps > Defining Subelements > Defining Overheads

Copyright © Oracle Corporation, 2000. All rights reserved.

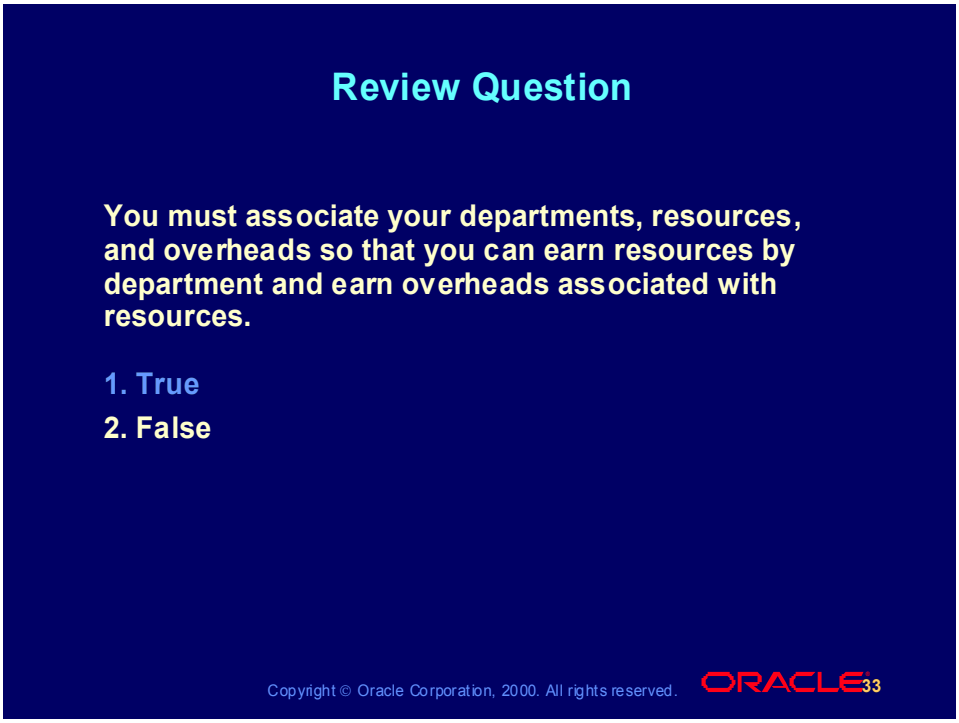
Three-Way Association



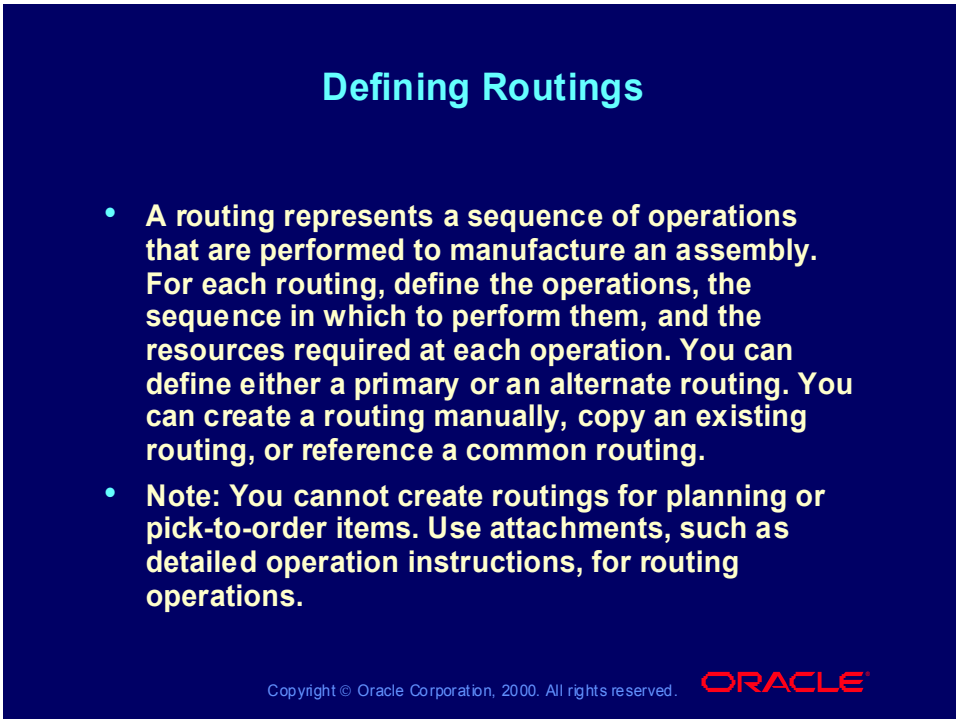
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

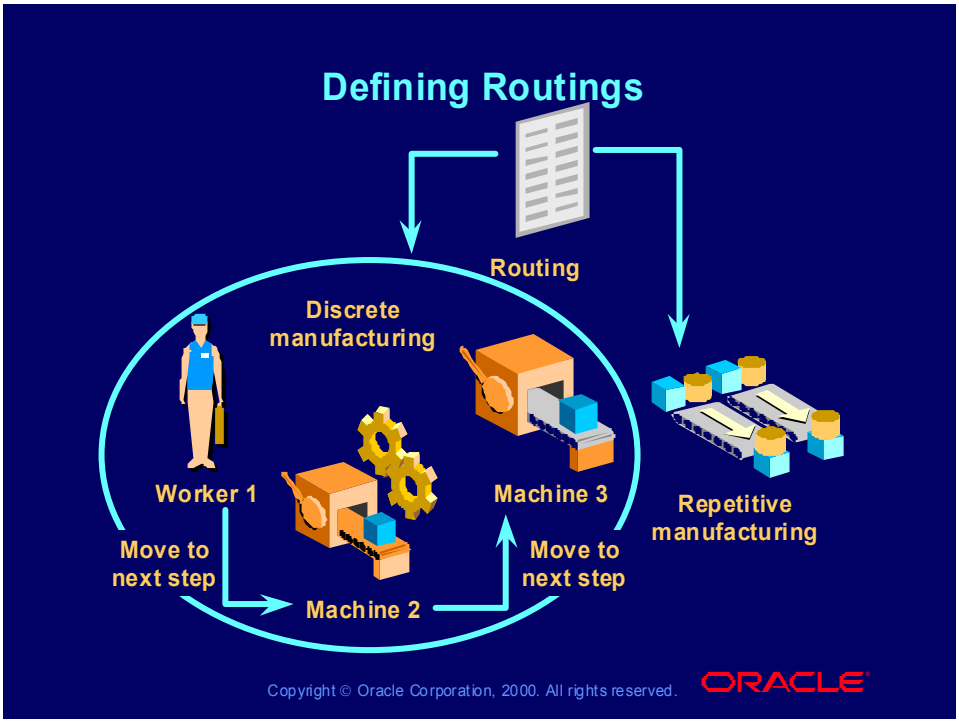


Prerequisites

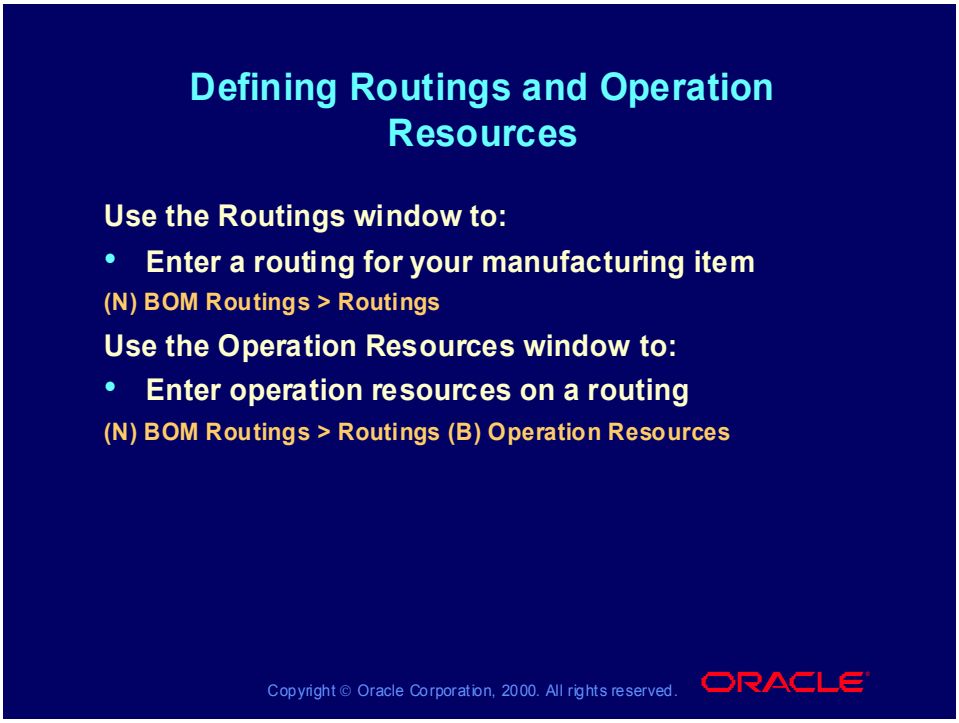
- You must define at least one department before you can create a routing.
- You must set BOM Allowed to Yes to create a routing for an item.

Copyright © Oracle Corporation, 2000. All rights reserved.

Defining Routings



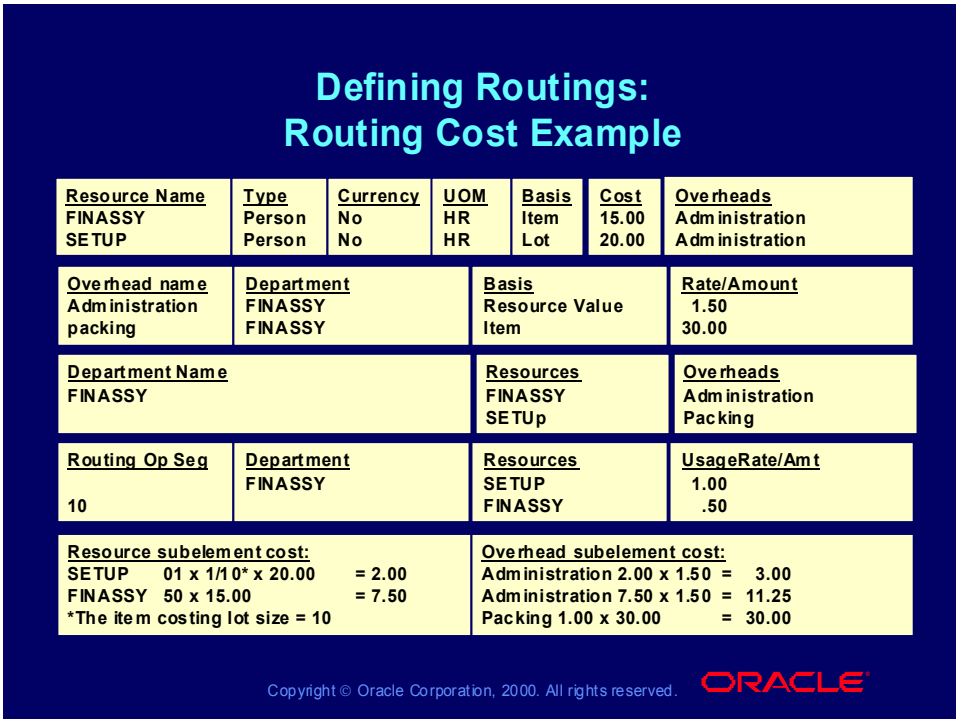
Copyright © Oracle Corporation, 2000. All rights reserved.



(Help) Oracle Manufacturing Applications > Oracle Bills of Material > Setting Up > Bills of Material > Routings > Defining a Routing

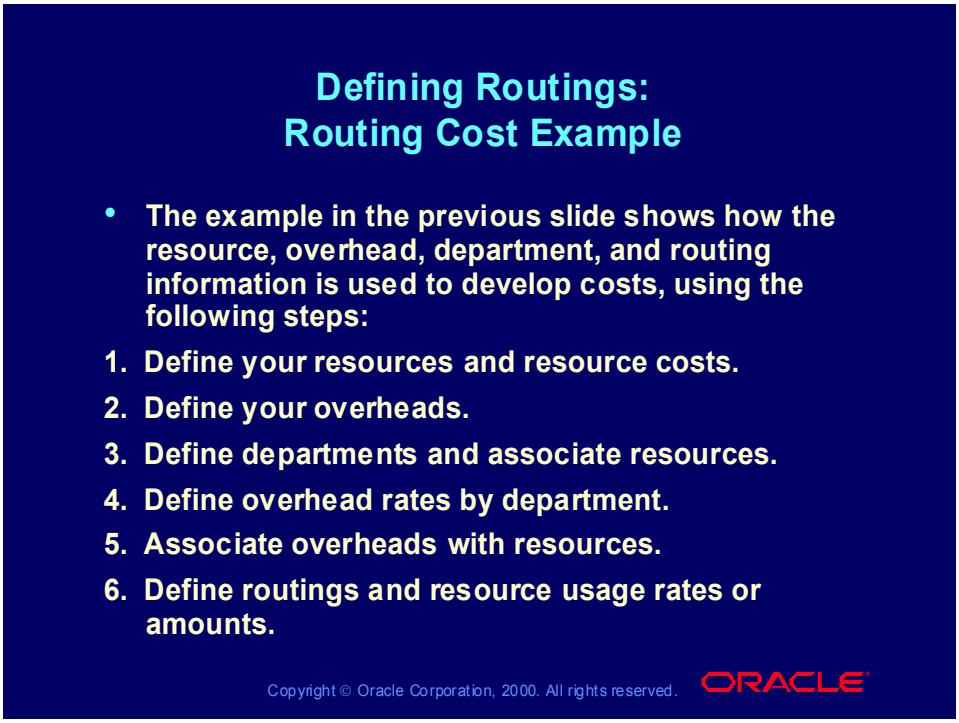
Copyright © Oracle Corporation, 2000. All rights reserved.

Defining Routings: Routing Cost Example



Copyright © Oracle Corporation, 2000. All rights reserved.

Defining Routings: Routing Cost Example

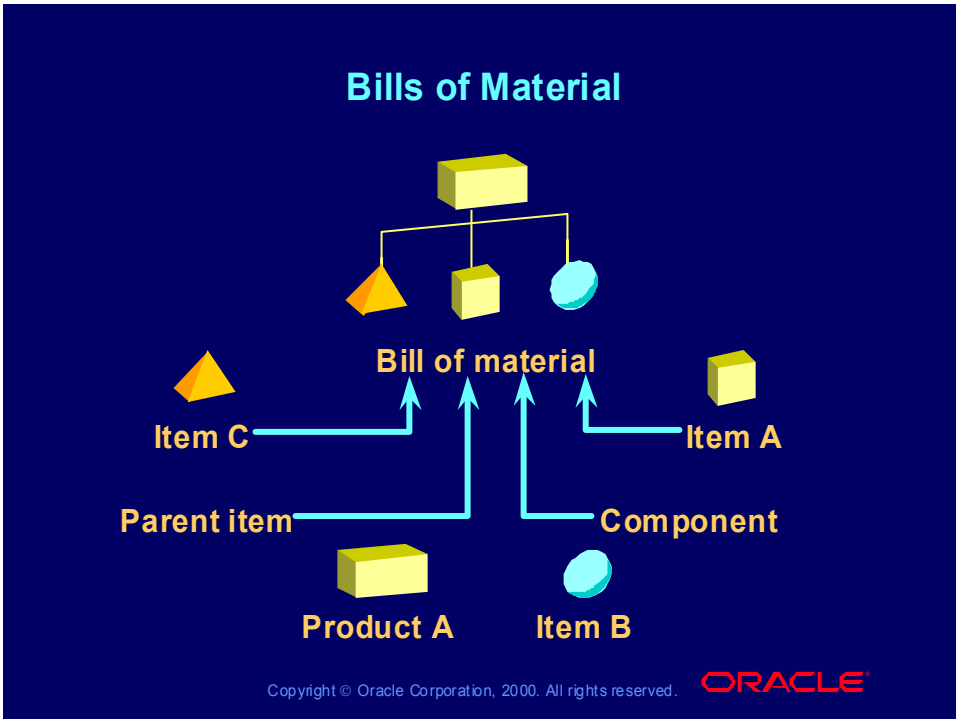


Prerequisites

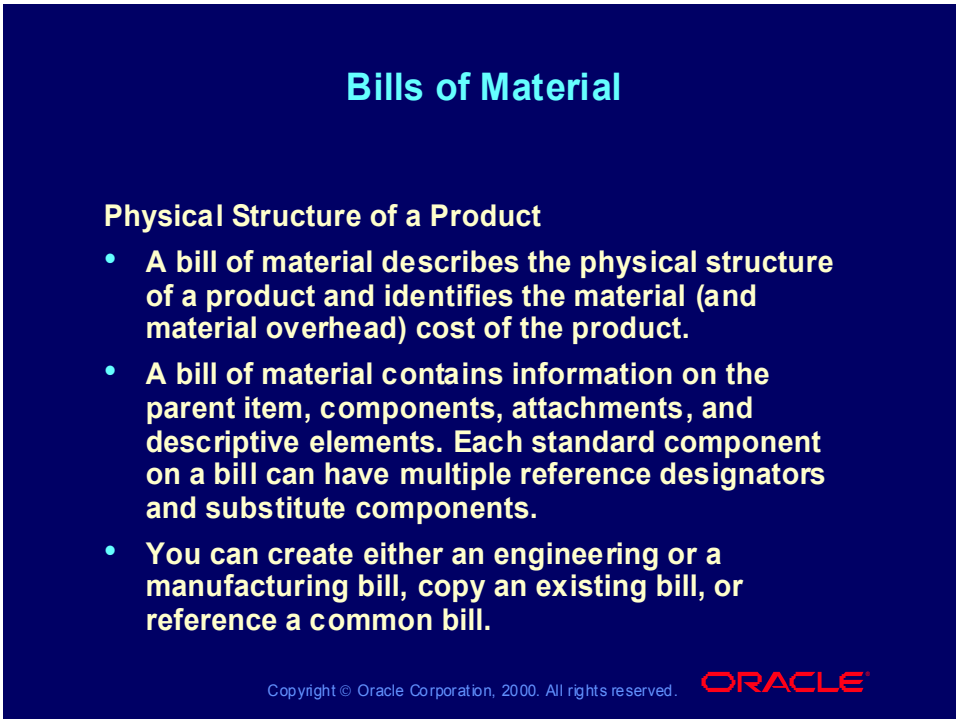
- You must define at least one department before you can create a routing.
- You must set BOM Allowed to Yes to create a routing for an item.

Copyright © Oracle Corporation, 2000. All rights reserved.

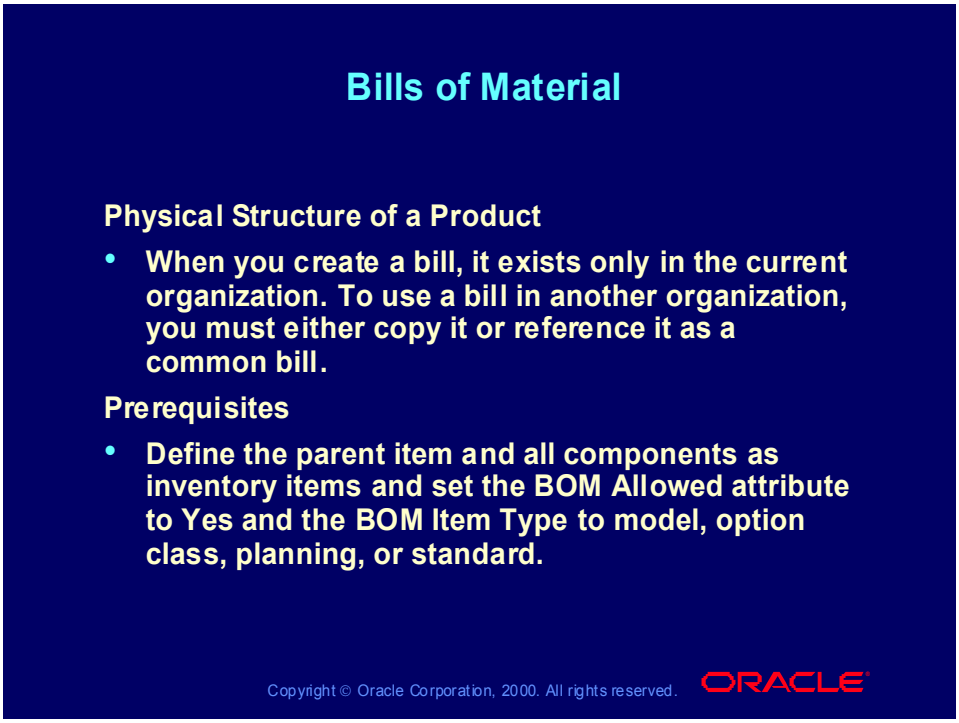
Bills of Material



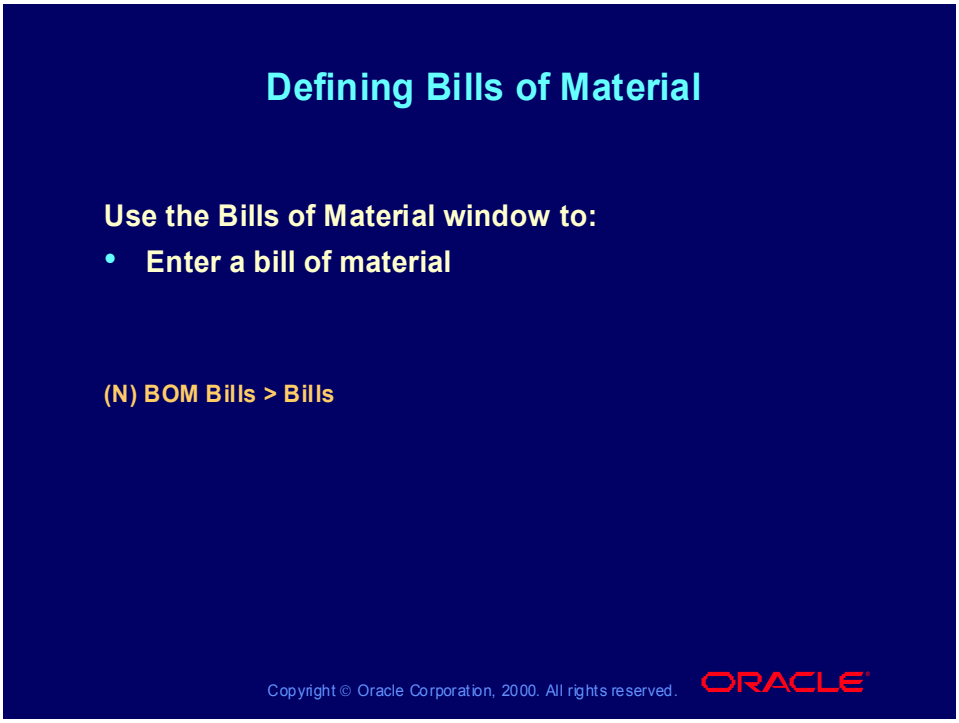
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



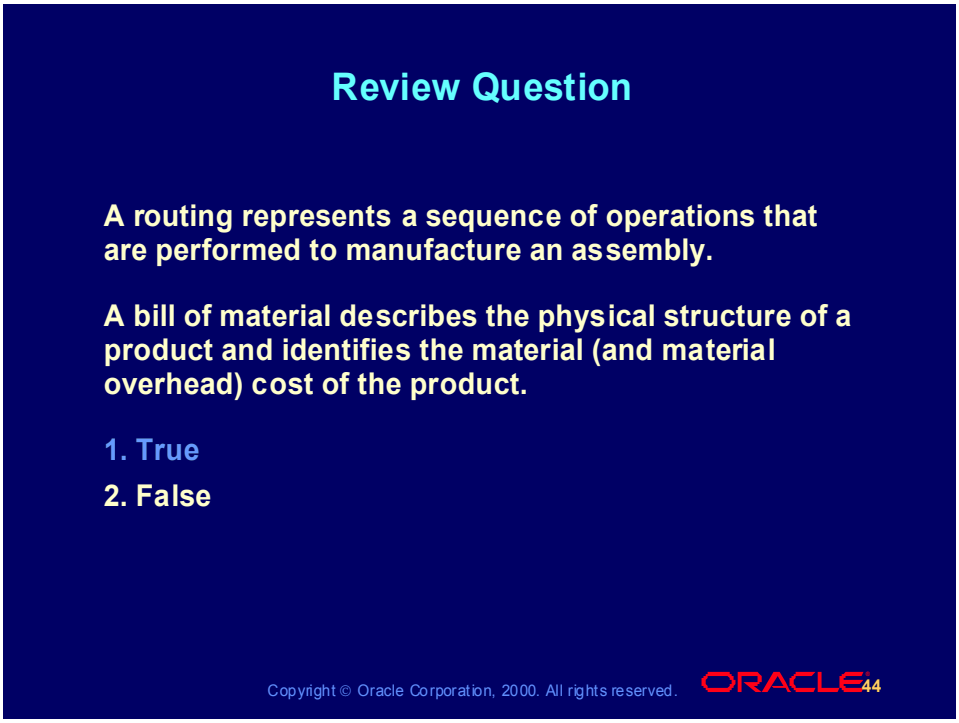
Copyright © Oracle Corporation, 2000. All rights reserved.



(Help) Oracle Manufacturing Applications > Oracle Bills of Material > Setting Up > Bills of Material > Defining a Bill of Material

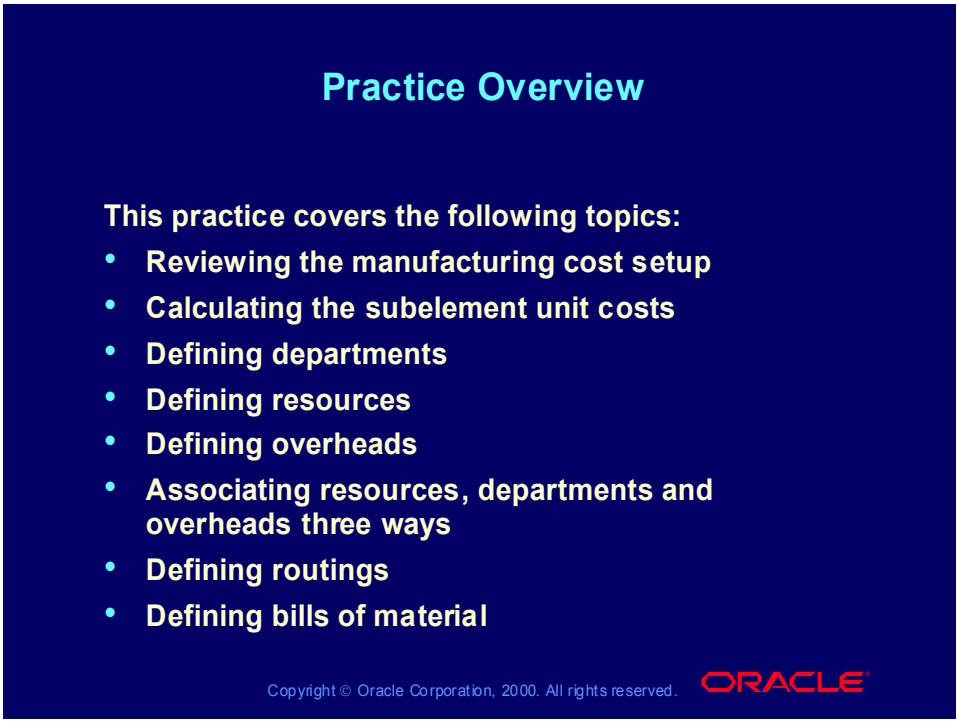
Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.

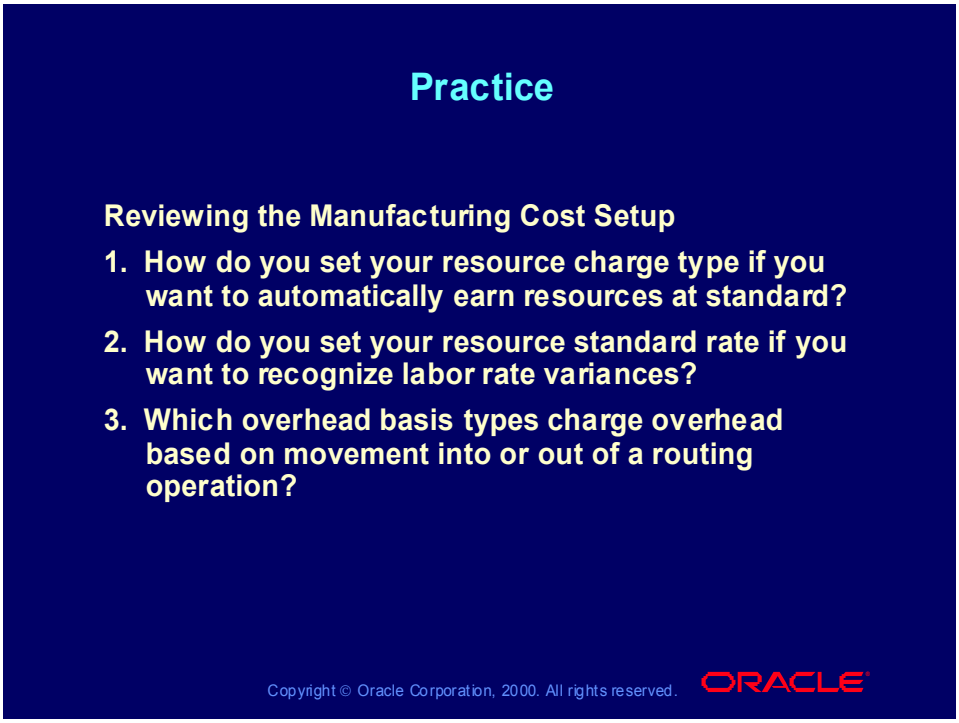


Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.



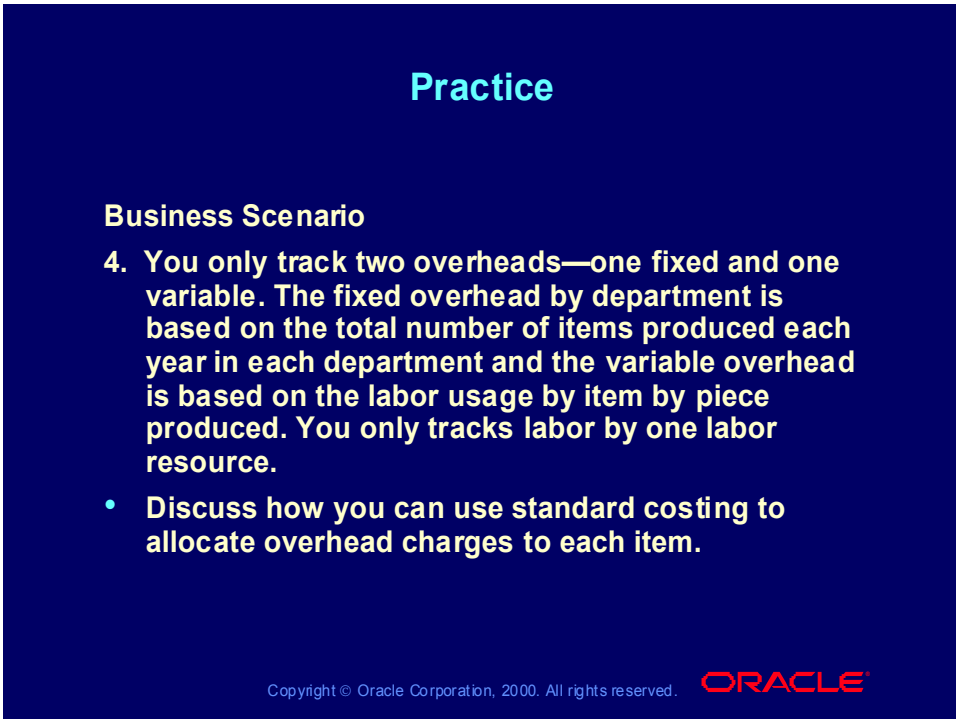
Copyright © Oracle Corporation, 2000. All rights reserved.



Practice Solution

1. Set the resource charge type to WIP Move to automatically earn resources at standard.
2. Set the resource standard rate to Yes to recognize labor rate variances.
3. The Item basis type charges the overhead amount for each item moved out of an operation. The Lot basis type charges the overhead amount when the first item is moved into the operation.

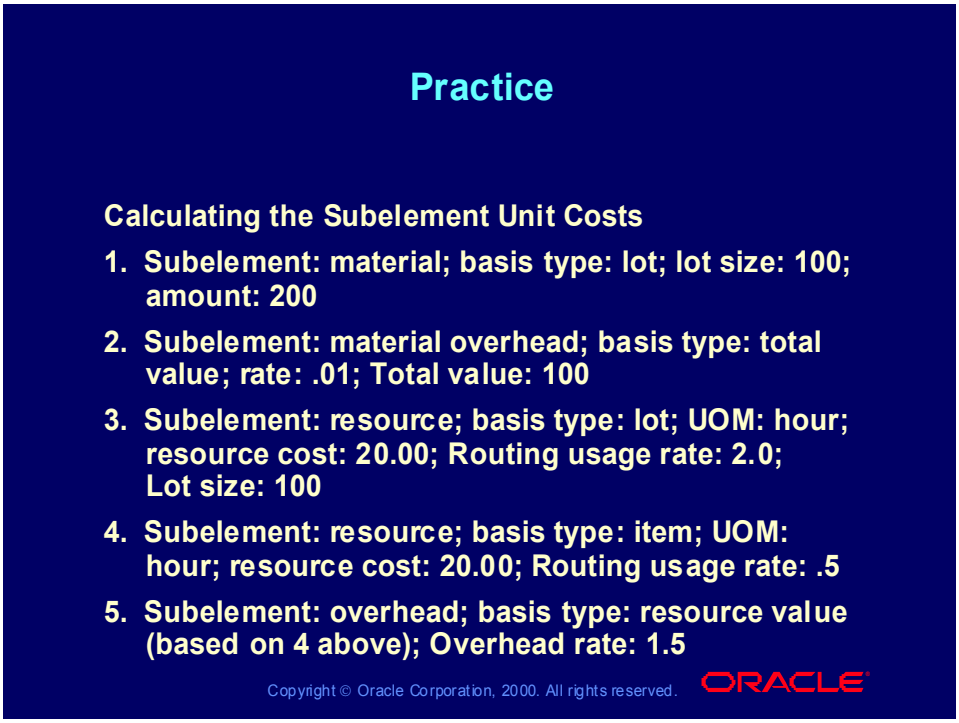
Copyright © Oracle Corporation, 2000. All rights reserved.



Practice Solution

4. Discuss how you can use two different overheads to track overheads for each finished good. The fixed overhead should be attached only to a department and should be item unit based. The variable overhead should be attached to both the department and the labor resource and be based on resource units.

Copyright © Oracle Corporation, 2000. All rights reserved.



Practice Solution

Calculating the Subelement Unit Costs

1. Subelement: material; basis type: lot; lot size: 100; amount: 200

1 / 100 * 200 = 2.00

2. Subelement: material overhead; basis type: total value; rate: .01; Total value: 100

100 * .01 = 1.00

3. Subelement: resource; basis type: lot; UOM: hour; resource cost: 20.00; Routing usage rate: 2.0; Lot size: 100

20.00 * 2.0 = 40.00 * 1/100 = .40

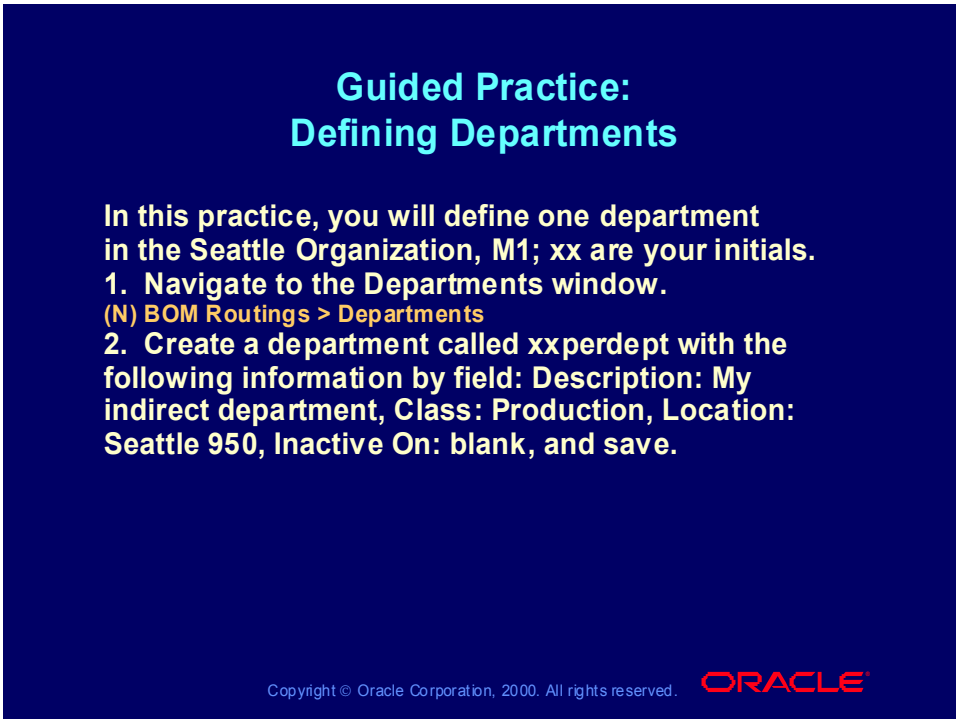
4. Subelement: resource; basis type: item; UOM: hour; resource cost: 20.00; Routing usage rate: .5

20.00 * .5 = 10.00

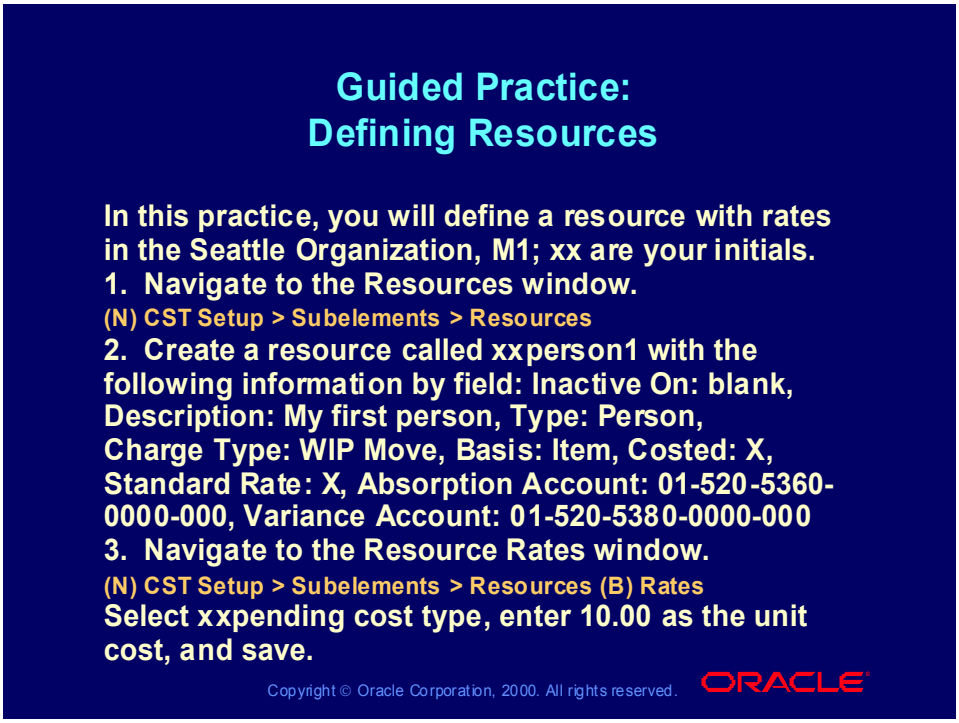
5. Subelement: overhead; basis type: resource value (based on 4 above); Overhead rate: 1.5

10.00 * 1.5 = 15.00

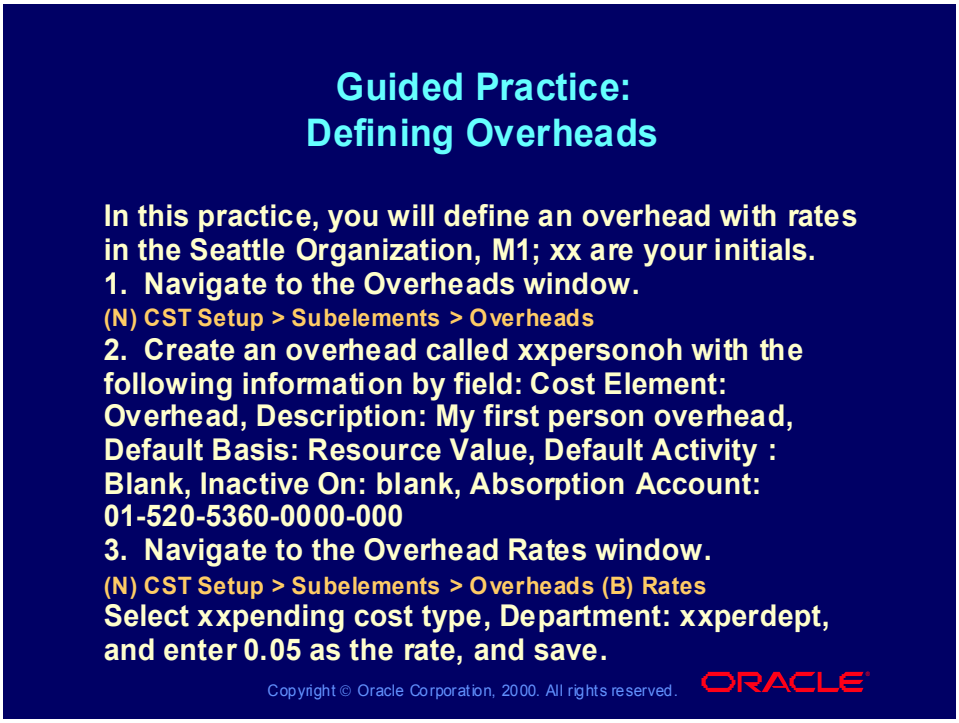
Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

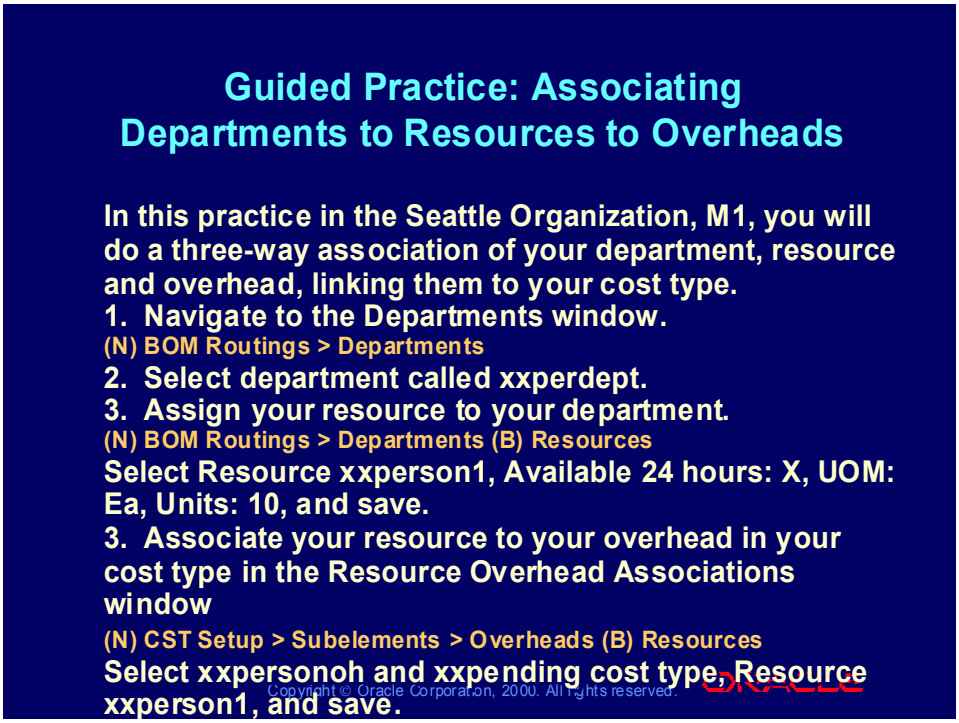


Copyright © Oracle Corporation, 2000. All rights reserved.

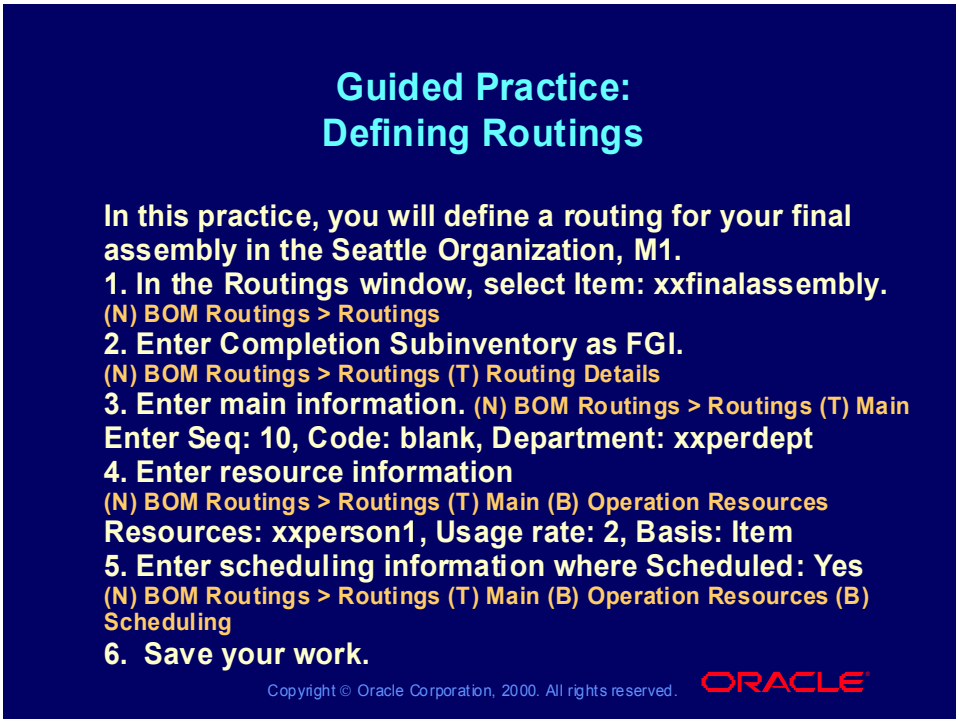


Copyright © Oracle Corporation, 2000. All rights reserved.

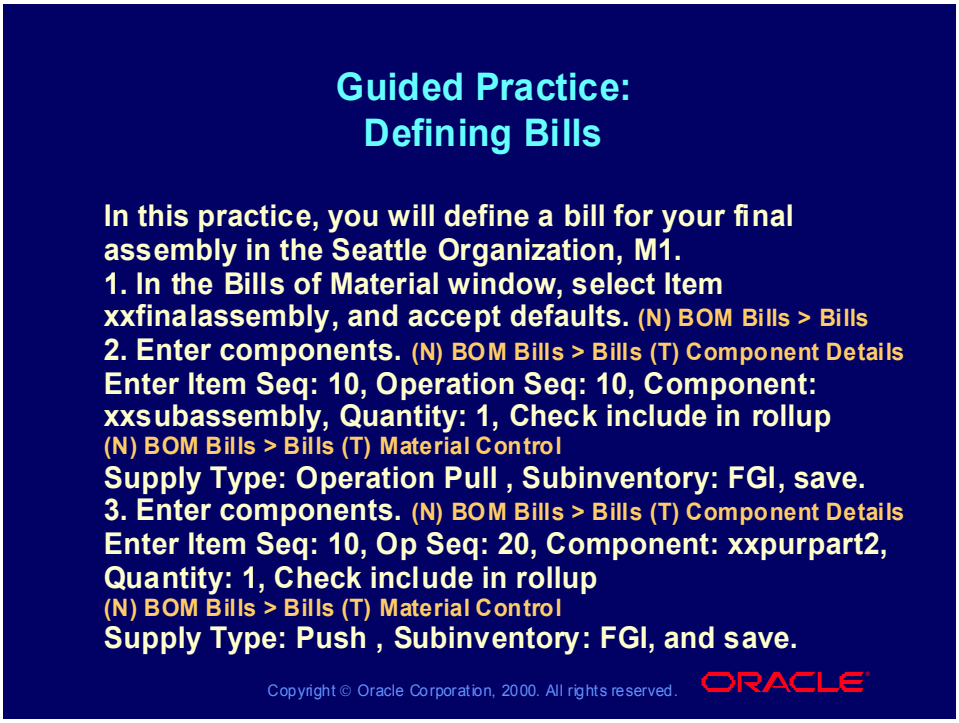
Guided Practice: Associating Departments to Resources to Overheads



Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

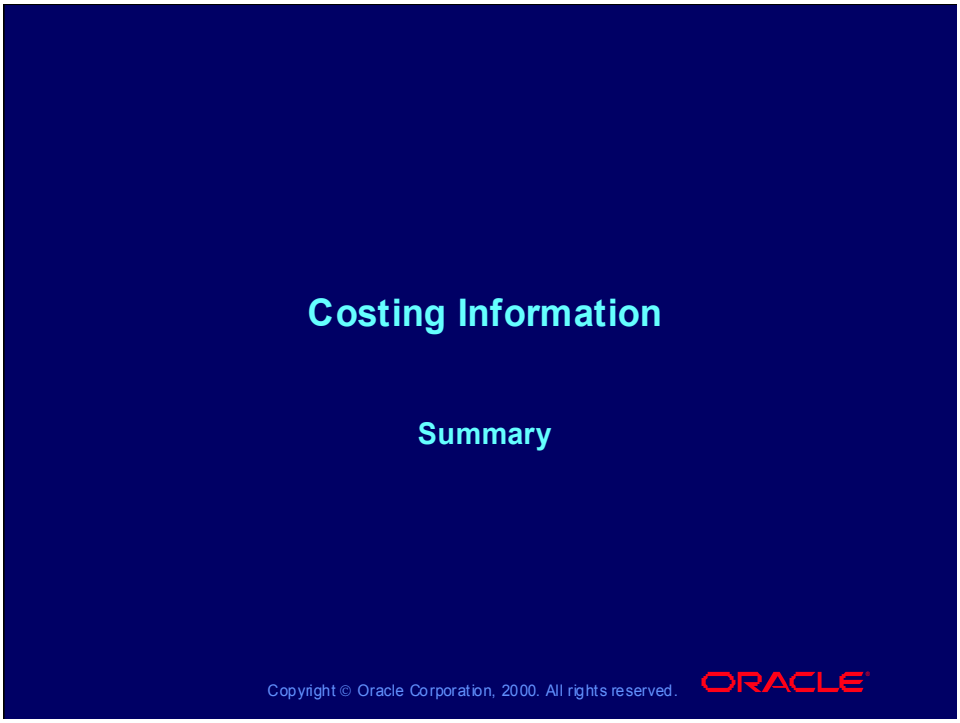


Copyright © Oracle Corporation, 2000. All rights reserved.

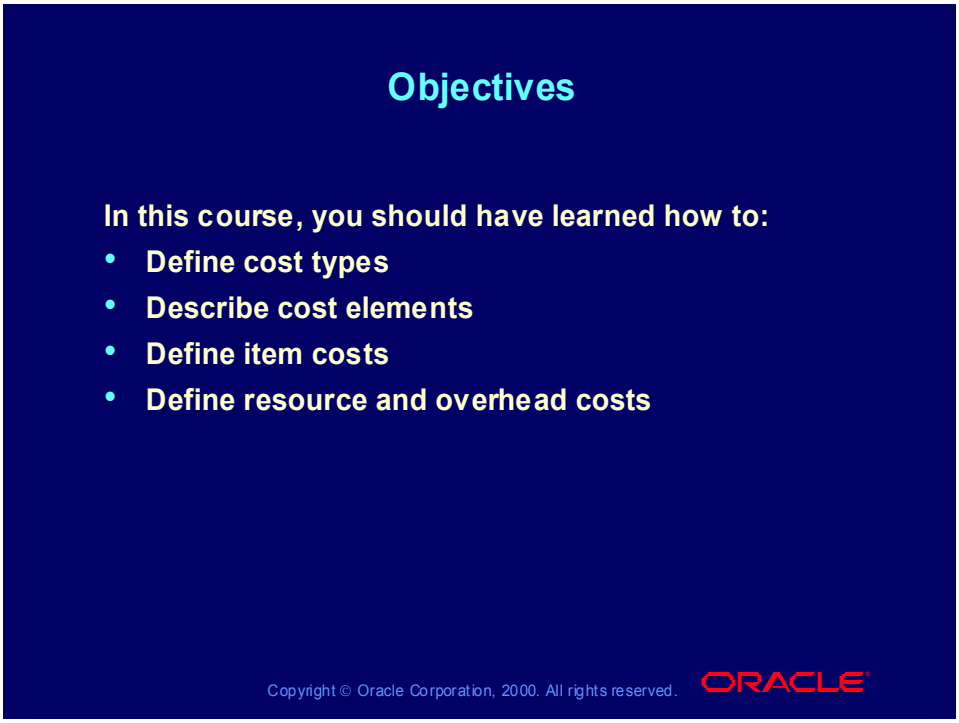
Oracle Costing Information Summary

Chapter 6

Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.



Copyright © Oracle Corporation, 2000. All rights reserved.

Copyright © Oracle Corporation, 2000. All rights reserved.