

# **R11i Standard Costing**

## **Student Guide**

Course Code 14615GC10  
Edition 1.0  
Month October 2000  
Part Number MO-13227

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## **Author**

Anisa King

## **Technical Contributors and Reviewers**

Barry Kuhl  
Tom Marik  
Pam Freeman  
Larry Phillips  
Carly Higdon  
John Dynia  
Shinji Matsuzawa  
Adrian Johnston  
John Paramore  
Frank Vandongen  
David Millin

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# Preface

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## 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
- R11i Costing Setup and Implementation
- R11i Cost Information
- R11i Cost Rollup

### How This Course Is Organized

*R11i 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

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

### 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 <b><i>algorithm</i></b> inserts the new key.   |
| Caps and lowercase                                 | Buttons, check boxes, triggers, windows   | Click the Executable button.<br>Select the Can't Delete Card check box.<br>Assign a When-Validate-Item trigger to the ORD block.<br>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><br>Directory: <code>bin (DOS), \$FMHOME (UNIX)</code><br>Filename: Locate the <code>init.ora</code> file.<br>Password: User <code>tiger</code> as your password.<br>Pathname: Open <code>c:\my_docs\projects</code><br>URL: Go to <code>http://www.oracle.com</code><br>User input: Enter <code>300</code><br>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.<br>For further information, see <i>Oracle7 Server SQL Language Reference Manual</i> .<br>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.<br><br>This subject is covered in Unit II, Lesson 3, "Working with Objects."  |
| Uppercase  | SQL column names, commands, functions, schemas, table names   | Use the <code>SELECT</code> command to view information stored in the <code>LAST_NAME</code> column of the <code>EMP</code> 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:<br>[Alternate], [F], [D]  |
| Plus signs | Key combinations | Press and hold these keys simultaneously:<br>[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<br>FROM s_emp;                              |
|                    | Passwords                  | DROP USER scott<br>IDENTIFIED BY tiger;                      |
|                    | PL/SQL objects             | OG_ACTIVATE_LAYER<br>(OG_GET_LAYER<br>( 'prod_pie_layer' ) ) |
| Lowercase italic   | Syntax variables           | CREATE ROLE <i>role</i>                                      |
| Uppercase          | SQL commands and functions | SELECT userid<br>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.

# **Accounting for Inventory Transactions for Standard Costing**

## **Chapter 1**

### **Standard Costing**

#### **Accounting for Inventory Transactions for Standard Costing**

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## Objectives

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### Objectives

After completing this lesson, you should be able to:

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



**Purchases**



**Receive goods**



**Ship goods**



**Direct**



**Intransit**



**Adjustments**

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## Agenda

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### Agenda

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

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### Overview

#### Transactions

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

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### Overview

#### Recording Quantity Movements

- The system records quantity movements as financial transactions.



**Quantity  
movements**



**Audit trail**



**Financial  
transactions**

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### Overview

#### Minimizing Accounting Entries

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

#### Subinventory Transfer

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

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### Overview

#### Accounting Information

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

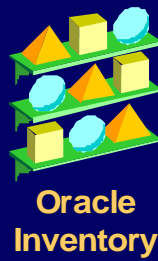
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### Overview

#### Journal Source

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



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## Describing the Relationship Between Transactions and Cost Management

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### Describing the Relationship Between Transactions and Cost Management

#### Charging Material Transactions at Standard Cost

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

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## Describing the Relationship Between Transactions and Cost Management

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### Describing the Relationship Between Transactions and Cost Management

#### Applying Material Overhead

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

#### Charging Assembly Completions at Standard Cost

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

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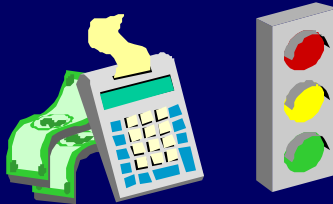
## Describing the Relationship Between Transactions and Cost Management

---

### Describing the Relationship Between Transactions and Cost Management

#### Cost Control Attributes

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



**Cost controls**

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## Describing the Relationship Between Transactions and Cost Management

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### Describing the Relationship Between Transactions and Cost Management

#### Costing Enabled Attribute

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

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## Describing the Relationship Between Transactions and Cost Management

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### Describing the Relationship Between Transactions and Cost Management

#### Inventory Asset Value

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

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## Describing the Relationship Between Transactions and Cost Management

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### Describing the Relationship Between Transactions and Cost Management

#### Asset Inventory

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

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## Review Question

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### Review Question

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

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

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## Review Question

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### Review Question

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

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

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## Agenda

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### Agenda

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

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### Setting Up Standard Costing

#### **Costing Method in Organization Parameters**

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

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

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## Setting Up Standard Costing

---

### Setting Up Standard Costing

Use the Organization Parameters window to enter:

- The costing method as standard

(N) INV Setup > Organizations > Parameters (T) Costing  
Information

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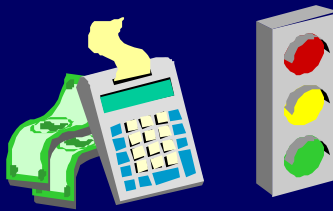
**Help: Oracle Manufacturing Applications > Oracle Inventory > Setting  
Up > Inventory Structure >  
Defining Organization Parameters > Defining Costing Information**



### Setting Up Standard Costing

#### Item Cost Controls

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



#### Cost controls

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## Setting Up Standard Costing

---

### Setting Up Standard Costing

Use the Item Attribute Controls window to set:

- The costing group item attributes to “Org level”

(N) INV Setup > Items > Attribute Controls

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

## Agenda

---

### Agenda

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

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## Transaction Account Reference

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### Transaction Account Reference

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

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## Transaction Account Reference

### Transaction Account Reference

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

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## Transaction Account Reference

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

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## Transaction Account Reference

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

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## Transaction Account Reference

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

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## Inventory Transactions

---

### Inventory Transactions

Use the Material Transaction Distributions window to:

- Review accounting distributions of transactions

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

(N) CST View Transactions > Material Distributions

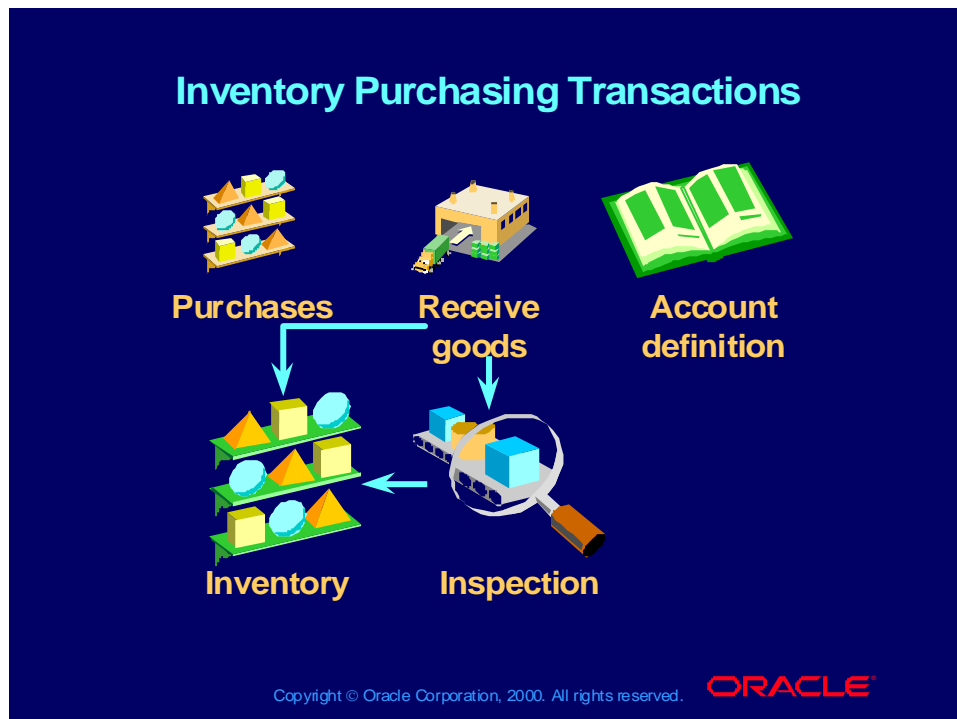
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**Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Viewing Material Transaction Distributions**

## Inventory Purchasing Transactions

---



## Inventory Purchasing Transactions

---

### Inventory Purchasing Transactions

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

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

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

Use the Receiving Options window to define:

- The Receiving Inspection account

(N) PUR Setup > Organizations > Receiving Options

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

**Defining Organization Parameters > Defining Other Accounts**

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

### Inventory Purchasing Transactions

#### Transaction Entry

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

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### Inventory Purchasing Transactions

#### Oracle Payables

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

#### Payables Transfer to General Ledger program

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

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### Inventory Purchasing Transactions

#### **One Step Receiving: Dock to stock in one transaction**

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

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## Inventory Purchasing Transactions

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### Inventory Purchasing Transactions

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

Use the Receipts window to:

- Receive material from a vendor directly to inventory  
(N) INV Transactions > Receiving > Receipts

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

### Inventory Purchasing Transactions

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

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

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## Inventory Purchasing Transactions

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### Inventory Purchasing Transactions

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

Use the Receipts window to:

- Receive material from a vendor to receiving

(N) INV Transactions > Receiving > Receipts

Use the Receiving Transactions window to:

- Move material from receiving to inventory

(N) INV Transactions > Receiving > Receiving Transactions

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

### Inventory Purchasing Transactions

#### Inspection: Dock in one transaction

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

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### Inventory Purchasing Transactions

#### Receipts to Receiving and Delivery to Inventory

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

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## Inventory Purchasing Transactions

---

### Inventory Purchasing Transactions

#### Oracle Inventory

Use the Material Transaction Distributions window to:

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

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

(N) CST View Transactions > Material Distributions

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

## Review Question

---

### Review Question

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

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

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## Review Question

---

### Review Question

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

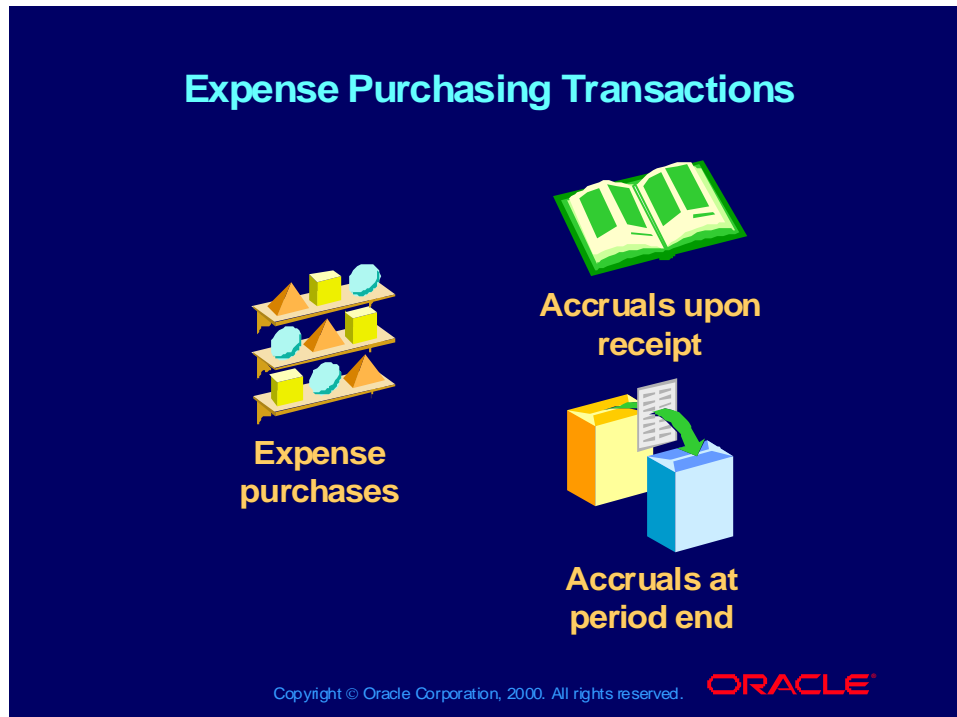
1. True
2. False

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## Expense Purchasing Transactions

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### Expense Purchasing Transactions

#### Expense Accruals

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

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## Expense Purchasing Transactions

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### Expense Purchasing Transactions

Use the Purchasing Options window to:

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

(N) PUR Setup > Organizations > Purchasing Options

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

## Review Question

---

### Review Question

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

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

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## Review Question

---

### Review Question

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

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

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## Subinventory Transactions

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### Subinventory Transactions

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

Use the Subinventory Transfer window to move material from:

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

(N) INV Transactions > Subinventory Transfer

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

## Miscellaneous Inventory Transactions

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### Miscellaneous Inventory Transactions

Use the Miscellaneous Transaction window to:

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

(N) INV Transactions > Miscellaneous Transaction

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

## Miscellaneous Inventory Transactions

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### Miscellaneous Inventory Transactions

#### Issue from Stores

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

#### Receipt into stores

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

(N) INV Transactions > Miscellaneous Transaction

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

## Subinventory Transactions and Miscellaneous Inventory Transactions

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### Subinventory Transactions and Miscellaneous Inventory Transactions

#### Oracle Inventory

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

- Subinventory transfers
- Miscellaneous transactions

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

(N) CST View Transactions > Material Distributions

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

## Review Question

---

### Review Question

**You use miscellaneous transactions to:**

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

**1. True**

**2. False**

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## Review Question

---

### Review Question

**You use miscellaneous transactions to:**

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

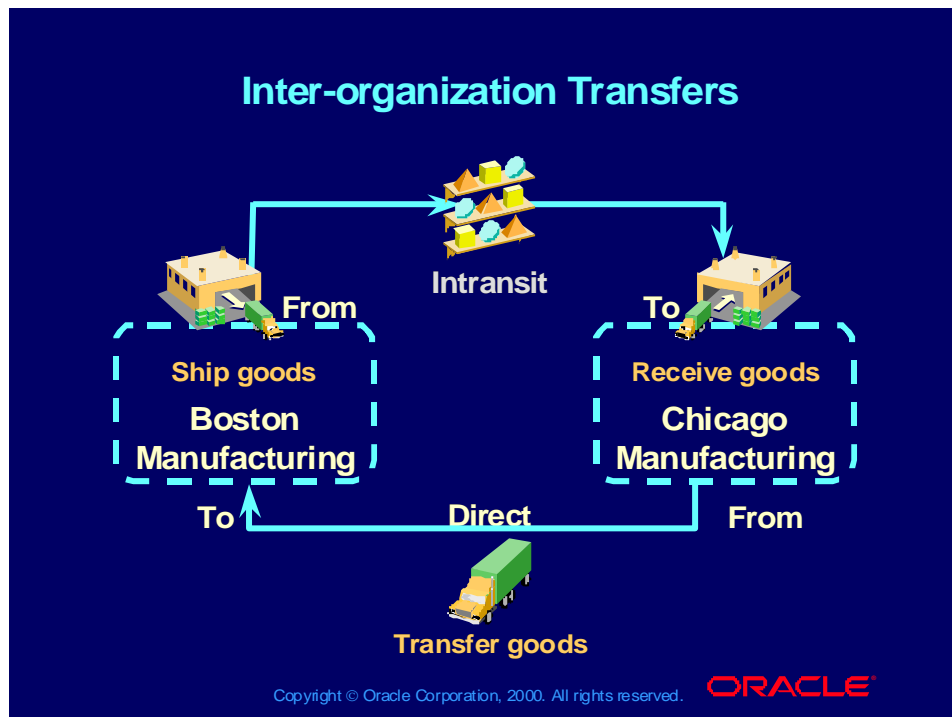
**1. True**

**2. False**

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## Inter-organization Transfers



### Inter-organization Transfers

#### Accounting Flows

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

#### Shipping Information

Use the Inter-Organization Shipping Network window to define:

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

(N) INV Setup > Organizations > Shipping Networks

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

### Direct Inter-organization Transfers

#### Direct Organization Transfer

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

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## Direct Inter-organization Transfers

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### Direct Inter-organization Transfers

Use the Inter-organization Transfer window to:

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

(N) INV Transactions > Inter-organization Transfer

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

## Review Question

---

### Review Question

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

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

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## Review Question

---

### Review Question

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

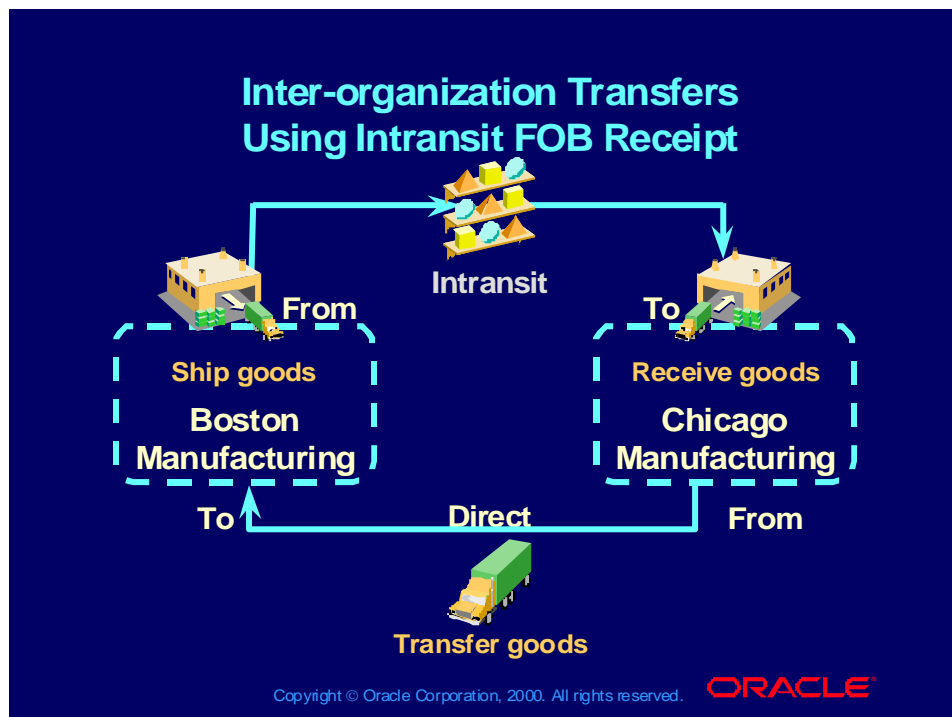
- 1. True**
- 2. False**

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## Inter-organization Transfers Using Intransit FOB Receipt

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## Inter-organization Transfers Using Intransit FOB Receipt

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### Inter-organization Transfers Using Intransit FOB Receipt

#### FOB Receipt

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

#### Intransit Inventory

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

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## Inter-organization Transfers Using Intransit FOB Receipt

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### Inter-organization Transfers Using Intransit FOB Receipt

#### Freight Charges: FOB Receipt

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

#### Inter-organization Transfer Charges

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

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## Inter-organization Transfers Using Intransit FOB Receipt

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### Inter-organization Transfers Using Intransit FOB Receipt

Use the Inter-organization Transfer window to:

- Move material from the shipping organization to intransit inventory

(N) INV Transactions > Inter-organization Transfer

Use the Receipts window to:

- Move material from intransit inventory of the receiving organization

(N) INV Transactions > Receiving > Receipts

Use the Manage Shipments window to:

- Update freight and arrival information for intransit items

(N) INV Transactions > Receiving > Manage Shipments

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

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

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

## Review Question

---

### Review Question

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

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

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## Review Question

---

### Review Question

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

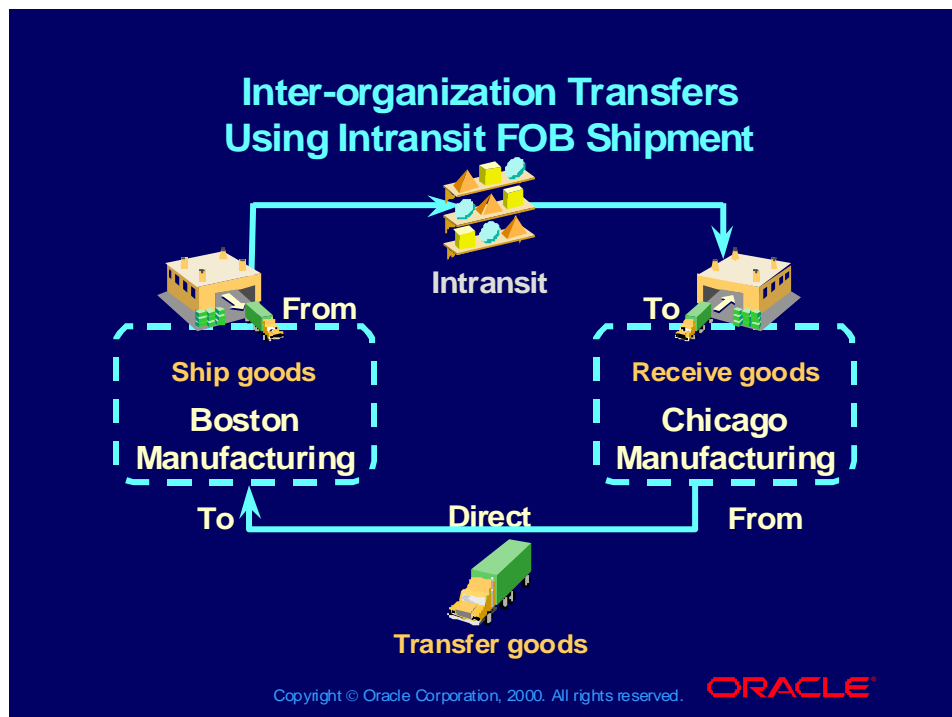
- 1. True**
- 2. False**

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## Inter-organization Transfers Using Intransit FOB Shipment

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## Inter-organization Transfers Using Intransit FOB Shipment

---

### Inter-organization Transfers Using Intransit FOB Shipment

#### FOB Shipment

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

#### Freight Charges: FOB Shipment

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

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## Inter-organization Transfers Using Intransit FOB Shipment

---

### Inter-organization Transfers Using Intransit FOB Shipment

Use the Inter-organization Transfer window to:

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

(N) INV Transactions > Inter-organization Transfer

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



## Inter-organization Transfers

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### Inter-organization Transfers

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

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

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

(N) CST View Transactions > Material Distributions

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

## Review Question

---

### Review Question

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

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

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## Review Question

---

### Review Question

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

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

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### Customer Shipments and Returns

#### Customer Shipments

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

(N) OM Returns > Returns > RMA Interface

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

### Customer Shipments and Returns

#### Return Material Authorizations (RMA)

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

(N) OM Returns > Returns > RMA Interface

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

## Customer Shipments and Returns

---

### Customer Shipments and Returns

Use the RMA Receipts window to:

- Receive items back from a customer

(N) INV Transactions > Customer Returns > RMA Receipts

Use the Inspect window to:

- Inspect items back from a customer
- Receive or reject (return) items requiring inspection

(N) INV Transactions > Customer Returns > RMA Inspect

Use the RMA Return window to:

- Return items back to a customer

(N) INV Transactions > Customer Returns > RMA Return

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

## Review Question

---

### Review Question

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

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

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## Review Question

---

### Review Question

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

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

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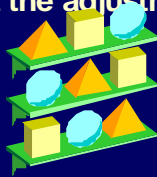


## Inventory Adjustments

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### Inventory Adjustments

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



**Inventory**



**Adjustments**

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## Inventory Adjustments

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### Inventory Adjustments

Use the Cycle Counts window to:

- To correct your inventory onhand balances  
(N) INV Counting > Cycle Counting > Cycle Count Entries

Use the Physical Inventories window to:

- To correct your inventory onhand balances  
(N) INV Counting > Physical Inventory > Physical Inventories

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

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

## Inventory Transactions

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### Inventory Transactions

Use the Material Transaction Distributions window to:

- Review accounting distributions of inventory adjustment transactions

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

(N) CST View Transactions > Material Distributions

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

## Review Question

---

### Review Question

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

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

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## Review Question

---

### Review Question

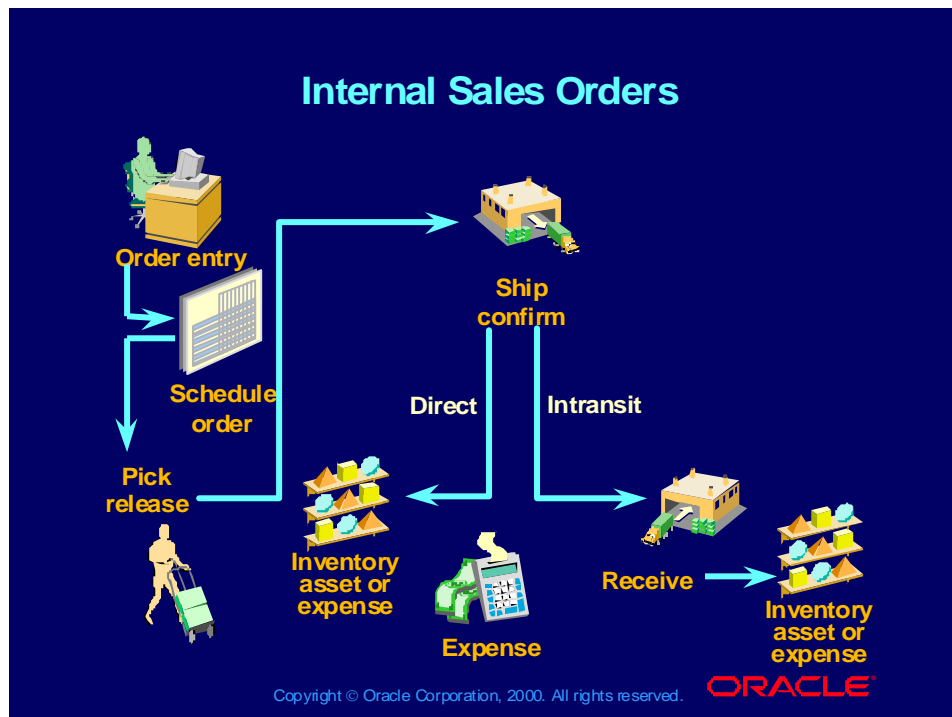
**You can use cycle counting and physical inventory to correct your inventory onhand balances.**

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

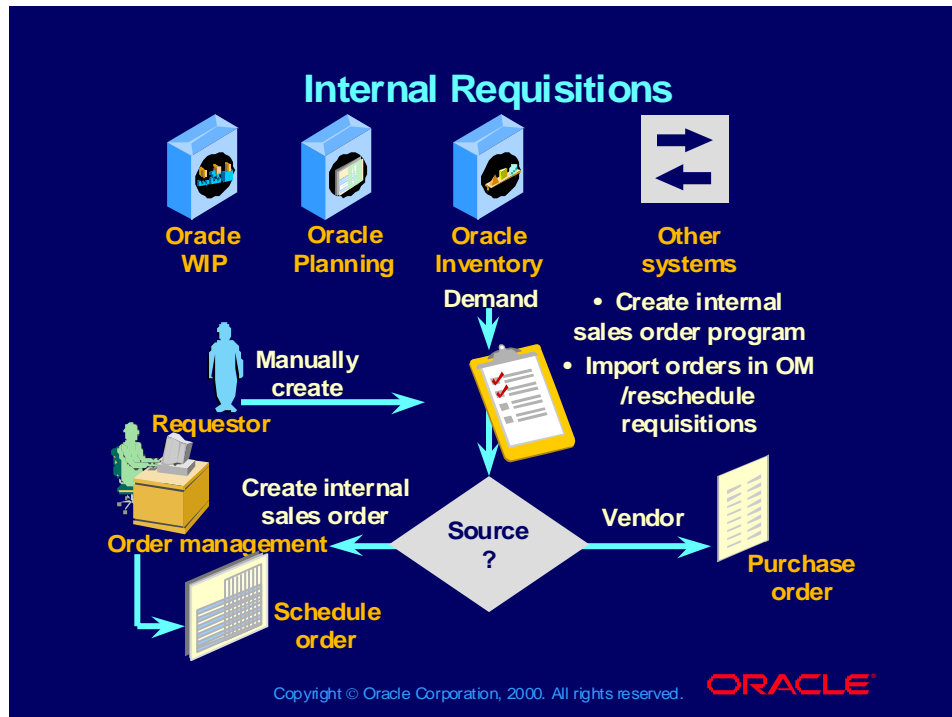
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## Internal Sales Orders



## Internal Requisitions



### Internal Requisitions

#### **Mechanism for Requesting and Issuing Material**

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

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### Internal Requisitions

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

**After creating an internal requisition, you do the following:**

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

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### Internal Requisitions

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

Use the Shipping Networks window to enable:

- The require internal sales order checkbox

(N) INV Setup > Organizations > Shipping Networks

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

## Internal Requisitions

---

### Internal Requisitions

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

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## Internal Requisitions

---

### Internal Requisitions

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

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## Review Question

---

### Review Question

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

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

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## Review Question

---

### Review Question

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

1. True
2. False

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## Summary

---

### Summary

In this lesson, you should have learned how to:

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



**Purchases**



**Receive goods**



**Ship goods**



**Direct**



**Intransit**



**Adjustments**

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## Practice 1 Overview

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### Practice 1 Overview

**This practice covers the following topics:**

- **Performing and analyzing inventory transactions**

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## Practice 1-1: Performing and Analyzing Inventory Transactions

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### Practice 1-1: Performing and Analyzing Inventory Transactions

In this practice, you are a buyer and do the following:

1. Go to Seattle, M1. Check the status of the Material Cost transaction processor. If this processor is not running or is running at an interval greater than 10 minutes, inform the instructor.
2. Check that the current period is open. If it is not open, open it and all preceding unopened periods.
3. Based on your student number, select a purchased item that is assigned to you. Create a purchase order for your costed item for a quantity of 1000.
4. Approve your purchase order and receive goods.
5. View the accounting entries created by the receipts.

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## Practice 1-1: Performing and Analyzing Inventory Transactions

---

### **Practice 1-1: Performing and Analyzing Inventory Transactions**

**6. Create an inventory of your purchased component.**

**What accounting entries are written by this transaction?**

**7. View the inventory history of your transactions.**

**What is the significance of the Costed column?**

**8. View the accounting entries created by the miscellaneous transactions.**

**Where did the debit and credit accounts come from?**

**9. If time permits, run the Inventory Value Report for your range of items. View the results online.**

**How could you set up the system to allow you to run this report by product line?**

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## Guided Practice 1-1: Checking the Interface Managers

---

### Guided Practice 1-1: Checking the Interface Managers

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

**(N) INV Setup > Transactions > Interface Managers**

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## Guided Practice 1-1: Checking Current Period is Open

---

### Guided Practice 1-1: Checking Current Period is Open

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

**(N) INV Accounting Close Cycle > Inventory Accounting Periods**

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## Guided Practice 1-1: Selecting Your Purchased Item

---

### Guided Practice 1-1: Selecting Your Purchased Item

1. Your instructor will assign a student number to you. Based on that number, select a purchased item from the list below. You will use this costed purchase item in the practices that follow.

| <u>Student<br/>Number</u> | <u>Purchased Item</u> | <u>Student<br/>Number</u> | <u>Purchased Item</u> |
|---------------------------|-----------------------|---------------------------|-----------------------|
| 1                         | CM22680               | 7                         | CM82333               |
| 2                         | CM22682               | 8                         | CM88122               |
| 3                         | CM22683               | 9                         | CM08830               |
| 4                         | CM22684               | 10                        | RW44722               |
| 5                         | CM71557               | 11                        | RW66399               |
| 6                         | CM74123               | 12                        | RW77255               |

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## Guided Practice 1-1: Creating Purchase Orders

---

### Guided Practice 1-1: Creating Purchase Orders

1. Navigate to the Purchase Orders window to create a purchase order for your item in the M1 organization. Set the receipt routing on the purchase order as direct receipt.

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

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

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## Guided Practice 1-1: Creating Purchase Orders

---

### Guided Practice 1-1: Creating Purchase Orders

1. Navigate to items (continued from previous page).  
(N) PURCHASING Purchase Orders > Purchase Orders (B) New > Items
2. Number: 1
3. Type: Goods
4. Item: Your item
5. Quantity: 1000
6. Price: \$50.00  
or you decide
7. Promise date: Today
8. Need by date: Today
9. Choose: Shipments
10. Number: 1
11. Org: Your standard cost org
12. Ship to: M1, the location  
for your standard cost org
13. Quantity: Will default
14. Save your work.
15. Record your PO number  
here\_\_\_\_\_.

(continued on next page)

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## Guided Practice 1-1: Approving Purchase Orders

---

### Guided Practice 1-1: Approving Purchase Orders

1. Record your PO number here \_\_\_\_\_ (continued from previous page).
  2. Choose: Approve.
  3. Submit for approval: X
- You should see a message, "document submitted for approval".

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## Guided Practice 1-1: Receiving Goods

---

### Guided Practice 1-1: Receiving Goods

1. Navigate to the Receipts window to receive the goods, once your purchase order has been approved.  
(N) PURCHASING Receiving > Receipts
2. Purchase Order: The one you noted earlier
3. Choose: Find
4. Enable the box next to the quantity field.
5. Save your work. If you are prompted for a subinventory, enter the information and then save your work.

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## Guided Practice 1-1: Viewing Accounting Entries

---

### Guided Practice 1-1: Viewing Accounting Entries

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

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

**(N) CST View Transactions > Material Distributions**

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

**3. Item: Query your item**

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## Guided Practice 1-1: Performing Miscellaneous Receipts

---

### Guided Practice 1-1: Performing Miscellaneous Receipts

1. Navigate to the Miscellaneous Transaction window to create onhand quantities for your purchased items.  
(N) INV Transactions > Miscellaneous Transaction
2. Date: Accept the default of today's date
3. Type: Select account alias receipt
4. Source: M1\_STD\_CST\_ADJ  
(N) INV Transactions > Miscellaneous Transaction  
(B) Transaction Lines
5. Item: Your item
6. Subinventory: Stores
7. Quantity: Enter a quantity greater than or equal to 20
8. Action: Save

What accounting entries are written by this transaction?

Debit inventory, credit an adjustment account

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## Guided Practice 1-1: Viewing the Inventory History

---

### Guided Practice 1-1: Viewing the Inventory History

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

(N) INV Transactions > Material Transactions (F) Find Material Transactions (T) Transaction Type

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

3. Item: Query your item

What is the significance of the Costed column?

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

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## Guided Practice 1-1: Viewing Accounting Entries

---

### Guided Practice 1-1: Viewing Accounting Entries

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

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

**(N) CST View Transactions > Material Distributions**

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

**3. Item: Query your item**

**Where did the debit and credit accounts come from?**

**The debit accounts came from the definition of the subinventory into which you received the material.**

**The credit account came from the definition of the Adjust account alias.**

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## Guided Practice 1-1: Running the Inventory Value Report

---

### Guided Practice 1-1: Running the Inventory Value Report

1. Navigate to the Inventory Value Report Parameters window to run the Inventory Value Report for your item and enter parameters.

(N) CST Report > Value

2. Cost Type: Frozen

3. Sort Option: Item

4. Report Option: Detail

5. Item From: Your item

6. Item To: Your item

7. Category Set: Inv.Items

8. Select OK

9. Record your request number here\_\_\_\_\_.

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## Guided Practice 1-1: Viewing the Results Online

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### Guided Practice 1-1: Viewing the Results Online

1. Navigate to the Requests window to check that your report request has completed.

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

2. Query your request number.

3. View the results online.

How could you set up the system to allow you to run this report by product line?

You could set up categories for each product line and then run the report by category.

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# **Accounting for WIP Transactions for Standard Costing**

## **Chapter 2**



### **Standard Costing**

#### **Accounting for WIP Transactions for Standard Costing**

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### Objectives

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

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

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## Agenda

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### Agenda

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

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### Overview

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

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



## Overview

---

### Overview

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

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



**Quantity  
movements**



**Audit trail**

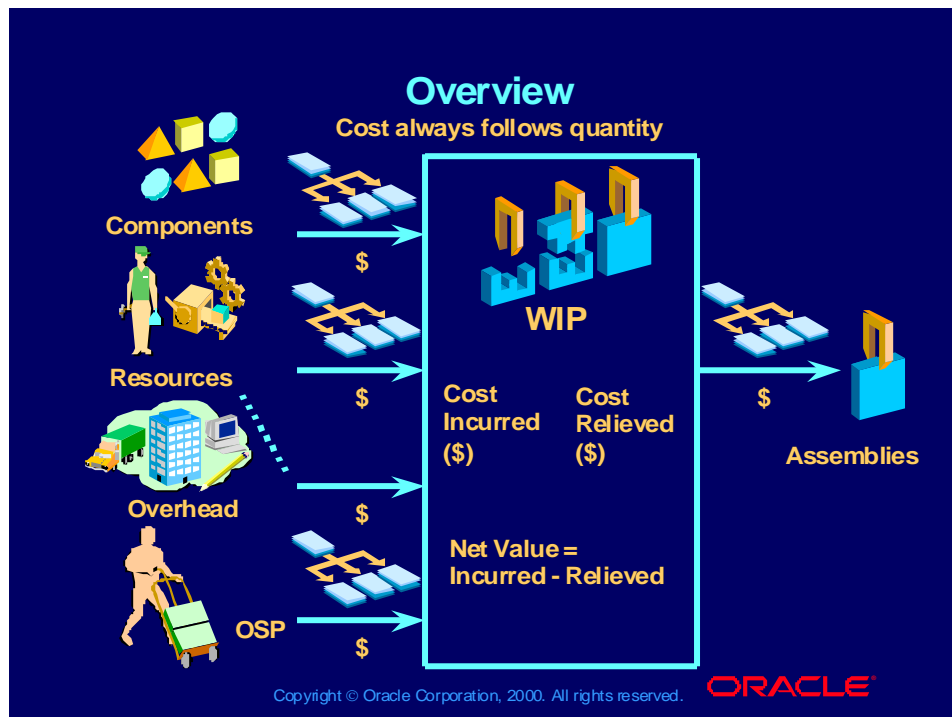


**Financial  
transactions**

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# Overview



## Overview

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



## Describing the Relationship Between WIP Transactions and Cost Management

---

### Describing the Relationship Between WIP Transactions and Cost Management

#### Charging Material Transactions at Standard Cost

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

#### Charging WIP Resource Transactions

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

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## Agenda

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### Agenda

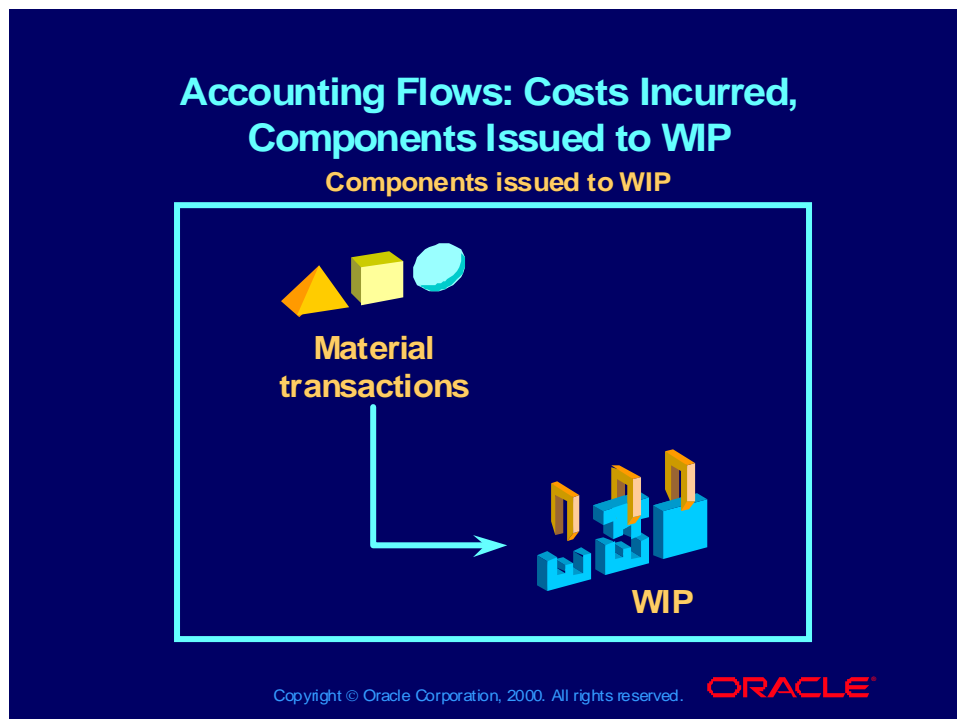
- Overview of Average Costing in WIP
- Accounting for costs incurred in WIP
- Accounting for costs relieved from WIP
- Calculate this-level variances and previous-level variances
- Describe how the standard cost update revalues WIP

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## Accounting Flows: Costs Incurred, Components Issued to WIP

---



## Accounting Flows: Costs Incurred, Components Issued to WIP

---

### Accounting Flows: Costs Incurred, Components Issued to WIP

#### Components Issued to WIP Using Push or Pull Transactions

Use push transactions to issue:

- All materials.
- Specific components.

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

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

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## Accounting Flows: Costs Incurred, Components Issued to WIP

---

### Accounting Flows: Costs Incurred, Components Issued to WIP

#### Viewing Charges Online

- Use the WIP Value Summary window to view material charges to a specific job or schedule.  
(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

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

## Accounting Flows: Costs Incurred, Components Issued to WIP

---

### Accounting Flows: Costs Incurred, Components Issued to WIP

#### Example

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

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## Accounting Flows: Costs Incurred, Components Issued to WIP

---

### Accounting Flows: Costs Incurred, Components Issued to WIP

**Reviewing the WIP Value Summary (on the next page)**

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

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## Accounting Flows: Costs Incurred, Components Issued to WIP

---

### Accounting Flows: Costs Incurred, Components Issued to WIP

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

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

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### Review Question

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

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

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

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### Review Question

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

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

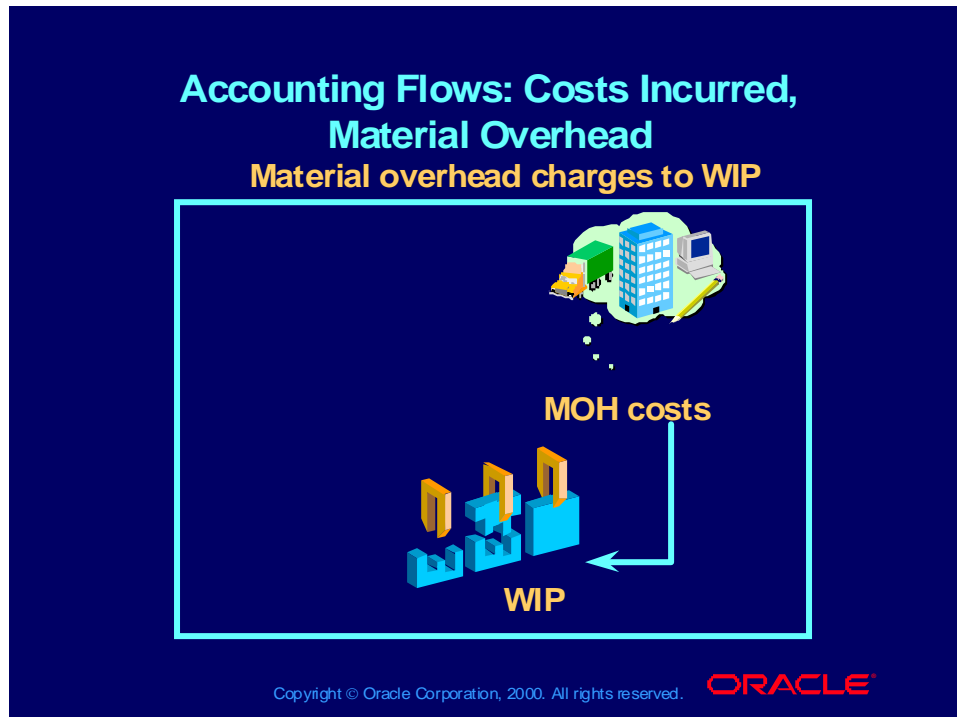
1. True
2. False

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## Accounting Flows: Costs Incurred, Material Overhead

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### Accounting Flows: Costs Incurred, Material Overhead

#### Material Overhead Application

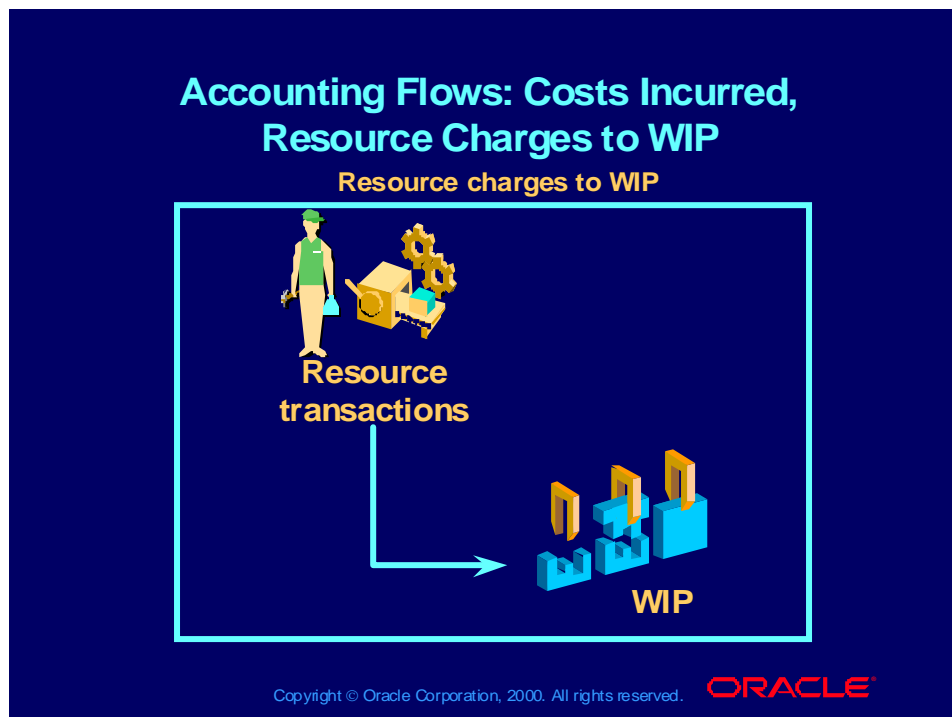
- Define material overheads under standard costing.
- Define as many material overhead subelements as you want and base your charging in a variety of ways: by item, activity, lot, or transaction value.
- Define default material overheads to apply to selected categories of items or to all items in your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

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## Accounting Flows: Costs Incurred, Resource Charges to WIP

---



### Accounting Flows: Costs Incurred, Resource Charges to WIP

#### Resource Transactions

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

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### Accounting Flows: Costs Incurred, Resource Charges to WIP

#### Actual Versus Standard

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

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## Accounting Flows: Costs Incurred, Resource Charges to WIP

---

### Accounting Flows: Costs Incurred, Resource Charges to WIP

Use the Move Transactions window to:

- Manually charge resources
- Automatically charges resources during move transactions

(N) WIP Move Transactions > Move Transactions

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

## Accounting Flows: Costs Incurred, Resource Charges to WIP

---

### Accounting Flows: Costs Incurred, Resource Charges to WIP

#### Viewing Charges Online

- Use the WIP Value Summary window to view resource charges to a specific job or schedule.  
(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary

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



## Accounting Flows: Costs Incurred, Resource Charges to WIP

---

### Accounting Flows: Costs Incurred, Resource Charges to WIP

#### Example

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

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### Accounting Flows: Costs Incurred, Resource Charges to WIP

Recording T Accounts for Transactions (on the next page)

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

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## Accounting Flows: Costs Incurred, Resource Charges to WIP

---

### Accounting Flows: Costs Incurred, Resource Charges to WIP

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

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

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## Review Question

---

### Review Question

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

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

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## Review Question

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### Review Question

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

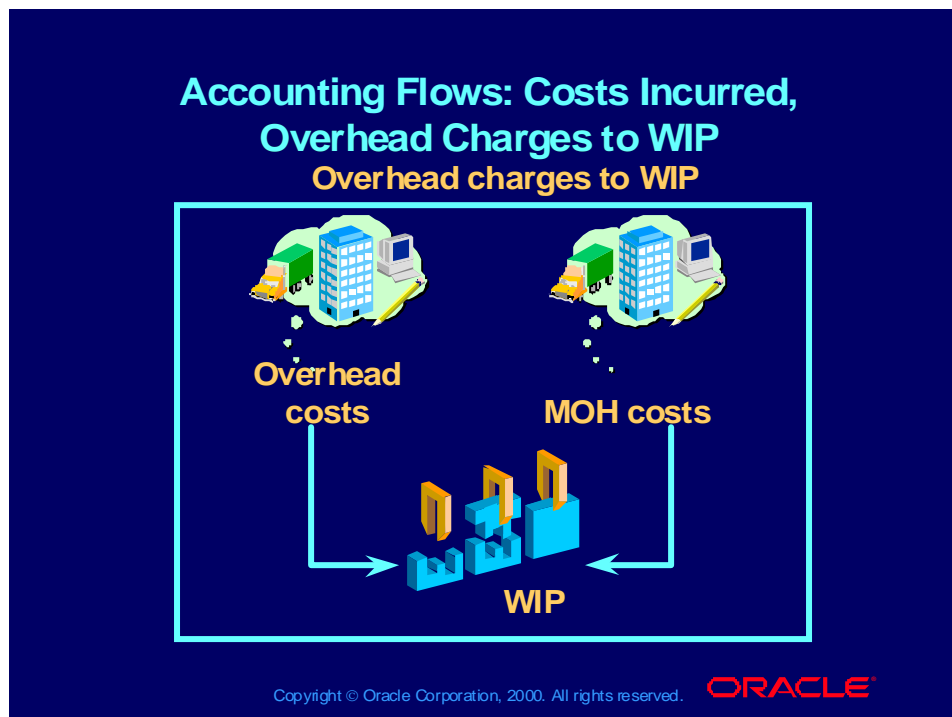
1. True
2. False

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## Accounting Flows: Costs Incurred, Overhead Charges to WIP

---



### Accounting Flows: Costs Incurred, Overhead Charges to WIP

#### Overhead Charges to WIP

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

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## Accounting Flows: Costs Incurred, Overhead Charges to WIP

---

### Accounting Flows: Costs Incurred, Overhead Charges to WIP

#### Overhead Charges to WIP

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

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### Accounting Flows: Costs Incurred, Overhead Charges to WIP

#### Variable Overhead Charging

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

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## Accounting Flows: Costs Incurred, Overhead Charges to WIP

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### Accounting Flows: Costs Incurred, Overhead Charges to WIP

#### Example: Resource-Based Overhead

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

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### Accounting Flows: Costs Incurred, Overhead Charges to WIP

#### Fixed Overhead Charging

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

#### Example: Move-Based Overhead

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

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## Accounting Flows: Costs Incurred, Overhead Charges to WIP

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### Accounting Flows: Costs Incurred, Overhead Charges to WIP

#### Viewing Charges Online

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

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

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

## Accounting Flows: Costs Incurred, Overhead Charges to WIP

---

### Accounting Flows: Costs Incurred, Overhead Charges to WIP

#### Example

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

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## Accounting Flows: Costs Incurred, Overhead Charges to WIP

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### Accounting Flows: Costs Incurred, Overhead Charges to WIP

Recording T Accounts for Transactions (on the next page)

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

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## Accounting Flows: Costs Incurred, Overhead Charges to WIP

---

### Accounting Flows: Costs Incurred, Overhead Charges to WIP

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

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

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## Review Question

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### Review Question

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

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

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## Review Question

---

### Review Question

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

1. True
2. False

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## Accounting Flows: Costs Incurred, Outside Processing

### Accounting Flows: Costs Incurred, Outside Processing

#### Outside Processing

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



**Outside processing  
costs**



**Variances**

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### Accounting Flows: Costs Incurred, Outside Processing

#### Actual Versus Standard

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

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### Accounting Flows: Costs Incurred, Outside Processing

#### Outside Processing

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

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## Accounting Flows: Costs Incurred, Outside Processing

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### Accounting Flows: Costs Incurred, Outside Processing

#### Viewing Charges Online

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

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

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

### Accounting Flows: Costs Incurred, Outside Processing

#### Example

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

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## Accounting Flows: Costs Incurred, Outside Processing

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### Accounting Flows: Costs Incurred, Outside Processing

Recording T Accounts for Transactions (on the next page)

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

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## Accounting Flows: Costs Incurred, Outside Processing

### Accounting Flows: Costs Incurred, Outside Processing

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

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

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## Review Question

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### Review Question

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

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

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## Review Question

---

### Review Question

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

1. True
2. False

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## Accounting Flows: Costs Incurred, Viewing the WIP Value Summary

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### Accounting Flows: Costs Incurred, Viewing the WIP Value Summary

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

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

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

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

### Accounting Flows: Costs Incurred, Summary

#### Elemental Cost Distribution

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

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## Review Question

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### Review Question

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

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

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## Review Question

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### Review Question

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

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

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## Agenda

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### Agenda

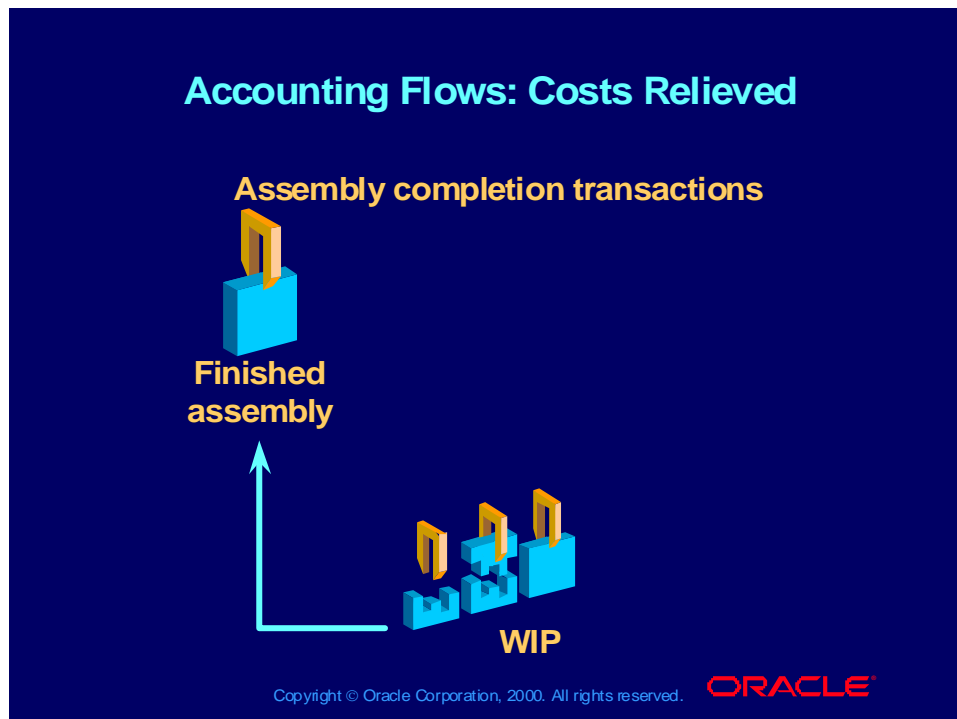
- Overview of Average Costing in WIP
- Accounting for costs incurred in WIP
- **Accounting for costs relieved from WIP**
- Calculate this-level variances and previous-level variances
- Describe how the standard cost update revalues WIP

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## Accounting Flows: Costs Relieved

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### Accounting Flows: Costs Relieved, Completion Transactions

#### Assembly Completion from WIP

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

#### Valuation of Completion Transactions

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

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## Accounting Flows: Costs Relieved, Performing Completion Transactions

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### Accounting Flows: Costs Relieved, Performing Completion Transactions

Use the Completion Transactions window to:

- Complete assemblies

(N) WIP Material Transaction > Completion Transactions

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

## Accounting Flows: Costs Relieved, Completion Transactions

---

### Accounting Flows: Costs Relieved, Completion Transactions

#### Viewing Charges Online

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

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

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

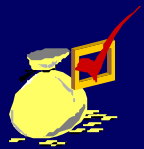
## Accounting Flows: Costs Relieved, Overcompletion Transactions

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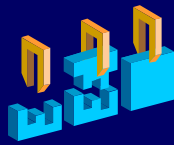
### Accounting Flows: Costs Relieved, Overcompletion Transactions

#### Costing of WIP Overcompletions

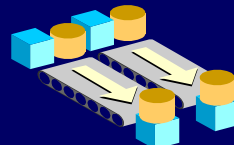
- Oracle Cost Management costs overcompletions in discrete jobs or in repetitive schedules.
- Oracle Cost Management costs overcompletions at the standard cost of the finished assemblies at the point of completion.



Costing at standard



Job costing



Period-based  
costing

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## Accounting Flows: Costs Relieved, Overcompletion Transactions

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### Accounting Flows: Costs Relieved, Overcompletion Transactions

#### WIP Overcompletions

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

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## Accounting Flows: Costs Relieved, Overcompletion Transactions

---

### Accounting Flows: Costs Relieved, Overcompletion Transactions

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

When you do an easy completion, the following happens:

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

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## Accounting Flows: Costs Relieved, Performing Overcompletion Transactions

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### Accounting Flows: Costs Relieved, Performing Overcompletion Transactions

Use the Move Transactions window to:

- Overcomplete assemblies
- Perform easy completions

(N) WIP Move Transactions > Move Transactions

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

## Accounting Flows: Costs Relieved, Overcompletion Transactions

---

### Accounting Flows: Costs Relieved, Overcompletion Transactions

#### Setup Considerations

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

Use the Work in Process Parameters window to:

- Specify overcompletion tolerance levels for overcompletions

(N) WIP Setup > Parameters (T) Other

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



## Accounting Flows: Costs Relieved, Work Order-less Completions

---

### Accounting Flows: Costs Relieved, Work Order-less Completions

#### Work Order-less Completions

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

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## Accounting Flows: Costs Incurred, Work Order-less Completions

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### Accounting Flows: Costs Incurred, Work Order-less Completions

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

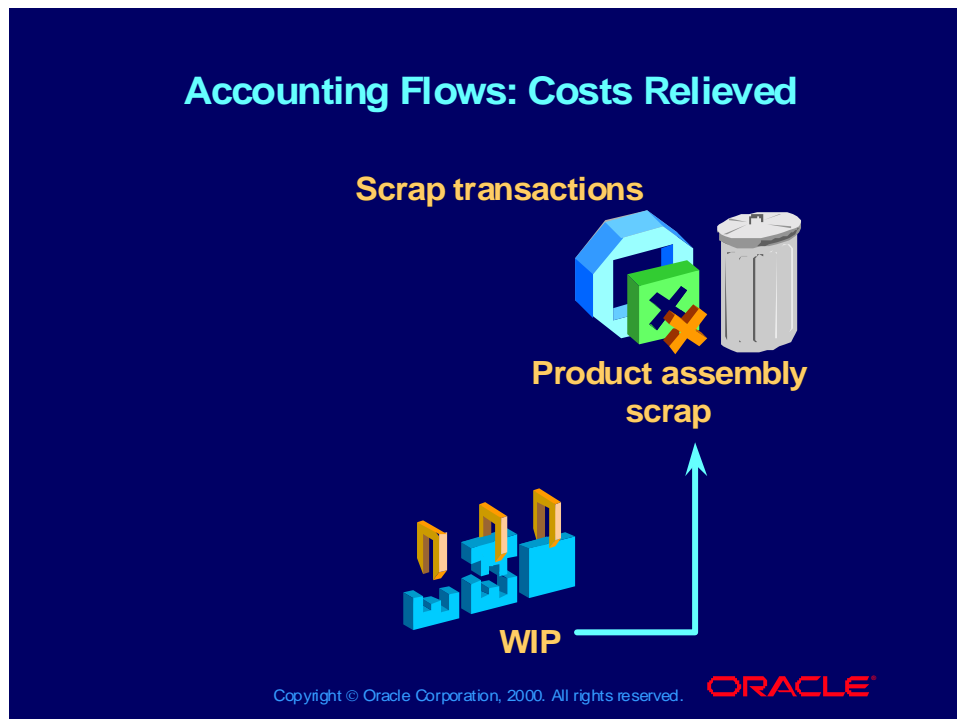
- Backflushes pull and push components
- Charges WIP move resources and overhead based on the routing
- Completes assemblies to a designated completion subinventory/locator
  - No move transactions are required since the work order-less completion backflushes and charges resources at completion versus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

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## Accounting Flows: Costs Relieved

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### Accounting Flows: Costs Relieved, Scrap

#### Scrap Transactions

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

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#### Note

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

### Accounting Flows: Costs Relieved, Scrap

#### Valuation of Scrap Transactions

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

**Debit Scrap Expense**

**Credit WIP**

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### Accounting Flows: Costs Relieved, Scrap

#### Valuation of Scrap Transactions

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

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## Accounting Flows: Costs Relieved, Performing Scrap Transactions

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### Accounting Flows: Costs Relieved, Performing Scrap Transactions

Use the Move Transactions window to:

- Scrap assemblies

(N) WIP Move Transactions > Move Transactions

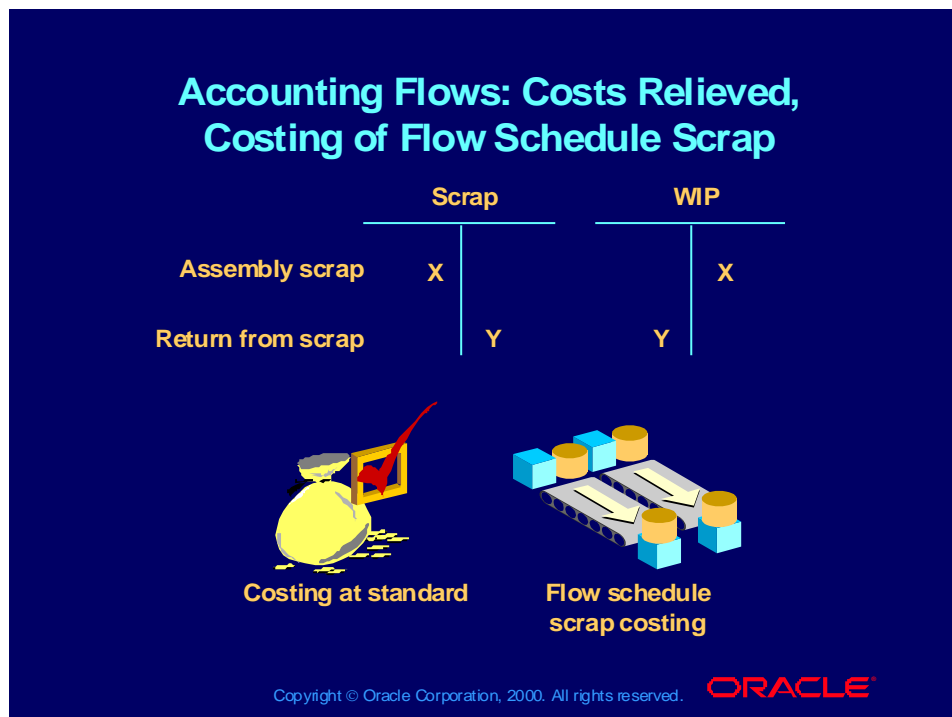
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**Help: Oracle Manufacturing Applications >  
Oracle Work in Process > Shop Floor Control >  
Move Transactions > Performing Move Transactions**

## Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

---





### Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

#### Costing of Assembly Scrap

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

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### Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

#### Assembly Scrap

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

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### Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

#### Oracle Flow Manufacturing

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

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### Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

#### Oracle Flow Manufacturing

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

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### Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap

#### Oracle Flow Manufacturing

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

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## Accounting Flows: Costs Relieved, Performing Assembly Scrap Transactions

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### Accounting Flows: Costs Relieved, Performing Assembly Scrap Transactions

Use the Work–Orderless Completions window to:

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

(N) FLOW Production > Work Order-less Completions

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

## Accounting Flows: Costs Relieved, Assembly Completion and Scrap

---

### Accounting Flows: Costs Relieved, Assembly Completion and Scrap

#### Example

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

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## Accounting Flows: Costs Relieved, Assembly Completion and Scrap

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### Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Recording T Accounts for Transactions (on the next page)

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

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## Accounting Flows: Costs Relieved, Assembly Completion and Scrap

---

### Accounting Flows: Costs Relieved, Assembly Completion and Scrap

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

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

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## Review Question

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### Review Question

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

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

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## Review Question

---

### Review Question

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

- 1. True**
2. False

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## Agenda

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### Agenda

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

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### Accounting Flows: Variances

#### Variances

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



**Elemental variance  
accounts**



**Variances**

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### Accounting Flows: Variances

#### Variances

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

#### This-Level Variances

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

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### Accounting Flows: Variances

#### Previous-Level Variances

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

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### Accounting Flows: Variances

#### Source of Variances

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

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### Accounting Flows: Variances

#### Source of Variances

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

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### Accounting Flows: Variances

#### Example

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

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## Review Question

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### Review Question

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

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

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## Review Question

---

### Review Question

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

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

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## Agenda

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### Agenda

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

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## Standard Cost Update

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## Standard Cost Update

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### Standard Cost Update

#### Automatic Revaluation and Accounting

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

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#### Note

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

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

### Standard Cost Update

#### Example: Updating previous-level costs

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

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

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## Standard Cost Update

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### Standard Cost Update

Example: Updating previous-level costs

#### Bill of Material Costs

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

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### Standard Cost Update

#### Example: Updating this-level costs

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

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

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## Standard Cost Update

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### Standard Cost Update

Example: Updating this-level costs

#### Routing Costs

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

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## Standard Cost Update

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### Standard Cost Update

#### Example: Adjusting accounting entry

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

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

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## Standard Cost Update

### Standard Cost Update

#### Example: Adjusting accounting entry

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

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

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## Review Question

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### Review Question

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

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

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

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## Review Question

---

### Review Question

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

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

1. True
2. False

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### Summary

**In this lesson, you should have learned how to:**

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

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### Practice 2 Overview

**This practice covers the following topics:**

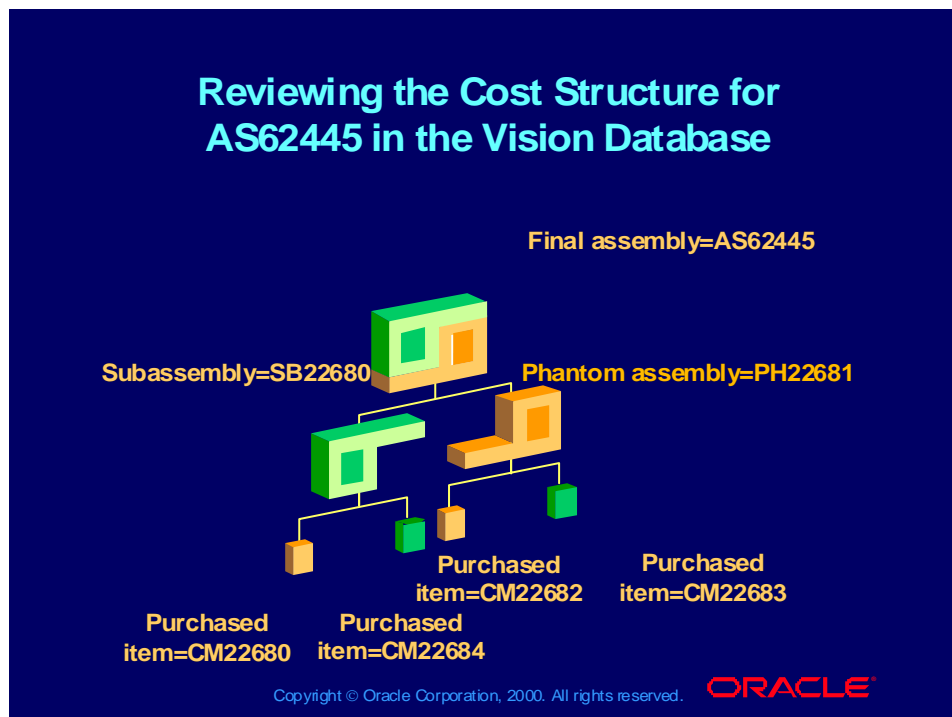
- **Performing and analyzing WIP transactions in a standard costing environment**
- **Reviewing a business scenario for WIP costing, discussing the impact of overcompletions, scrap and phantom costing**
- **Performing and analyzing WIP transactions in a standard costing environment to observe the behavior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

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## Reviewing the Cost Structure for AS62445 in the Vision Database

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## Reviewing the Cost Structure for AS62445 in the Vision Database

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### Reviewing the Cost Structure for AS62445 in the Vision Database

#### Vision Database Data

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

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## Reviewing the Cost Structure for AS62445 in the Vision Database

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### Reviewing the Cost Structure for AS62445 in the Vision Database

#### Assumptions

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

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## Reviewing the Cost Structure for AS62445 in the Vision Database

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### Reviewing the Cost Structure for AS62445 in the Vision Database

#### Assumptions

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

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## Practice 2-1: Performing and Analyzing WIP Transactions in Standard Costing

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### Practice 2-1: Performing and Analyzing WIP Transactions in Standard Costing

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

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### Instructions

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

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## Guided Practice 2-1: Checking the Interface Managers

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### Guided Practice 2-1: Checking the Interface Managers

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

**(N) INV Setup > Transactions > Interface Managers**

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## Guided Practice 2-1: Defining Discrete Jobs

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### Guided Practice 2-1: Defining Discrete Jobs

1. Navigate to the Discrete Jobs window to define a released, discrete job for AS62445, as follows:  
(N) WIP Discrete > Discrete Jobs (B) New
2. Job: xx-job01, where xx are your initials
3. Type: Standard
4. Assembly: AS62445
5. Class: Discrete
6. Status: Released
7. Start quantity: 10
8. MRP Net 10
9. Completion date: Friday of this week as DD-MON-YY
10. Save and record the job number that the system assigns here:\_\_\_\_\_

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## Guided Practice 2-1: Checking Material Requirements

---

### Guided Practice 2-1: Checking Material Requirements

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

(N) WIP Discrete > Discrete Jobs (F) Enter job number (B) Components > Supply

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## Guided Practice 2-1: Issuing Push Material

---

### Guided Practice 2-1: Issuing Push Material

1. Navigate to the Material Transactions window to issue your push material needed at the start of the job.
- (N) WIP Material Transactions > WIP Material Transactions
2. Job: xx-job01, where xx are your initials
3. Date: Today's date
4. Type: WIP component issue
5. Subinventory: Stores
6. Choose: Transact
7. Action: Check that your push components appear
8. Choose: Done

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## Guided Practice 2-1: Valuing Push Material

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### Guided Practice 2-1: Valuing Push Material

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

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

2. Item: CM22680

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## Guided Practice 2-1: Valuing Your Job using the WIP Value Summary

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### Guided Practice 2-1: Valuing Your Job using the WIP Value Summary

1. **Navigate to the WIP Value Summary window to verify that your push material needed at the start of the job was recorded and valued.**  
(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary
2. **Job: xx-job01**
3. **Action: Verify the value of your push components and your job**
4. **Choose Cost Element: Material**
5. **Choose: Distributions**
6. **Action: Verify the distributions of your push components and your job**

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## Guided Practice 2-1: Issuing Push Material

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### Guided Practice 2-1: Issuing Push Material

1. Navigate to the Material Transactions window to issue five additional pieces of CM22680 to the job.
- (N) WIP Material Transactions > WIP Material Transactions
2. Job: xx-job01
3. Date: Today's date
4. Type: WIP component issue
5. Subinventory: Stores
6. Choose: Specific component
7. Choose: Transact
8. Item: CM22680
9. Subinventory: Stores
10. Operation: 10
11. Choose: Done

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## Guided Practice 2-1: Valuing Push Material

---

### Guided Practice 2-1: Valuing Push Material

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

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

2. Item: CM22680

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## Guided Practice 2-1: Reviewing Job Costs Using the WIP Value Summary

---

### Guided Practice 2-1: Reviewing Job Costs Using the WIP Value Summary

1. **Navigate to the WIP Value Summary window to verify that your additional five pieces of CM22680 were recorded and valued.**  
(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary
2. **Job: xx-job01**
3. **Action: Verify the value of your push components, your additional components and your job**
4. **Choose Cost Element: Material**
5. **Choose: Distributions**
6. **Action: Verify the distributions of your job.**

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## Guided Practice 2-1: Performing Move Transactions

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### Guided Practice 2-1: Performing Move Transactions

1. Move all of the assemblies From Op Seq: 10, Step: Queue to Op Seq: 20, Step: To Move.  
(N) WIP Move Transactions > Move Transactions
2. Job: xx-job01
3. From Op Seq: 10, Step Queue
4. Complete: No
5. To: Seq 20, Step: To move
6. Quantity: 10
7. Date: Today's date
8. Choose: Resources
9. Observe how employee information appears
10. Enter employee #
11. Quantity: 10
12. Save

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## Guided Practice 2-1: Valuing Your Job using the WIP Value Summary

---

### Guided Practice 2-1: Valuing Your Job using the WIP Value Summary

1. Navigate to the WIP Value Summary window to verify the value of your job.
- (N) WIP Discrete > WIP Value Summary (B) Find > Value Summary
2. Job: xx-job01
3. Action: Verify the value of your push components, your additional components, and your moves in your job
4. Choose Cost Element: Material
5. Choose: Distributions
6. Action: Verify the distributions of your job.
7. Choose Cost Element: Resource
8. Choose: Distributions
9. Action: Verify the distributions of your job.

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## Guided Practice 2-1: Performing Easy Completions

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### Guided Practice 2-1: Performing Easy Completions

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

(N) WIP Move Transactions > Move Transactions

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

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## Guided Practice 2-1: Valuing Easy Completions

---

### Guided Practice 2-1: Valuing Easy Completions

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

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

2. Item: AS62445
3. Costed: Yes

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## Guided Practice 2-1: Valuing Your Job using the WIP Value Summary

---

### Guided Practice 2-1: Valuing Your Job using the WIP Value Summary

1. **Navigate to the WIP Value Summary window to verify the value of your job.**
- (N) **WIP Discrete > WIP Value Summary (B) Find > Value Summary**
2. **Job: xx-job01**
3. **Action: Verify the value of your push components, your additional components, your moves and your completions in your job**
4. **Choose Cost Element: Material**
5. **Choose: Distributions**
6. **Action: Verify the distributions of your job.**
7. **Choose Cost Element: Resource**
8. **Choose: Distributions**
9. **Action: Verify the distributions of your job.**

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## Guided Practice 2-1: Verifying Item Costs

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### Guided Practice 2-1: Verifying Item Costs

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

**(N) CST Item Costs > Item Costs**

2. **Item: AS62445**
3. **Choose: Find**
4. **Choose: Open**
5. **Action: Review Cost Information**

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## Guided Practice 2-1: Performing Move Transactions to Scrap

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### Guided Practice 2-1: Performing Move Transactions to Scrap

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

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## Guided Practice 2-1: Reviewing Job Costs Using the WIP Value Summary

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### Guided Practice 2-1: Reviewing Job Costs Using the WIP Value Summary

1. Navigate to the WIP Value Summary window to verify the value of scrap in your job.  
(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary
2. Job: xx-job01
3. Action: Verify the value of scrap in your job
4. Choose Cost Element: Material
5. Choose: Distributions
6. Action: Verify the distributions of your job.

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## Guided Practice 2-1: Performing Completion Transactions

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### Guided Practice 2-1: Performing Completion Transactions

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

(N) WIP Material Transactions > Completion Transactions

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

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## Guided Practice 2-1: Valuing Completions

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### Guided Practice 2-1: Valuing Completions

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

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

2. Item: AS62445
3. Costed: Yes

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## Guided Practice 2-1: Reviewing Job Costs Using the WIP Value Summary

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### Guided Practice 2-1: Reviewing Job Costs Using the WIP Value Summary

1. Navigate to the WIP Value Summary window to verify the value of your job.  
(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary
2. Job: xx-job01
3. Action: Verify the value of your push components, your additional components, your moves and your completions in your job
4. Choose Cost Element: Material
5. Choose: Distributions
6. Action: Verify the distributions of your job.
7. Choose Cost Element: Resource
8. Choose: Distributions
9. Action: Verify the distributions of your job.

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## Guided Practice 2-1: Verifying Item Costs

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### Guided Practice 2-1: Verifying Item Costs

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

**(N) CST Item Costs > Item Costs**

2. **Item: AS62445**
3. **Choose: Find**
4. **Choose: Open**
5. **Action: Review Cost Information**

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## Guided Practice 2-1: Closing Discrete Jobs

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### Guided Practice 2-1: Closing Discrete Jobs

1. Navigate to the Close Discrete Jobs window to close only your job.  
(N) WIP Discrete > Close Discrete Jobs > Close Discrete Job (SRS)
2. Request Name: Close Discrete Jobs
3. Parameters window
4. Class Type: Standard discrete
5. From Job: xx-job01, where xx are your initials
6. To Job: xx-job01, where xx are your initials
7. OK
8. Choose: Submit Request
9. Record your request number here: \_\_\_\_\_

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## Guided Practice 2-1: Reviewing Requests

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### Guided Practice 2-1: Reviewing Requests

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

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

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## Guided Practice 2-1: Valuing Your Job using the WIP Value Summary

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### **Guided Practice 2-1: Valuing Your Job using the WIP Value Summary**

1. **Navigate to the WIP Value Summary window to verify the value of your job.**  
(N) WIP Discrete > WIP Value Summary (B) Find > Value Summary
2. **Job: xx-job01**
3. **Action: Verify the value of your job**
4. **Choose Cost Element: Material**
5. **Choose: Distributions**
6. **Action: Verify the distributions of your job for each cost element**
7. **Choose Cost Element: Resource**
8. **Choose: Distributions**
9. **Action: Verify the accounting distributions of your job created by the transactions.**

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## Guided Practice 2-1: Reviewing the Discrete Job Value Report

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### Guided Practice 2-1: Reviewing the Discrete Job Value Report

1. Run the Discrete Job Value Report for your job, and review the results online.  
(N) WIP Report (Select) Discrete Job Value Report
2. Request Name: Discrete Job Value Report-Standard
3. Parameters window
4. Sort by: Job
5. Report Type: Summary
6. Class Type: Standard Discrete
7. Include Bulk: Yes
8. Include Vendor: Yes
9. From Job: xx-job01, where xx are your initials
10. To Job: xx-job01, where xx are your initials
11. OK and choose: Submit Request
12. Record your request number here: \_\_\_\_\_

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## Guided Practice 2-1: Reviewing Requests

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### Guided Practice 2-1: Reviewing Requests

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

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

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## Practice 2-2: Business Scenario for WIP Costing

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### **Practice 2-2: Business Scenario for WIP Costing**

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

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

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## Practice 2-2: Business Scenario for WIP Costing

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### **Practice 2-2: Business Scenario for WIP Costing**

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

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## Practice 2-2: Business Scenario for WIP Costing

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### **Practice 2-2: Business Scenario for WIP Costing**

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

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## Practice 2-2: Business Scenario for WIP Costing

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### Practice 2-2: Business Scenario for WIP Costing

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

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### Practice 2-3: WIP Costing

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

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

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### Practice 2-3: WIP Costing

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

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### Practice 2-3: WIP Costing

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

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### Practice 2-3: WIP Costing

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

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## Guided Practice 2-3: Defining Discrete Jobs

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### Guided Practice 2-3: Defining Discrete Jobs

1. Navigate to the Discrete Jobs window to define a released, discrete job for AS62445, as follows:  
(N) WIP Discrete > Discrete Jobs (B) New
2. Job: xx-job02, where xx are your initials
3. Type: Standard
4. Assembly: AS62445
5. Class: Discrete
6. Status: Released
7. Start quantity: 100
8. MRP Net quantity: Defaults
9. Firm: Clear
10. Start date: Today
11. Save and record the job number that the system assigns here: \_\_\_\_\_

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## Guided Practice 2-3: Verifying Material and Resource Requirements on Phantom

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### **Guided Practice 2-3: Verifying Material and Resource Requirements on Phantom**

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

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

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

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

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## Guided Practice 2-3: Verifying Overcompletion Tolerance for AS62445

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### Guided Practice 2-3: Verifying Overcompletion Tolerance for AS62445

1. Verify the overcompletion tolerance for the final assembly AS62445.  
(N) Inventory > Items > Organization Items
2. Item: AS62445
3. Choose Find
4. Choose the Work-in-Process tab
5. Make a note of the overcompletion tolerance type and amount. \_\_\_\_\_

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## Guided Practice 2-3: Performing Easy Completions

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### Guided Practice 2-3: Performing Easy Completions

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

(N) WIP Move Transactions > Move Transactions

2. Job: Your job xx-job02

3. Complete: Yes

4. From Op Seq: 10, Step Queue

5. Overcompletion: X

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

7. Date: Today's date

8. Choose: Transact

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## Guided Practice 2-3: Viewing Discrete Jobs

---

### Guided Practice 2-3: Viewing Discrete Jobs

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

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

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

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### **Guided Practice 2-3: Viewing Discrete Jobs**

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

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## Guided Practice 2-3: Reviewing Job Costs Using the WIP Value Summary

---

### Guided Practice 2-3: Reviewing Job Costs Using the WIP Value Summary

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

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

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

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## Guided Practice 2-3: Performing Scrap Transactions

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### Guided Practice 2-3: Performing Scrap Transactions

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

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

2. Job: Your job xx-job02

3. Move: X

4. From operation: 10 Step: Queue

5. To operation: 20 Step: Scrap

8. Overcompletion: X

9. Choose Transact

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## Guided Practice 2-3: Viewing Discrete Jobs

---

### Guided Practice 2-3: Viewing Discrete Jobs

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

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

2. Job: Your job xx-job02
3. Choose Find
4. Choose Components
5. Choose the Quantities tab

Have the assembly pull components been issued?

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## Guided Practice 2-3: Viewing Discrete Jobs

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### Guided Practice 2-3: Viewing Discrete Jobs

1. Verify the costing of the transaction.

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

2. Job: Your job xx-job02

3. Choose Find

4. Choose Value Summary

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

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# **Appendix A: Describing T-Accounts for Inventory Transactions for Standard Costing**

## **Chapter 3**

### **Standard Costing**

#### **Appendix A: Describing T-Accounts for Inventory Transactions for Standard Costing**

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## Objectives

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### Objectives

After completing this lesson, you should be able to:

- Describe T-Accounts for inventory transactions in standard costing



**Purchases**



**Receive goods**



**Ship goods**



**Direct**



**Intransit**



**Adjustments**

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## Agenda

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### Agenda

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

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### Overview

#### Transactions

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

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### T-Accounts

#### T-Accounts

- Graphical representation of the double-entry accounting system

#### Double-entry Accounting System

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

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## T-Accounts

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### T-Accounts

#### Example

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

| Receiving<br>Inspection | Inventory |
|-------------------------|-----------|
| 1500                    | 1500      |

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### Inventory Purchasing Transactions

#### Example

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

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## Inventory Purchasing Transactions

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### Inventory Purchasing Transactions

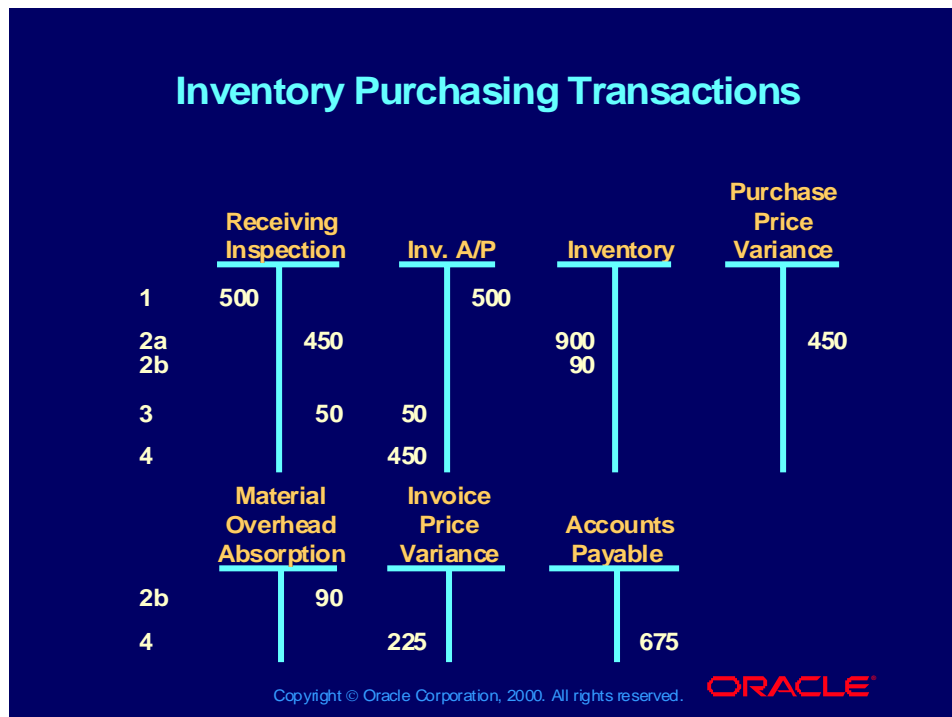
#### Recording T Accounts for Inventory Purchasing Transactions (on the following page)

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

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## Inventory Purchasing Transactions



## Expense Purchasing Transactions with Month-End Accruals

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### Expense Purchasing Transactions with Month-End Accruals

#### Example

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

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## Expense Purchasing Transactions with Month-End Accruals

---

### Expense Purchasing Transactions with Month-End Accruals

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

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

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## Expense Purchasing Transactions with Month-End Accruals

---

|               | Receiving<br>Inspection | Expense<br>A/P<br>Accrual | Expense | Accounts<br>Payable |
|---------------|-------------------------|---------------------------|---------|---------------------|
| Period 1<br>1 |                         | 500                       | 500     |                     |
| Period 2<br>2 |                         | 500                       | 500     |                     |
| 3             |                         |                           | 750     | 750                 |

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## Expense Purchasing Transactions with Accruals upon Receipt

---

### Expense Purchasing Transactions with Accruals upon Receipt

#### Example

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

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## Expense Purchasing Transactions with Accruals upon Receipt

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### Expense Purchasing Transactions with Accruals upon Receipt

#### Example (continued)

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

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## Expense Purchasing Transactions with Accruals upon Receipt

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### Expense Purchasing Transactions with Accruals upon Receipt

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

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

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## Expense Purchasing Transactions with Accruals upon Receipt

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

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### Miscellaneous Inventory Transactions

#### Example

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

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### Miscellaneous Inventory Transactions

#### Example

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

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## Miscellaneous Inventory Transactions

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### Miscellaneous Inventory Transactions

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

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

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## Miscellaneous Inventory Transactions

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| Miscellaneous Inventory Transactions |                   |                   |         |                  |
|--------------------------------------|-------------------|-------------------|---------|------------------|
|                                      | Inventory<br>Sub1 | Inventory<br>Sub2 | Expense | Account<br>Alias |
| 1                                    | 500               | 500               |         |                  |
| 2                                    | 100               |                   | 100     |                  |
| 3                                    | 200               |                   | 200     |                  |
| 4                                    | 300               |                   |         | 300              |
| 5                                    | 400               |                   |         | 400              |

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### Direct Interorganization Transfers

#### Example

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

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## Direct Interorganization Transfers

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### Direct Interorganization Transfers

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

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

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

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## Interorganization Transfers Using Intransit FOB Receipt

---

### Interorganization Transfers Using Intransit FOB Receipt

#### Example

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

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## Interorganization Transfers Using Intransit FOB Receipt

---

### Interorganization Transfers Using Intransit FOB Receipt

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

|                        | <b>Sending<br/>Organization</b> | <b>Receiving<br/>Organization</b> |
|------------------------|---------------------------------|-----------------------------------|
| <b>Standard cost</b>   | <b>\$10.00</b>                  | <b>\$15.00</b>                    |
| <b>Transfer credit</b> | <b>10%</b>                      |                                   |
| <b>Freight</b>         | <b>\$10.00</b>                  |                                   |
| <b>Costing method</b>  | <b>Standard costing</b>         | <b>Standard costing</b>           |

**Transactions:**

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

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## Interorganization Transfers Using Intransit FOB Receipt

### Interorganization Transfers Using Intransit FOB Receipt

Sending organization accounts:

|   | Intransit<br>Inventory | Inventory | Interorg<br>Receivable | Transfer<br>Credit | Freight<br>Credit |
|---|------------------------|-----------|------------------------|--------------------|-------------------|
| 1 | 500                    | 500       |                        |                    |                   |
| 2 |                        | 500       | 560                    | 50                 | 10                |

Receiving organization accounts:

|   | Inventory | Interorg<br>Payable | Interorg<br>PVC |
|---|-----------|---------------------|-----------------|
| 2 | 750       | 560                 | 190             |

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## Interorganization Transfers Using Intransit FOB Shipment

---

### Interorganization Transfers Using Intransit FOB Shipment

#### Example

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

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## Interorganization Transfers Using Intransit FOB Shipment

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### Interorganization Transfers Using Intransit FOB Shipment

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

|                 | <b>Sending<br/>Organization</b> | <b>Receiving<br/>Organization</b> |
|-----------------|---------------------------------|-----------------------------------|
| Standard cost   | \$10.00                         | \$15.00                           |
| Transfer credit | 10%                             |                                   |
| Freight         | \$10.00                         |                                   |
| Costing method  | Standard costing                | Standard costing                  |

**Transactions:**

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

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## Interorganization Transfers Using Intransit FOB Shipment

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### Interorganization Transfers Using Intransit FOB Shipment

#### Sending organization accounts:

|   | Inventory | Interorg<br>Receivable | Transfer<br>Credit |
|---|-----------|------------------------|--------------------|
| 1 | 500       | 550                    | 50                 |

#### Receiving organization accounts:

|   | Intransit<br>Inventory | Inventory | Interorg<br>Payable | Interorg<br>PPV | Freight<br>Credit |
|---|------------------------|-----------|---------------------|-----------------|-------------------|
| 1 | 750                    |           | 550                 | 190             | 10                |
| 2 |                        | 750       |                     |                 |                   |

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### Customer Shipments and Returns

#### Example

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

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## Customer Shipments and Returns

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### Customer Shipments and Returns

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

**Customer Shipments**

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

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## Customer Shipments and Returns

---

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

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### Inventory Adjustments

#### Example

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

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## Inventory Adjustments

---

### Inventory Adjustments

#### Recording T Accounts for Inventory Adjustments

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

|   | Inventory | Inventory Adjustment |
|---|-----------|----------------------|
| 1 | 100       | 100                  |
| 2 | 300       | 300                  |

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## Summary

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### Summary

In this lesson, you should have learned how to:

- Describe T-Accounts for inventory transactions in standard costing



**Purchases**



**Receive goods**



**Ship goods**



**Direct**



**Intransit**



**Adjustments**

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## Practice 1 Overview

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### Practice 1 Overview

**This practice covers the following topics:**

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

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

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

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

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

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

---

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

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

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

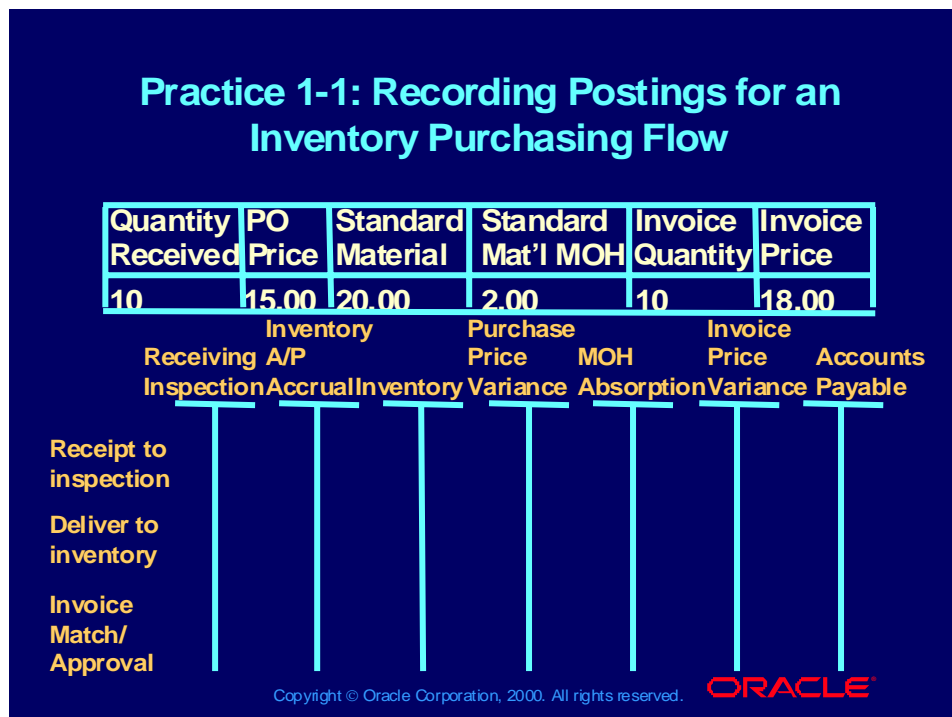
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## Practice 1-1: Recording Postings for an Inventory Purchasing Flow

---



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

| Practice 1-1 Solution: Recording Postings<br>for an Inventory Purchasing Flow |  |                      |                               |                     |                              |                     |
|---|--|----------------------|-------------------------------|---------------------|------------------------------|---------------------|
| Quantity<br>Received  | PO<br>Price                              | Standard<br>Material | Standard<br>Mat'l MOH         | Invoice<br>Quantity | Invoice<br>Price             |                     |
| 10  | 15.00                                    | 20.00                | 2.00                          | 10                  | 18.00                        |                     |
|   |  |                      |                               |                     |                              |                     |
|   | Inventory<br>Receiving A/P<br>Inspection | Accrual<br>Inventory | Purchase<br>Price<br>Variance | MOH<br>Absorption   | Invoice<br>Price<br>Variance | Accounts<br>Payable |
| Receipt to<br>inspection  | 150                                      | 150                  |                               |                     |                              |                     |
| Deliver to<br>inventory   | 150                                      | 220                  | 50                            | 20                  |                              |                     |
| Invoice<br>Match/<br>Approval   |  | 150                  |                               |                     | 30                           | 180                 |

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

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

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

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

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

---

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

**In this practice, you do the following:**

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

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

---

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

#### Assumptions

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

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

---

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

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

| Seattle<br>accounts: | Intransit<br>Inventory | Inventory           | Interorg<br>Receivable | Transfer<br>Credit | Freight<br>Credit |
|----------------------|------------------------|---------------------|------------------------|--------------------|-------------------|
| 1                    |                        |                     |                        |                    |                   |
| 2                    |                        |                     |                        |                    |                   |
| Chicago<br>accounts: | Inventory              | Interorg<br>Payable | Interorg<br>PVC        |                    |                   |
| 1                    |                        |                     |                        |                    |                   |

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

---

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

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

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

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# **Appendix B: Describing T-Accounts for WIP Transactions for Standard Costing**

## **Chapter 4**



### **Standard Costing**

#### **Appendix B: Describing T-Accounts for WIP Transactions for Standard Costing**

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## Objectives

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### Objectives

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

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

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## Agenda

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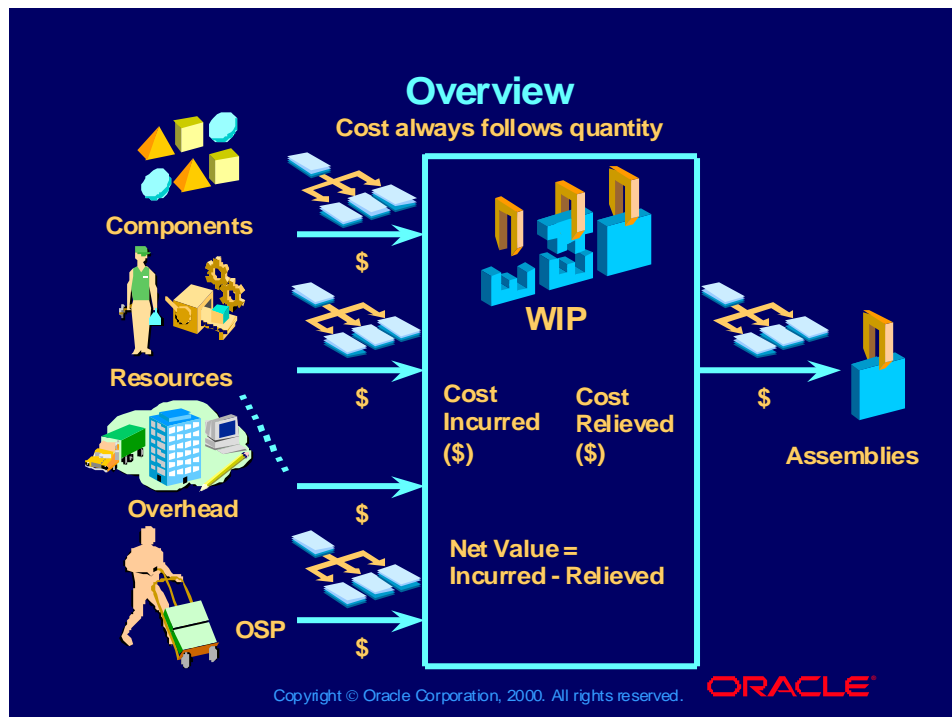
### Agenda

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

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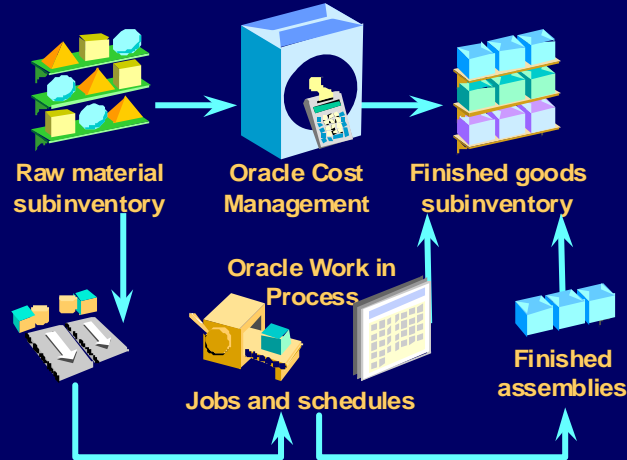
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# Overview



## Overview

Issue material; relieve inventory and charge WIP at standard cost



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## Accounting Flows: Costs Incurred, Components Issued to WIP

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### Accounting Flows: Costs Incurred, Components Issued to WIP

#### Example

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

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## Accounting Flows: Costs Incurred, Components Issued to WIP

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### Accounting Flows: Costs Incurred, Components Issued to WIP

#### Recording T Accounts for Transactions (on the next page)

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

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## Accounting Flows: Costs Incurred, Components Issued to WIP

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### Accounting Flows: Costs Incurred, Components Issued to WIP

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

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

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

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## Accounting Flows: Costs Incurred, Resource Charges to WIP

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### Accounting Flows: Costs Incurred, Resource Charges to WIP

#### Example

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

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## Accounting Flows: Costs Incurred, Resource Charges to WIP

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### Accounting Flows: Costs Incurred, Resource Charges to WIP

Recording T Accounts for Transactions (on the next page)

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

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## Accounting Flows: Costs Incurred, Resource Charges to WIP

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### Accounting Flows: Costs Incurred, Resource Charges to WIP

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

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

|   | Resource Transactions |                        |                          |                  |
|---|-----------------------|------------------------|--------------------------|------------------|
|   | WIP<br>Accounts       | Resource<br>Absorption | Subinventory<br>Accounts | Rate<br>Variance |
| 4 | 550                   |                        | 550                      |                  |
| 5 |                       | 50                     |                          |                  |
| 6 | 125                   |                        | 125                      | 25               |

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## Accounting Flows: Costs Incurred, Overhead Charges to WIP

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### Accounting Flows: Costs Incurred, Overhead Charges to WIP

#### Example

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

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## Accounting Flows: Costs Incurred, Overhead Charges to WIP

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### Accounting Flows: Costs Incurred, Overhead Charges to WIP

Recording T Accounts for Transactions (on the next page)

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

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## Accounting Flows: Costs Incurred, Overhead Charges to WIP

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### Accounting Flows: Costs Incurred, Overhead Charges to WIP

Overhead transactions record the indirect cost of WIP.

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

| Overhead Transactions |                 |     |                        |
|-----------------------|-----------------|-----|------------------------|
|                       | WIP<br>Accounts |     | Overhead<br>Absorption |
| 7                     | 1375            |     | 1375                   |
| 8                     |                 | 125 | 125                    |
| 9                     | 200             |     | 200                    |

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## Accounting Flows: Costs Incurred, Outside Processing

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### Accounting Flows: Costs Incurred, Outside Processing

#### Example

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

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## Accounting Flows: Costs Incurred, Outside Processing

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### Accounting Flows: Costs Incurred, Outside Processing

Recording T Accounts for Transactions (on the next page)

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

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## Accounting Flows: Costs Incurred, Outside Processing

### Accounting Flows: Costs Incurred, Outside Processing

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

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

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

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### Note

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

## Accounting Flows: Costs Relieved, Assembly Completion and Scrap

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### Accounting Flows: Costs Relieved, Assembly Completion and Scrap

#### Example

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

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## Accounting Flows: Costs Relieved, Assembly Completion and Scrap

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### Accounting Flows: Costs Relieved, Assembly Completion and Scrap

Recording T Accounts for Transactions (on the next page)

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

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## Accounting Flows: Costs Relieved, Assembly Completion and Scrap

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### Accounting Flows: Costs Relieved, Assembly Completion and Scrap

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

#### Completion and Scrap Transactions

|    | Subinventory<br>Accounts | WIP<br>Accounts | Material OH<br>Absorption | Scrap<br>Account |
|----|--------------------------|-----------------|---------------------------|------------------|
| 13 |                          |                 | 934                       | 934              |
| 14 |                          | 467             |                           |                  |
| 15 | 4,383                    | 4,383           | 180                       | 467              |

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### Accounting Flows: Variances

#### Example

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

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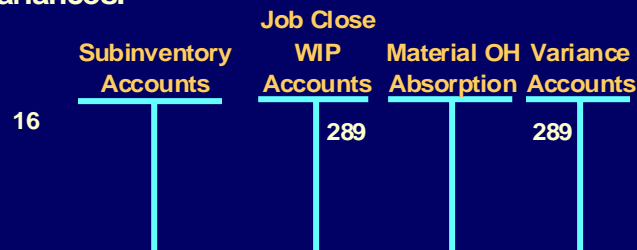
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### Accounting Flows: Variances

#### Recording T Accounts for Transactions

##### 16. Job close or schedule

Recognize this-level variances and previous-level variances.



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## Summary

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### Summary

**In this lesson, you should have learned how to:**

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

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

## Practice 2 Overview

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### Practice 2 Overview

**This practice covers the following topics:**

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

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## Practice 2-1: Recording Postings for Standard Costing Transactions

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### **Practice 2-1: Recording Postings for Standard Costing Transactions**

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

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

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## Practice 2-1: Recording Postings for Standard Costing Transactions

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### Practice 2-1: Recording Postings for Standard Costing Transactions

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

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## Practice 2-1: Recording Postings for Standard Costing Transactions

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### Practice 2-1: Recording Postings for Standard Costing Transactions

After opening the workorder, you do the following:

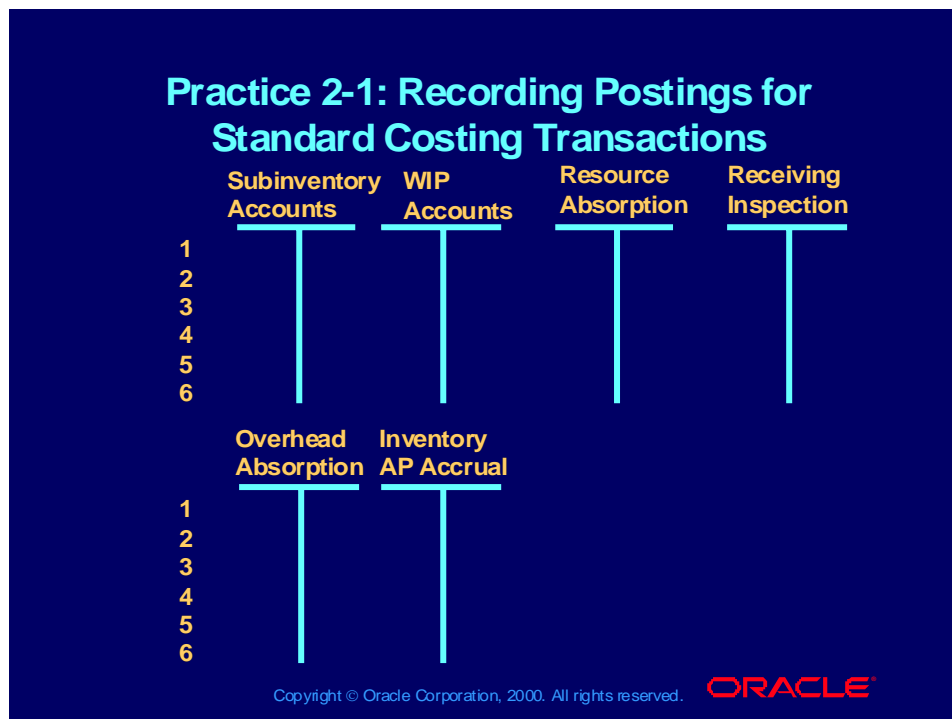
1. Issue material (push components) at standard cost into the job.  
10 units at \$300 = \$3,000.
2. Charge resources without rate variance.  
10 units at \$20 = \$200.
3. Charge outside processing resources without rate variance.  
10 units at \$10 = \$100.
4. Charge resource-based overhead at 250%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

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## Practice 2-1: Recording Postings for Standard Costing Transactions

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## Practice 2-1: Recording Postings for Standard Costing Transactions

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