R11i Standard Costing

Student Guide

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Preface

Profile

Before You Begin This Course

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

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

Prerequisites

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

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Related Publications

Oracle Publications

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

Additional Publications

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

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Typographic Conventions

Typographic Conventions in Text

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

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

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

Typographic Conventions in Code

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

Typographic Conventions in Navigation Paths

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

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

This simplified path translates to the following:

1. (N) From the Navigator window, select Invoice > Entry > Invoice Batches Summary.

2. (M) From the menu, select Query > Find.

3. (B) Click the Approve button.

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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.

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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.

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Accounting for Inventory Transactions for Standard Costing

Chapter 1

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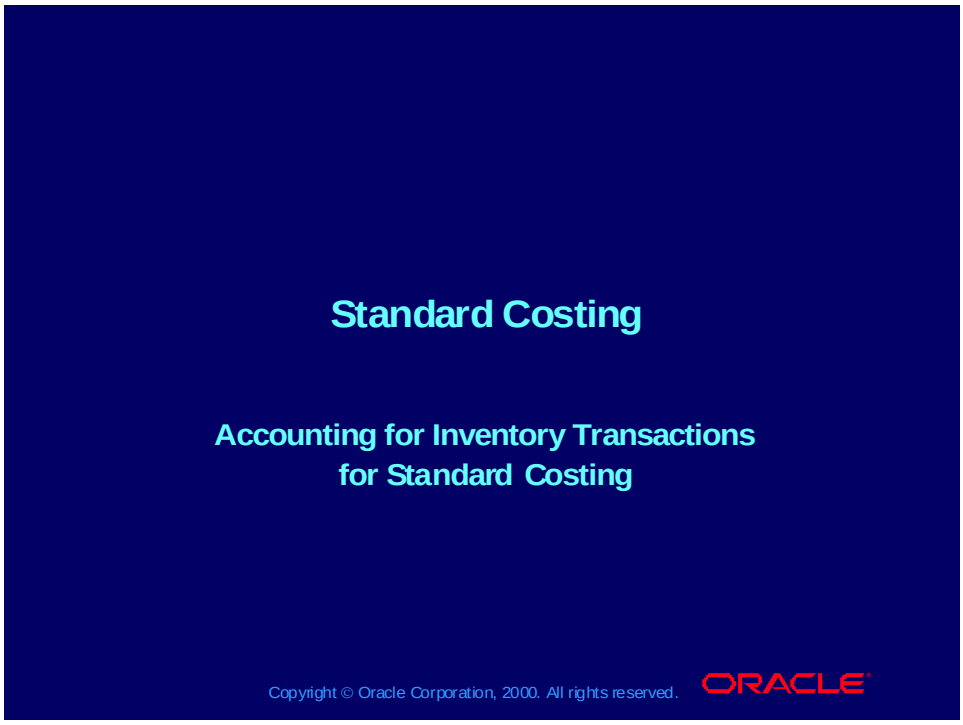

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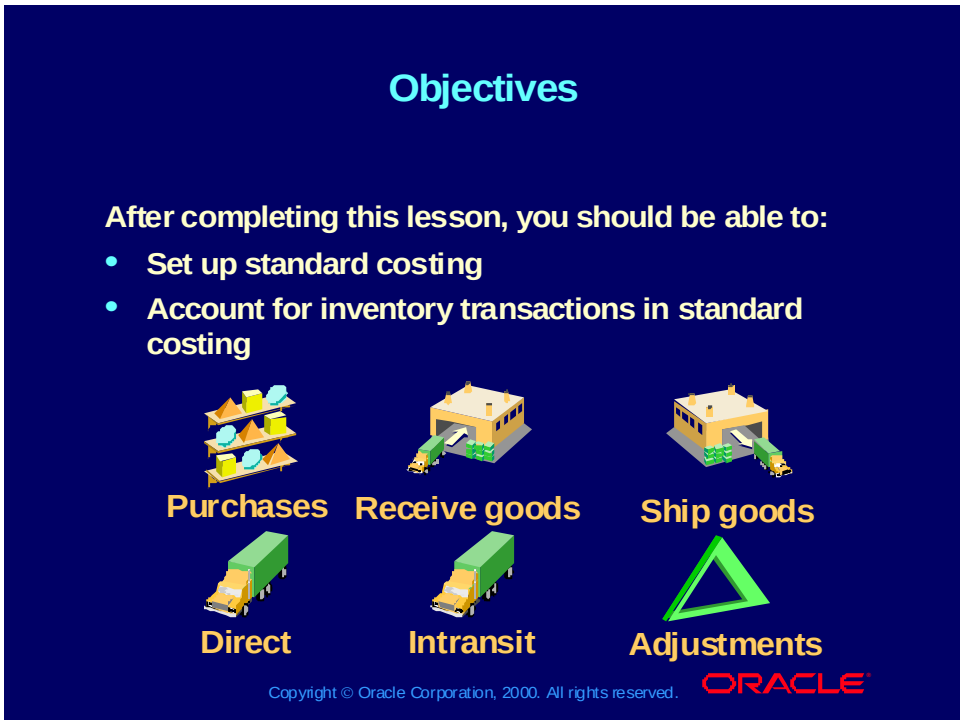

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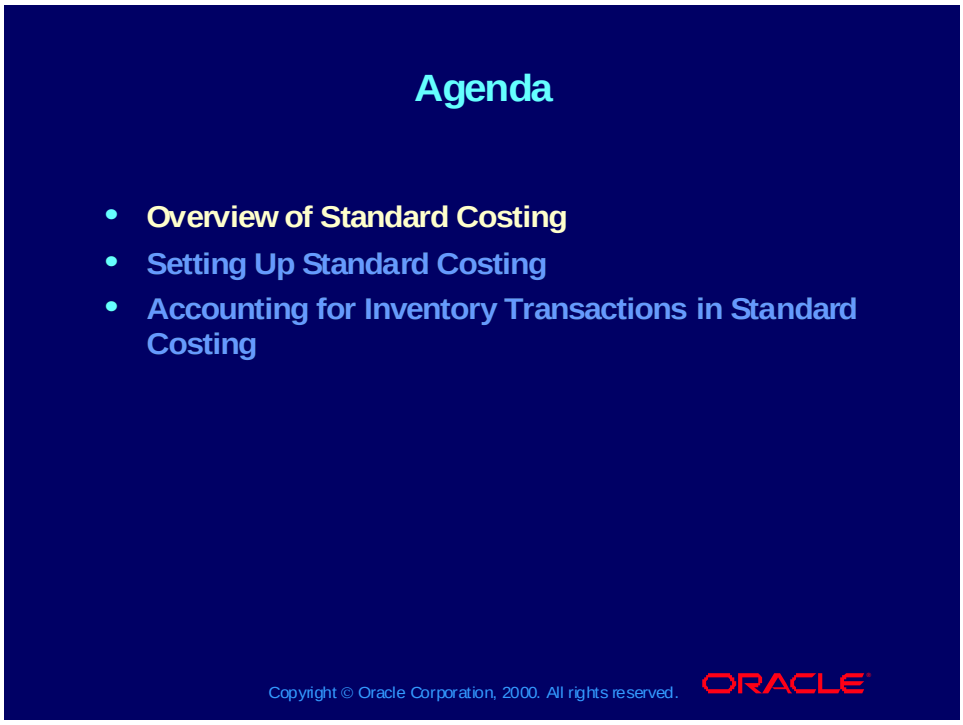

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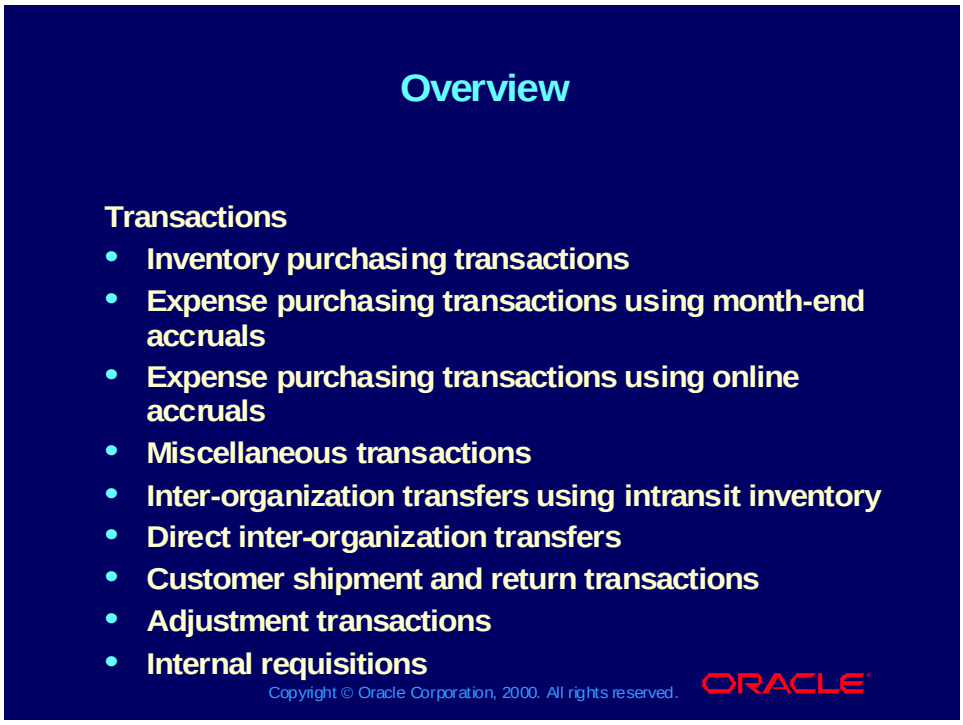

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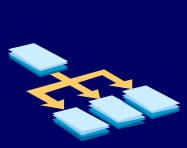
Overview

Recording Quantity Movements

- The system records quantity movements as financial transactions.



Quantity movements

Audit trail

Financial transactions

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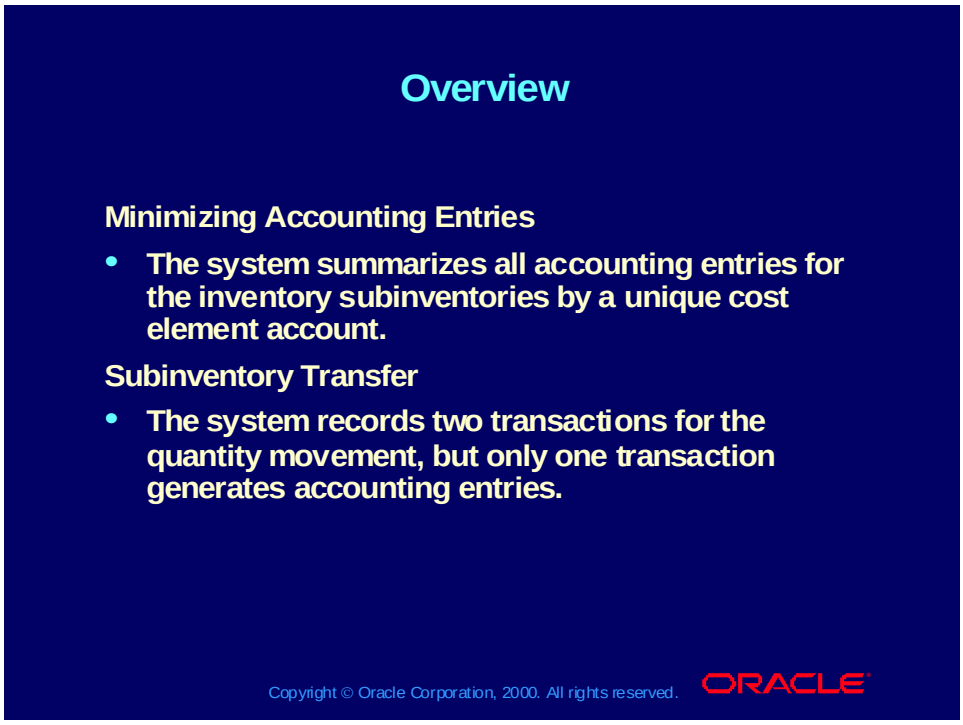

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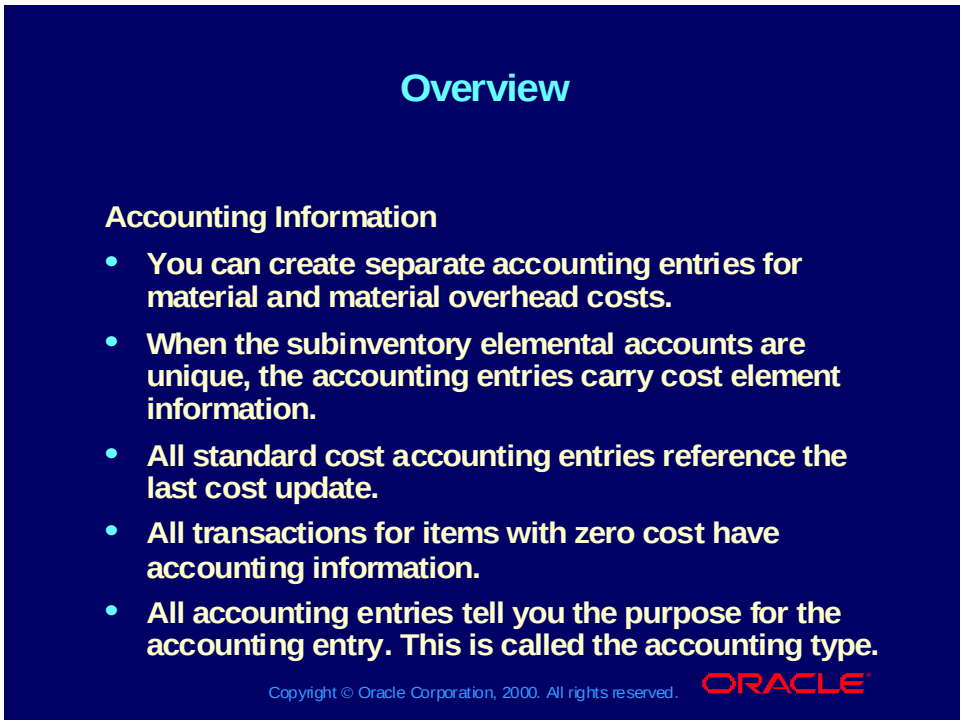

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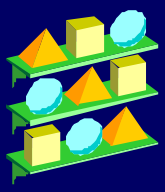
Overview

Journal Source

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



Oracle Inventory

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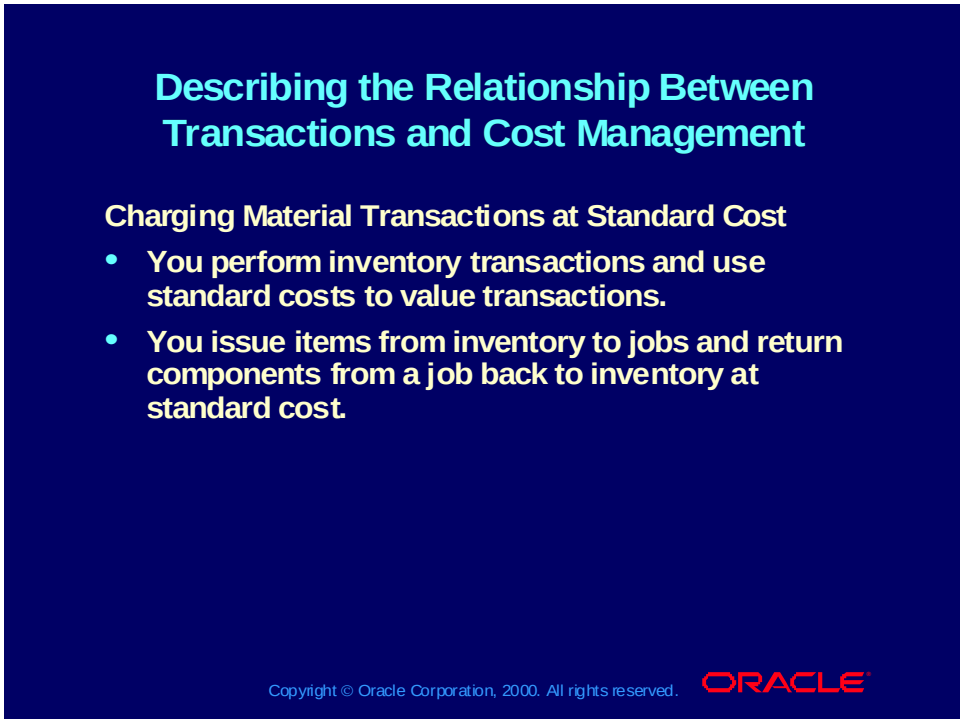

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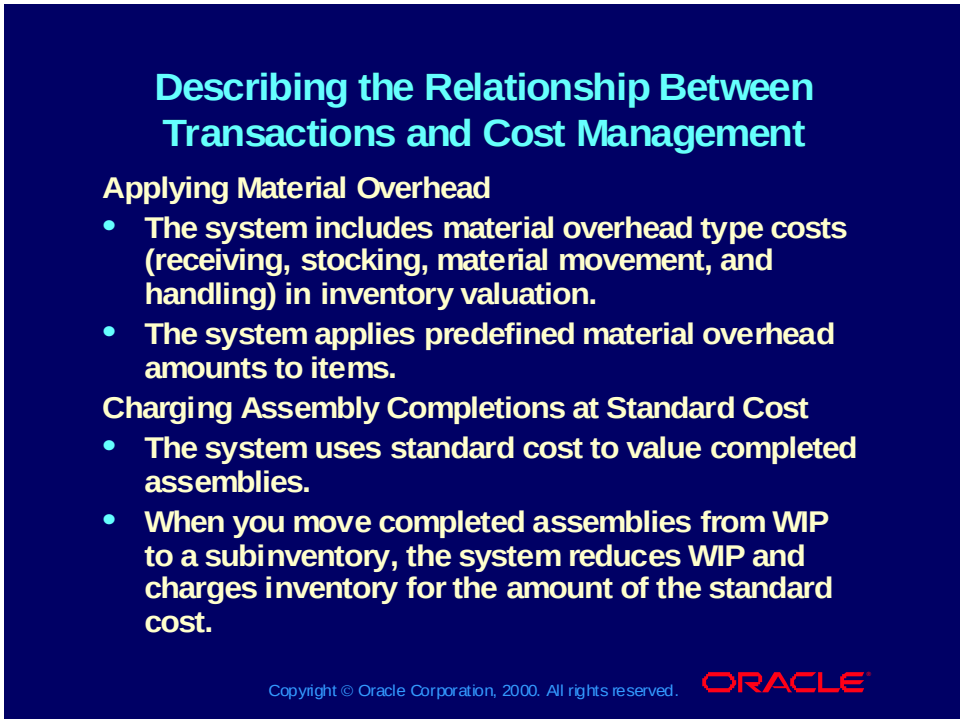

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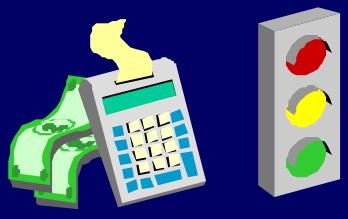
Describing the Relationship Between Transactions and Cost Management

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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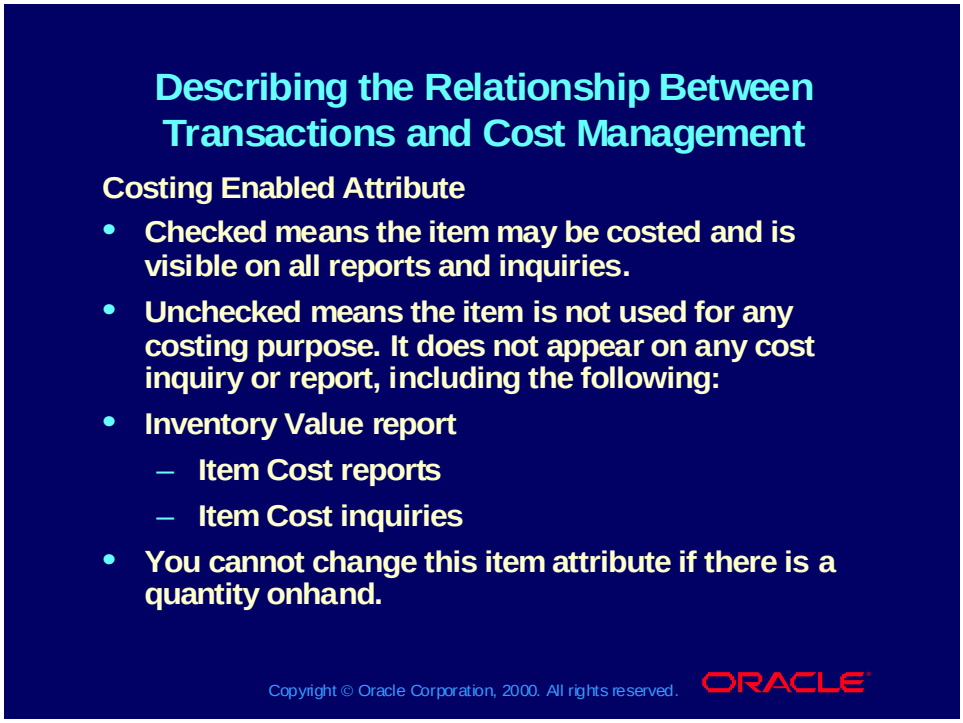

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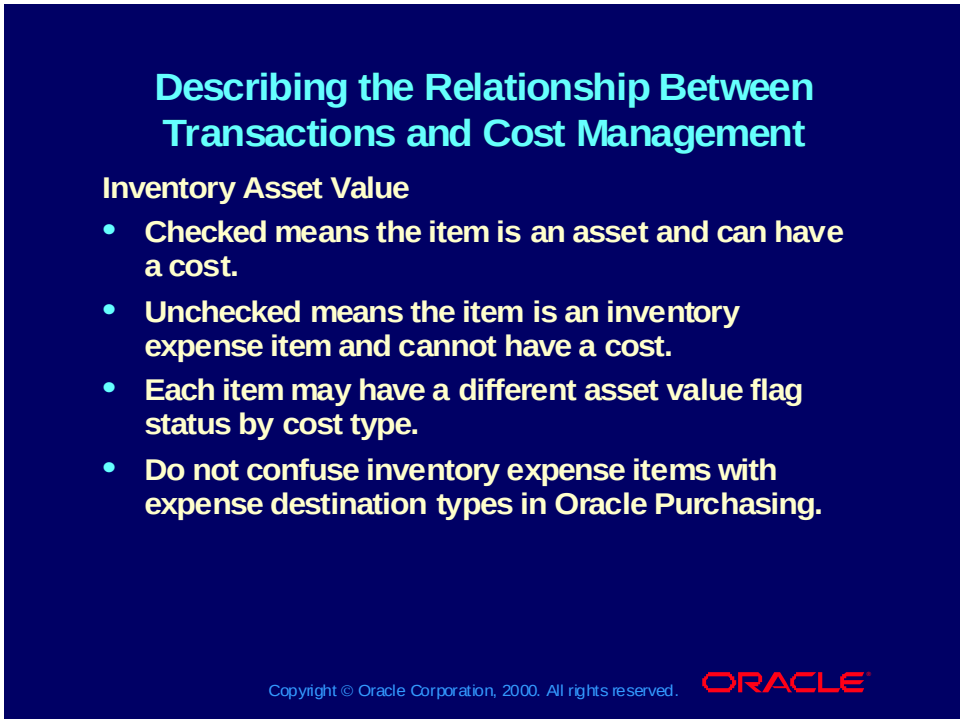

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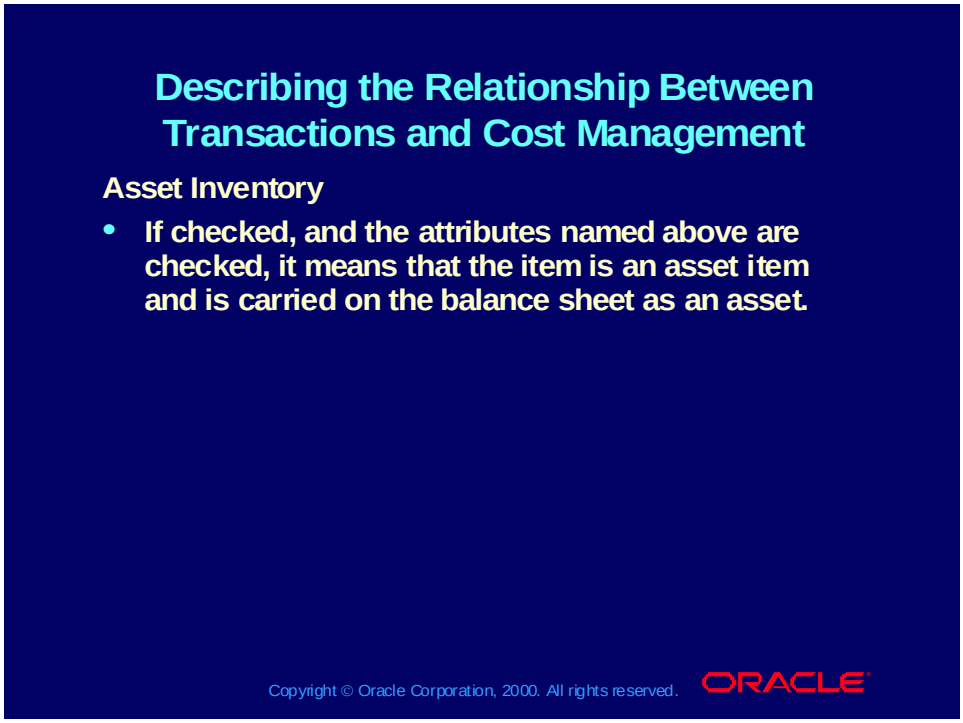

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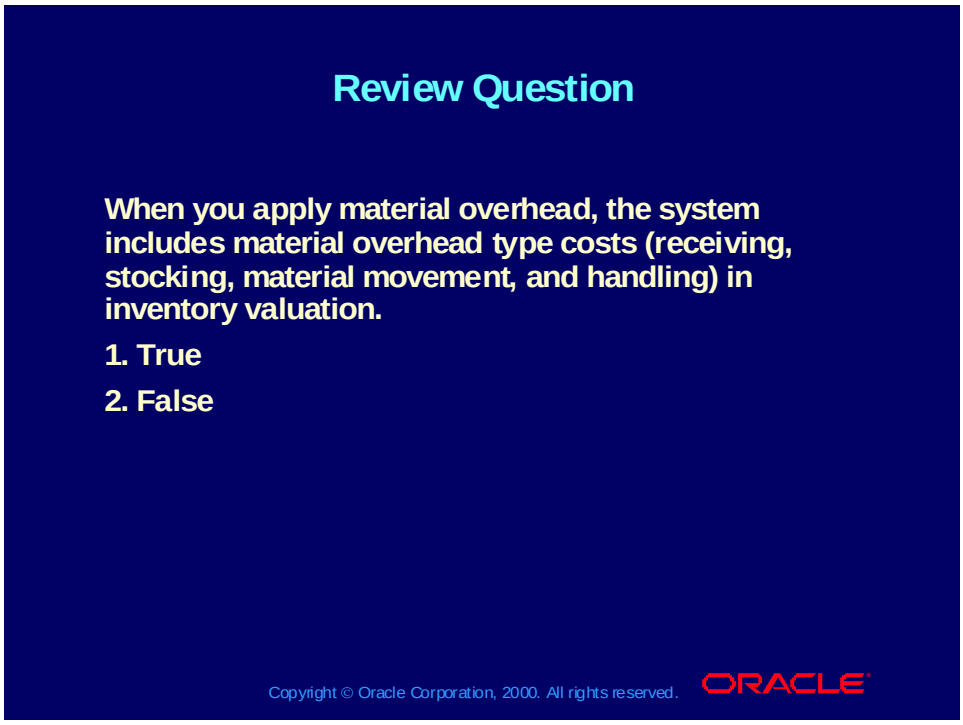

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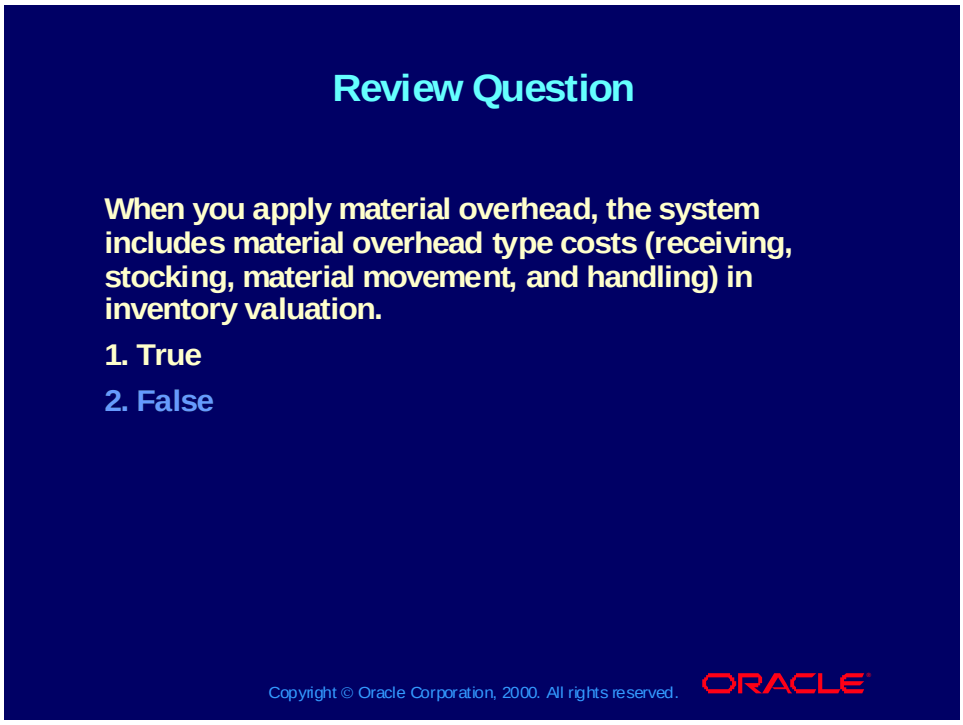

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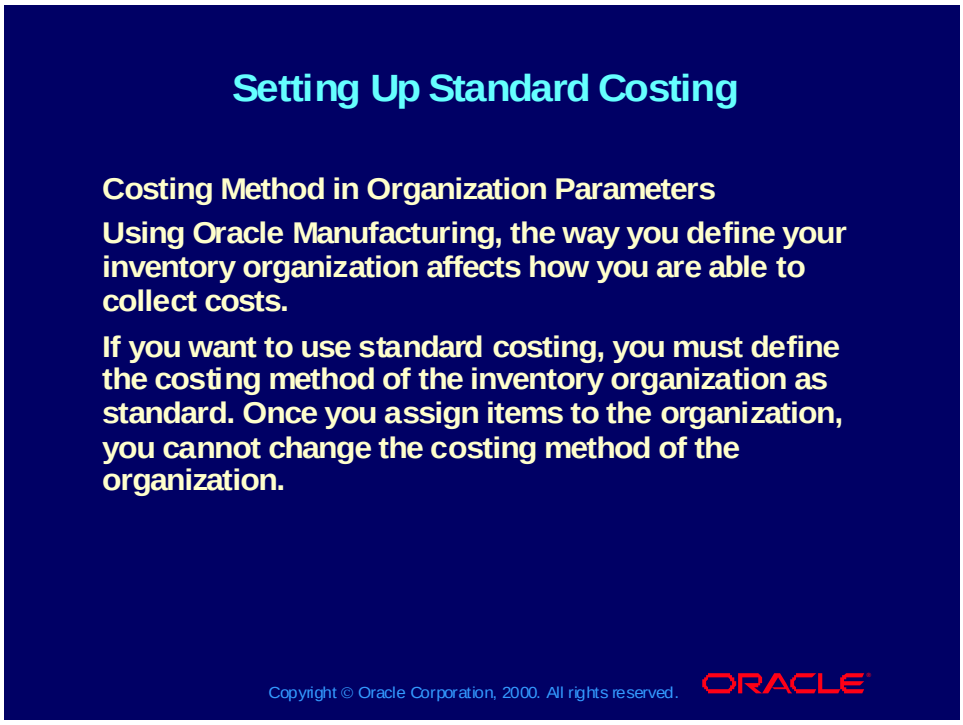

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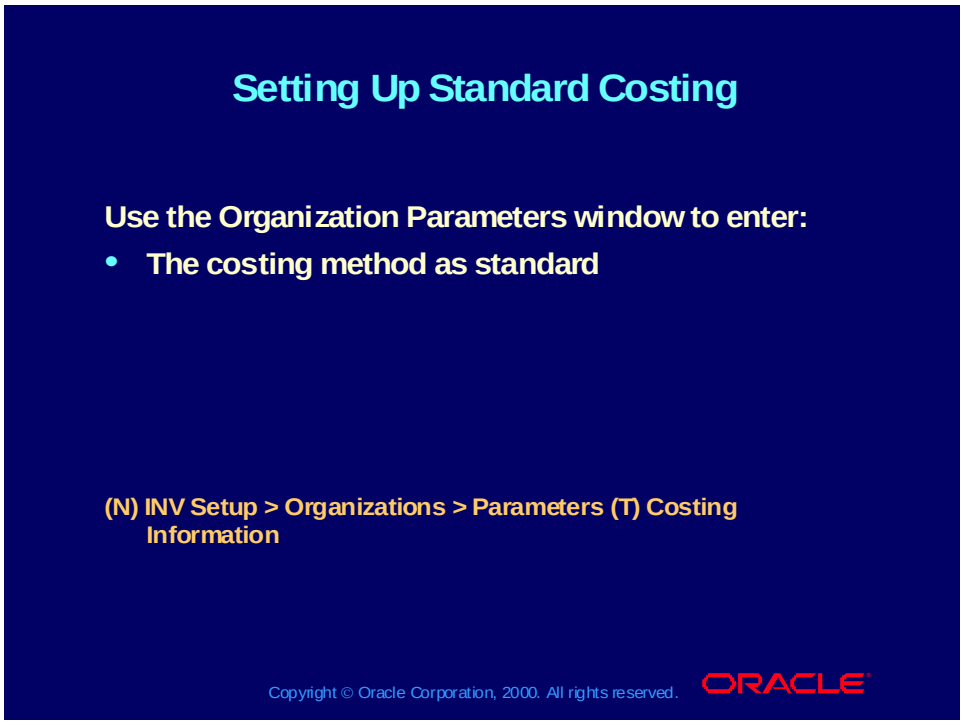

Help: Oracle Manufacturing Applications >Oracle Inventory > Setting Up > Inventory Structure >
Defining Organization Parameters > Defining Costing Information

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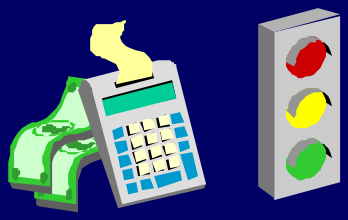
Setting Up Standard Costing

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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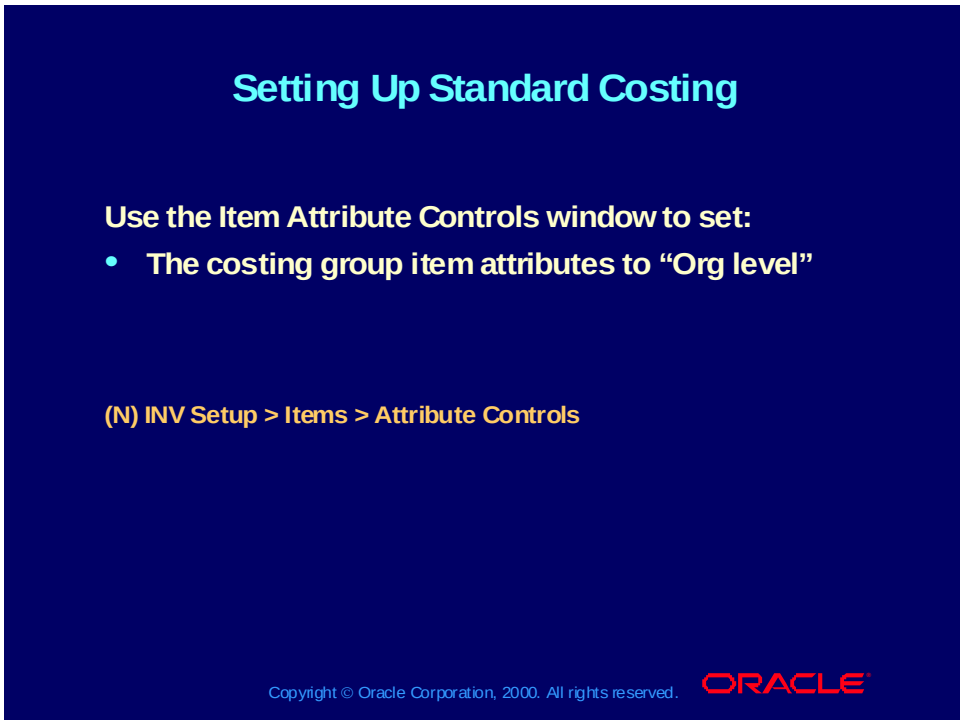

Help: Oracle Manufacturing Applications >Oracle Inventory > Items > Master Level vs Organization Level

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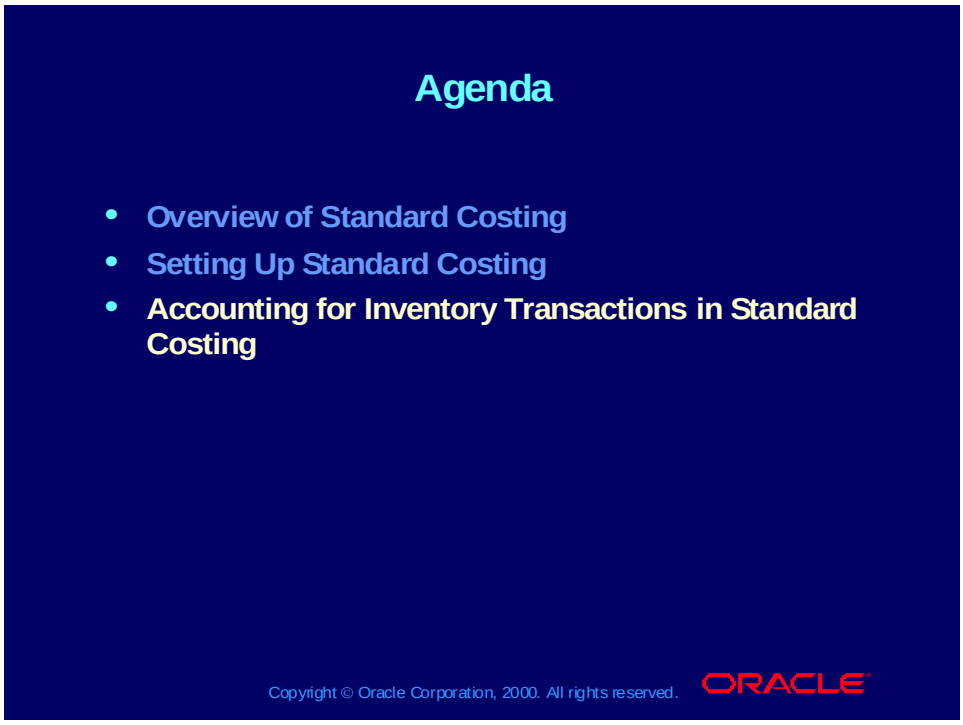

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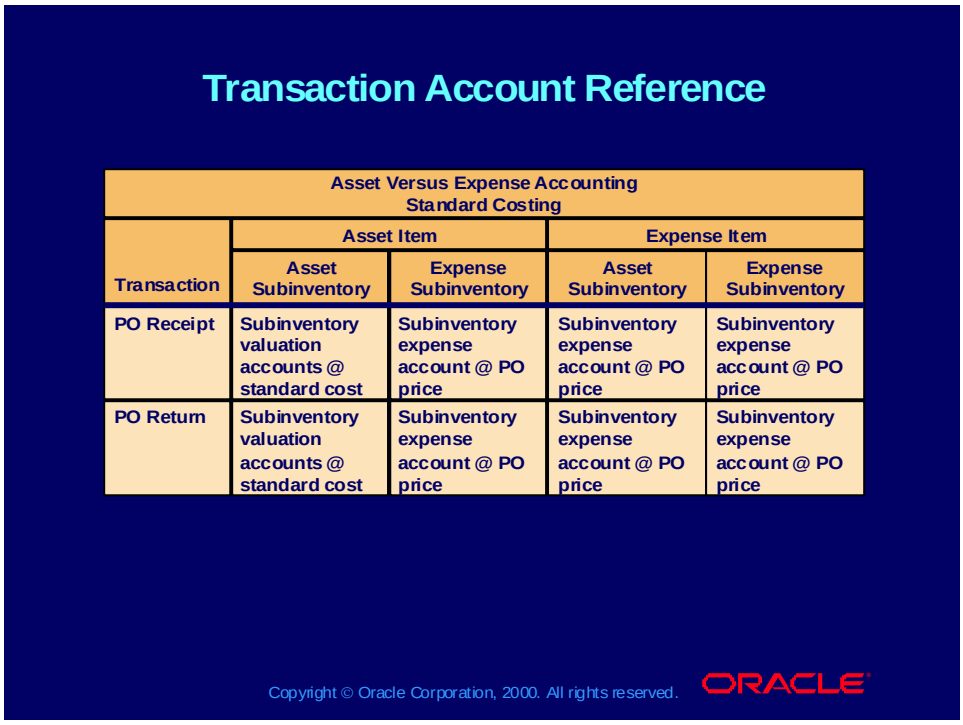

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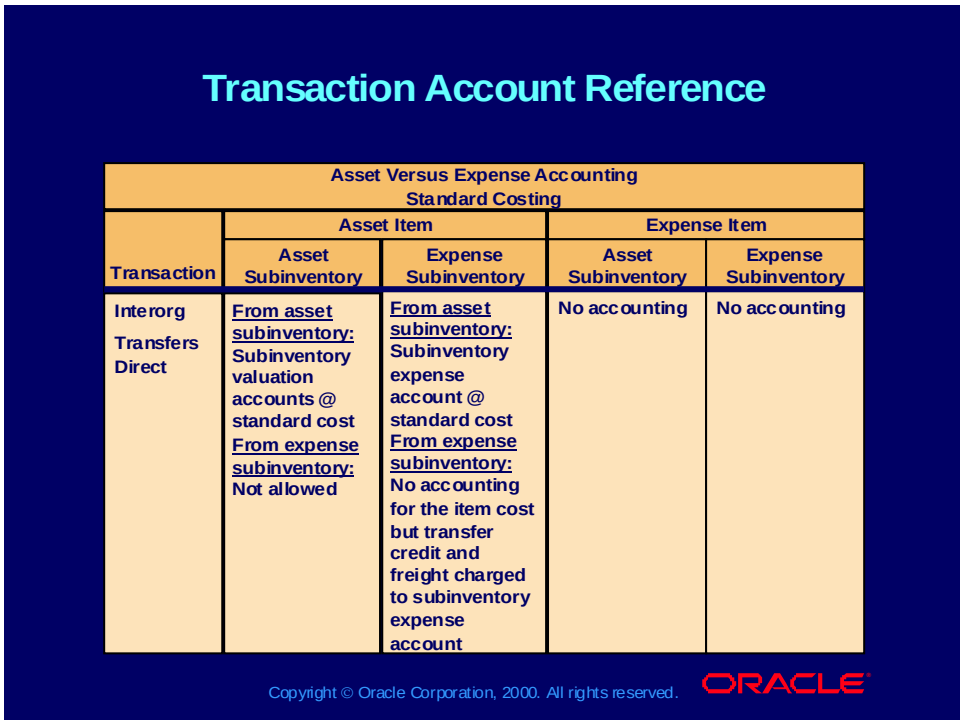

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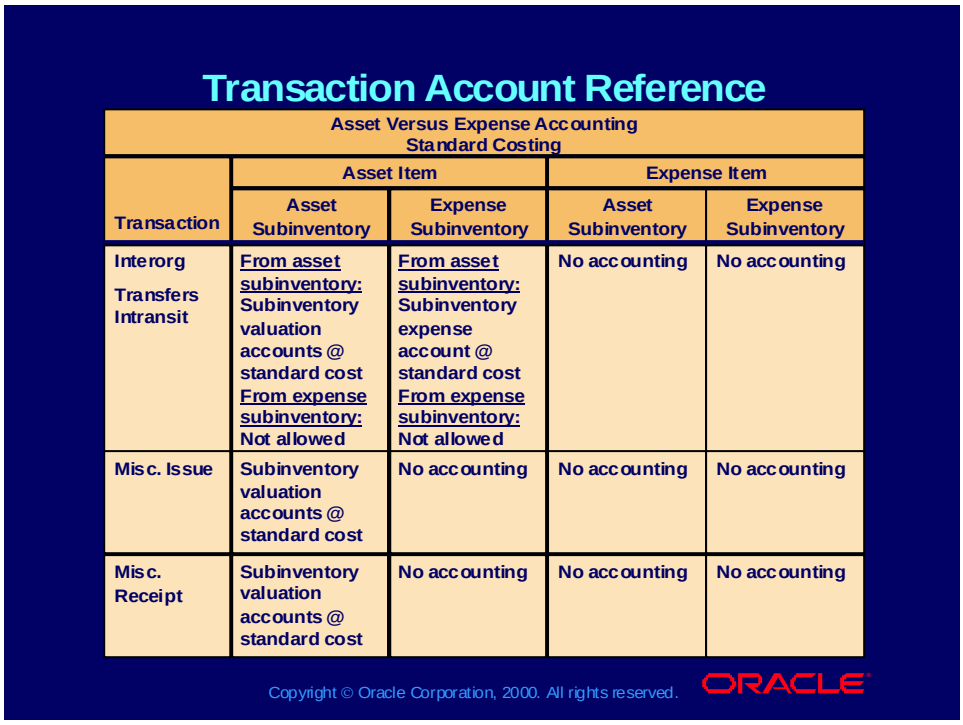

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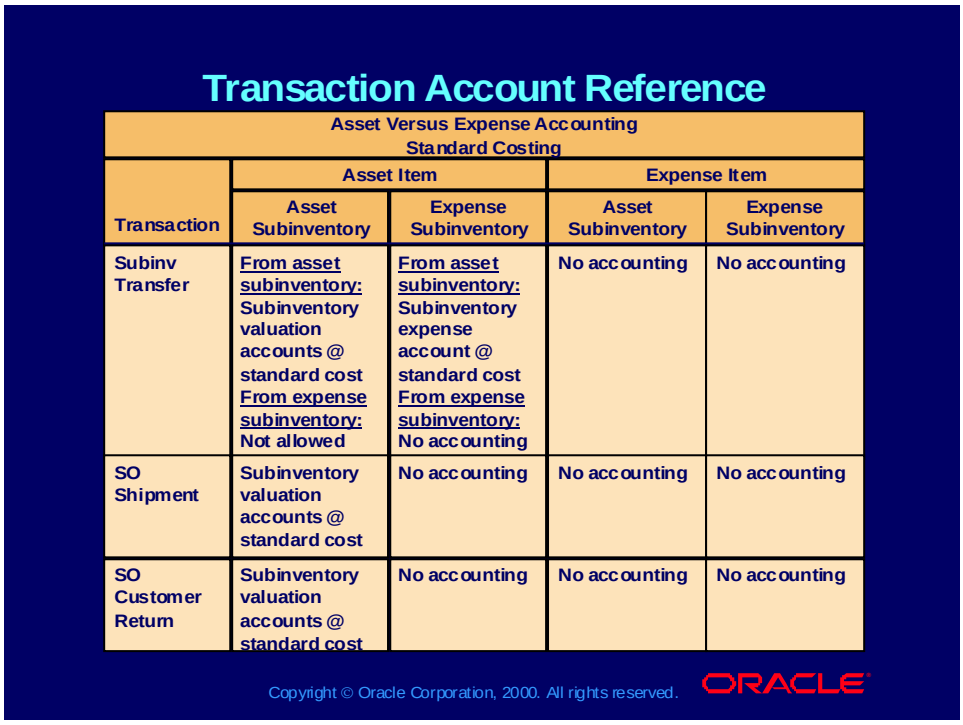

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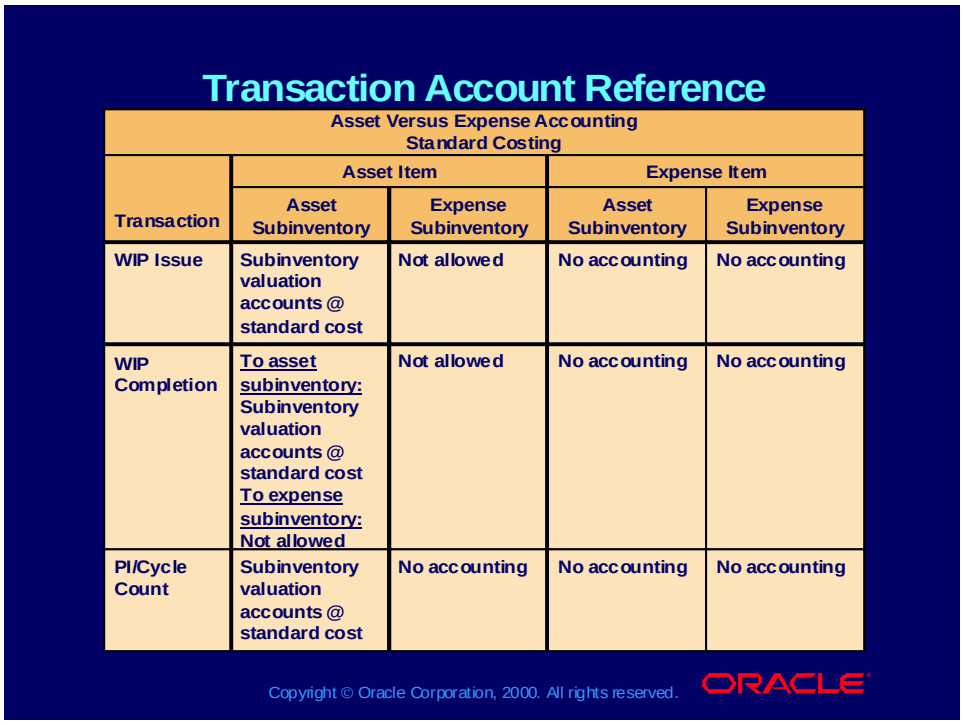

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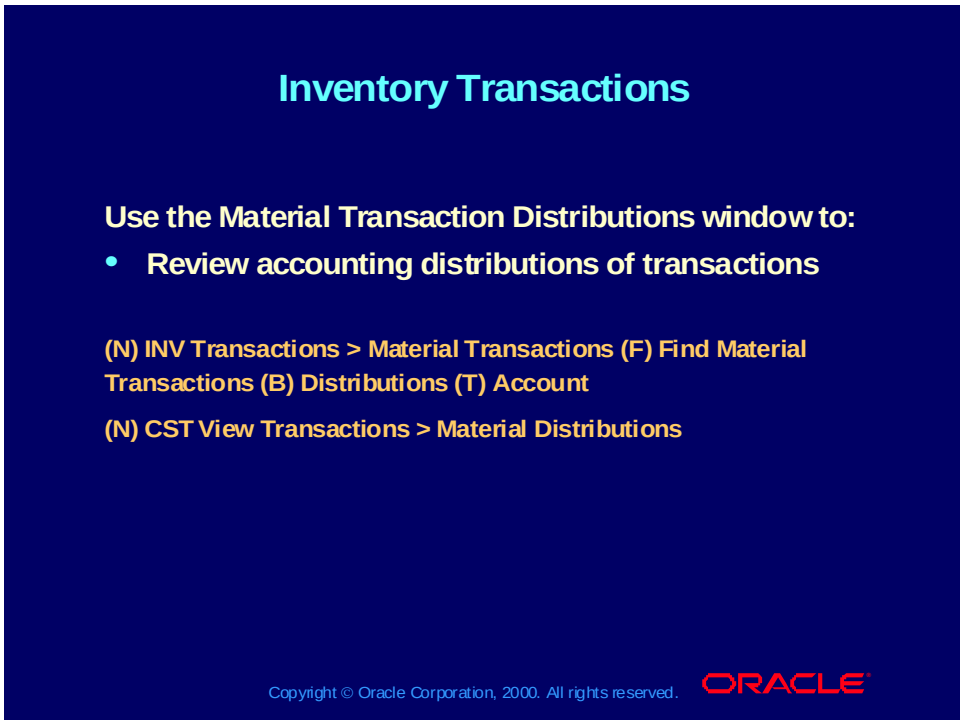

Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Viewing Material Transaction Distributions

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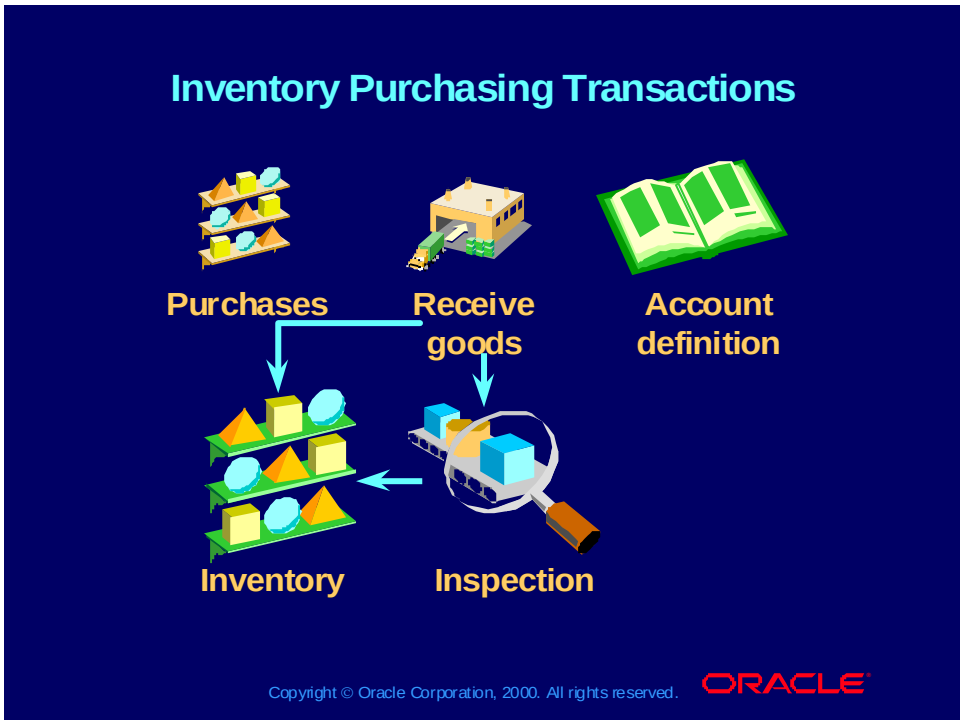
Inventory Purchasing Transactions



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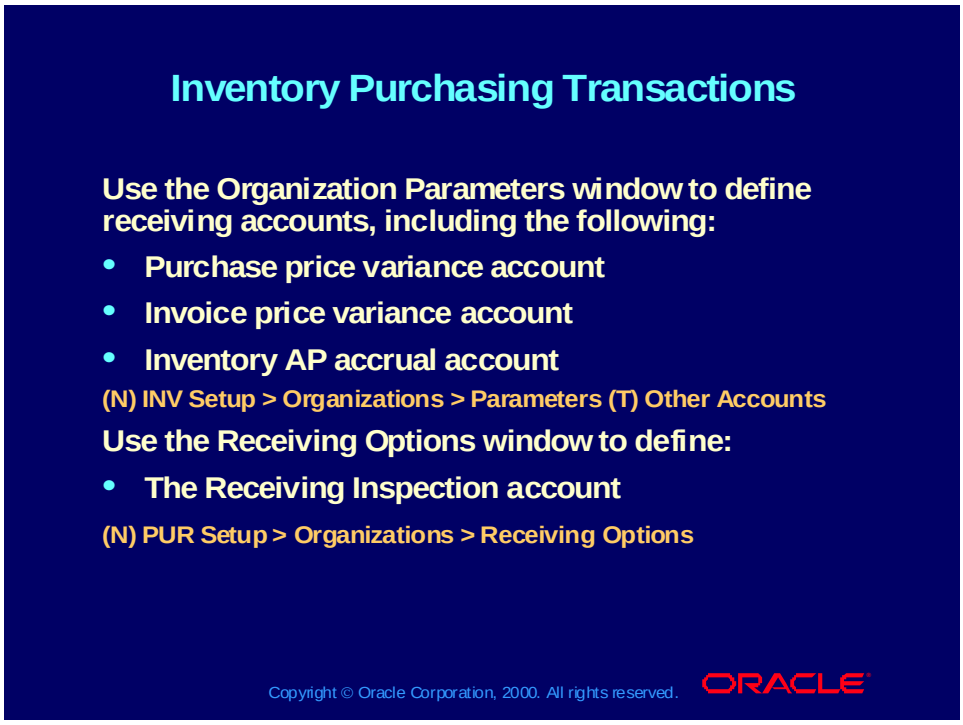

Help: Oracle Manufacturing Applications >Oracle Inventory > Setting Up > Inventory Structure >
Defining Organization Parameters > Defining Other Accounts

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

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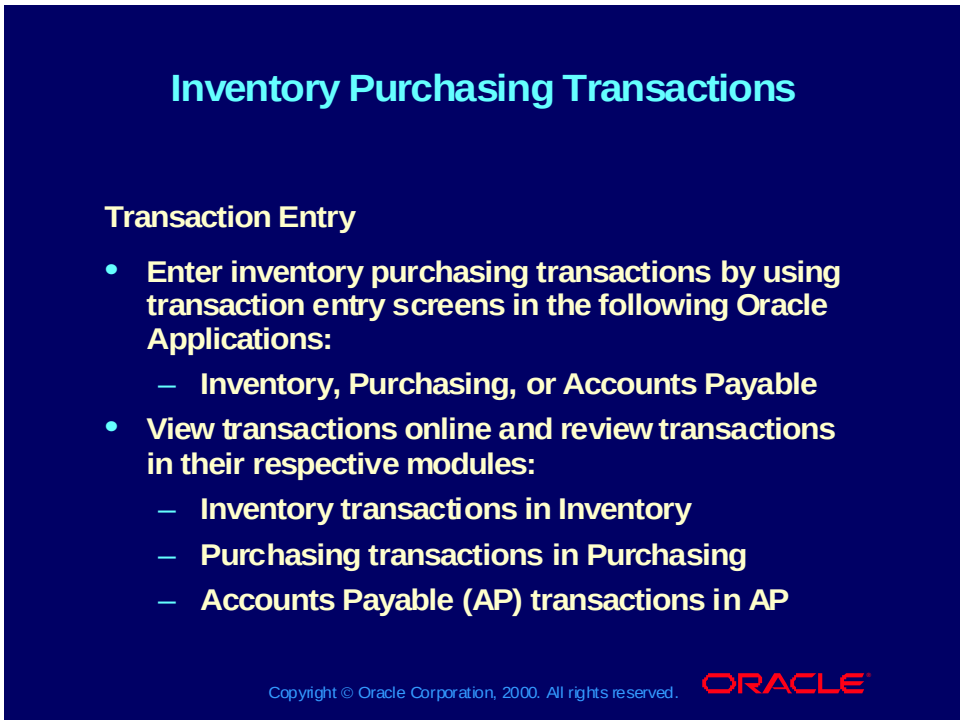

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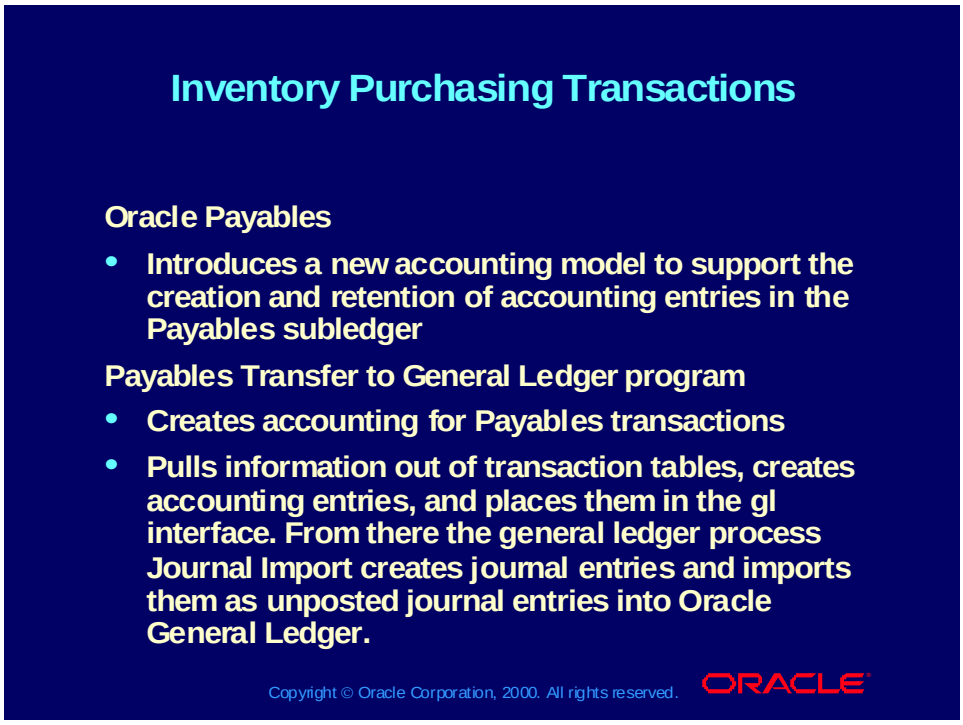

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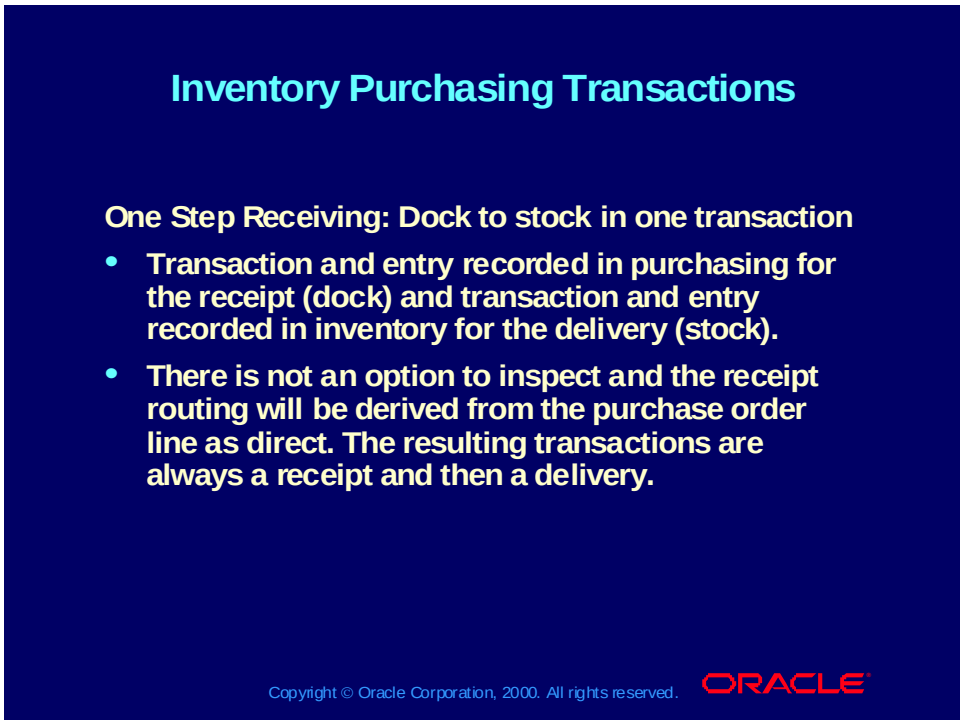

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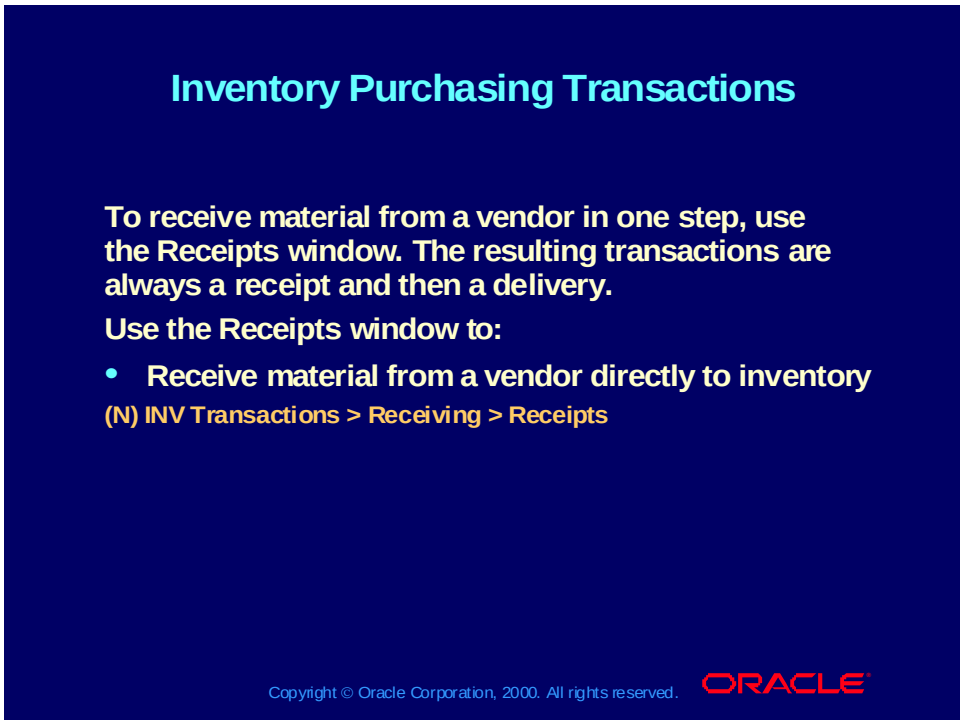

Help: Oracle Manufacturing Applications >Oracle Purchasing > Receiving > Receiving Transactions

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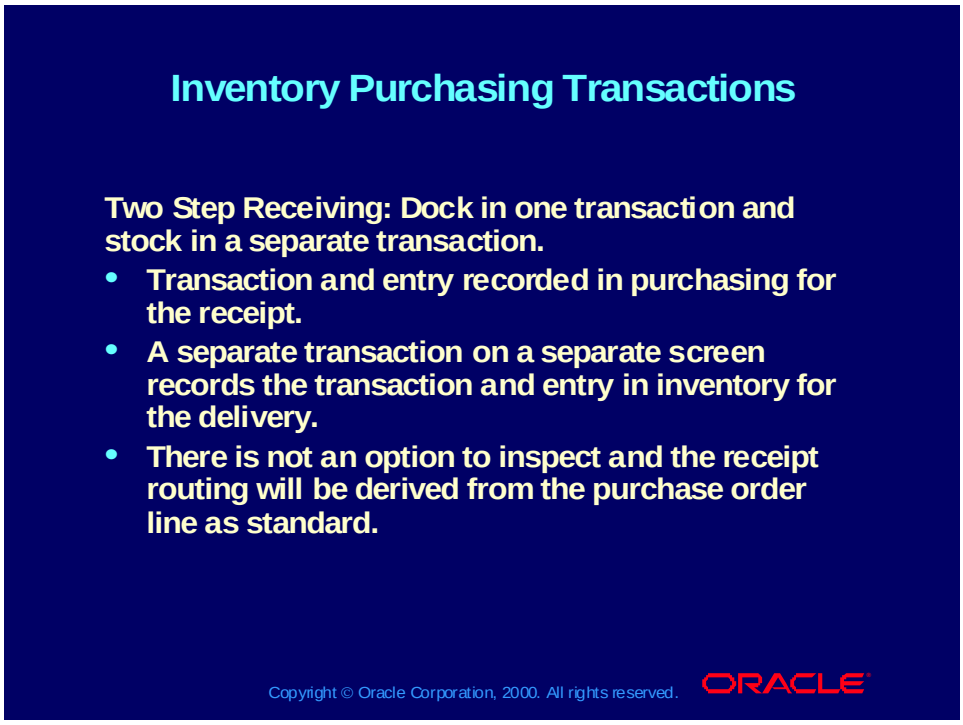

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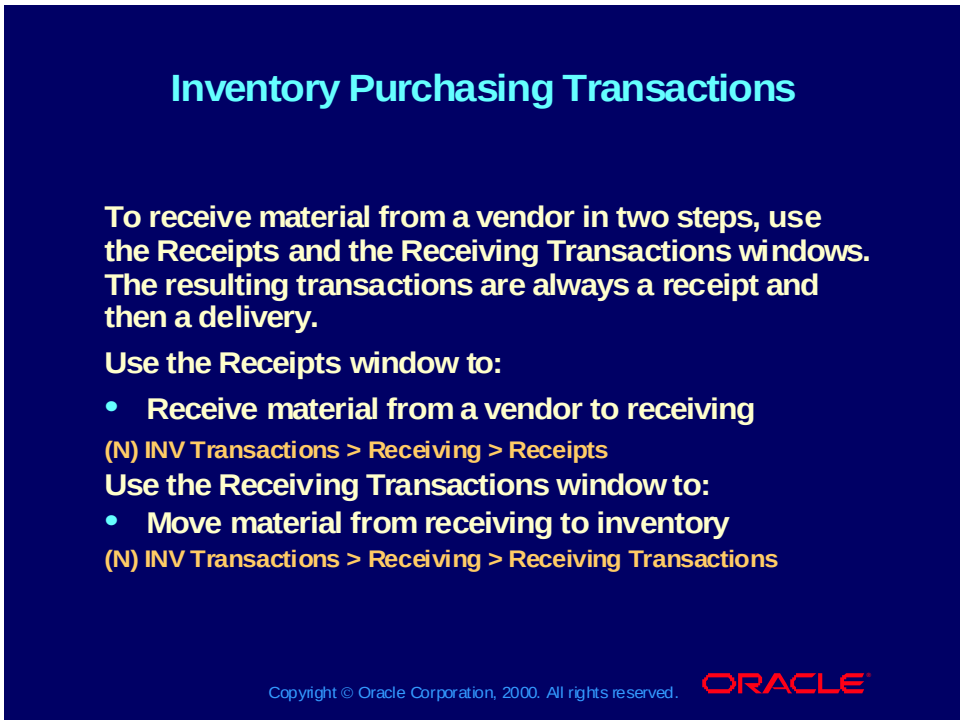

Help: Oracle Manufacturing Applications > Oracle Purchasing > Receiving > Receiving Transactions

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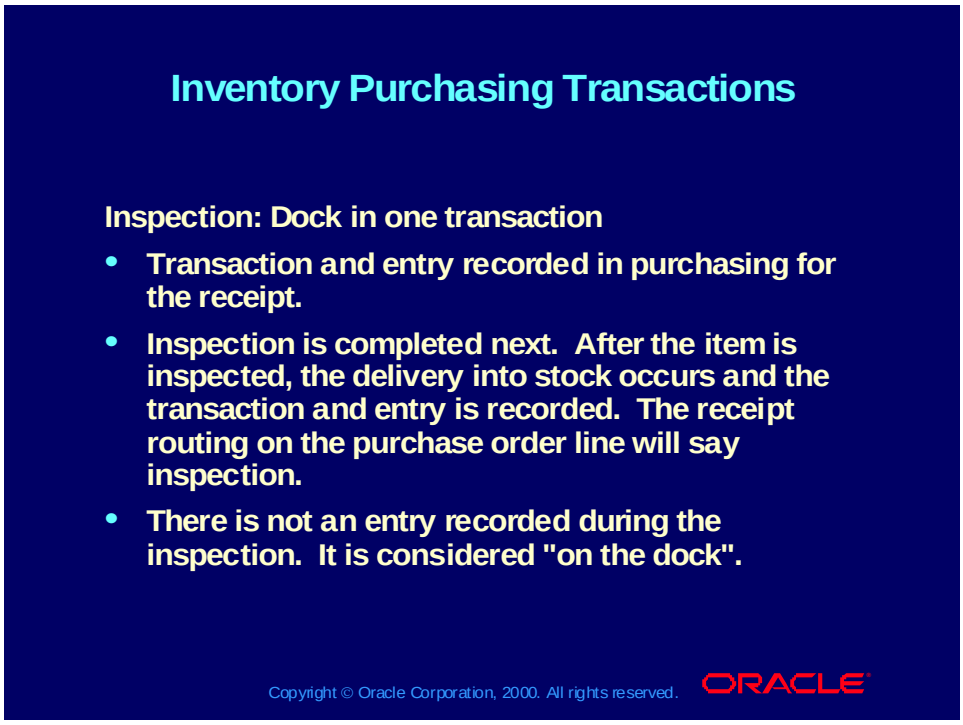

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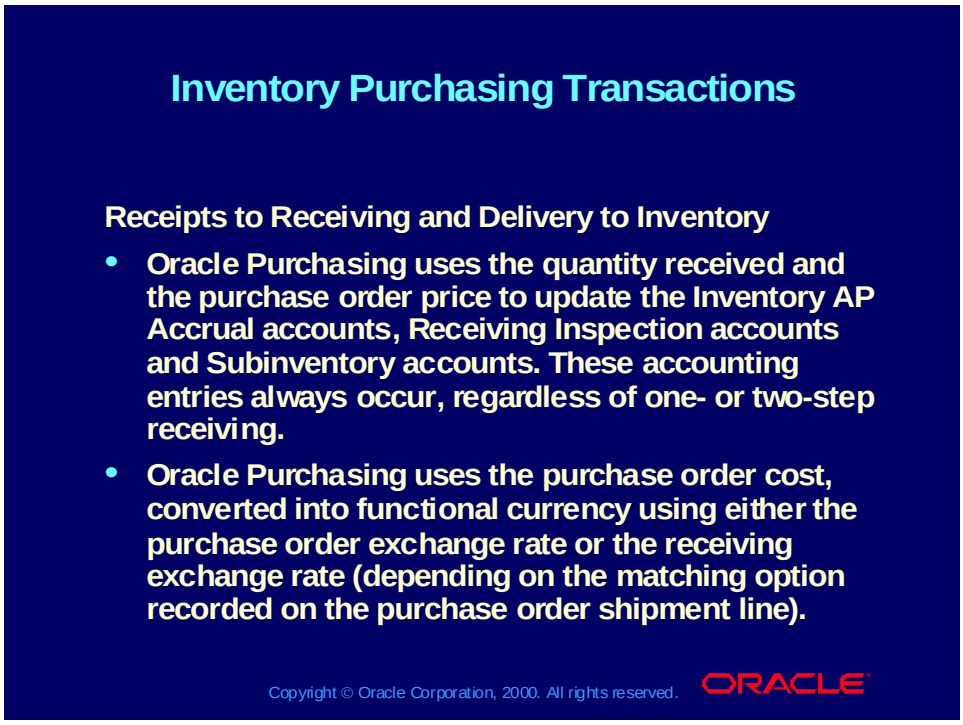

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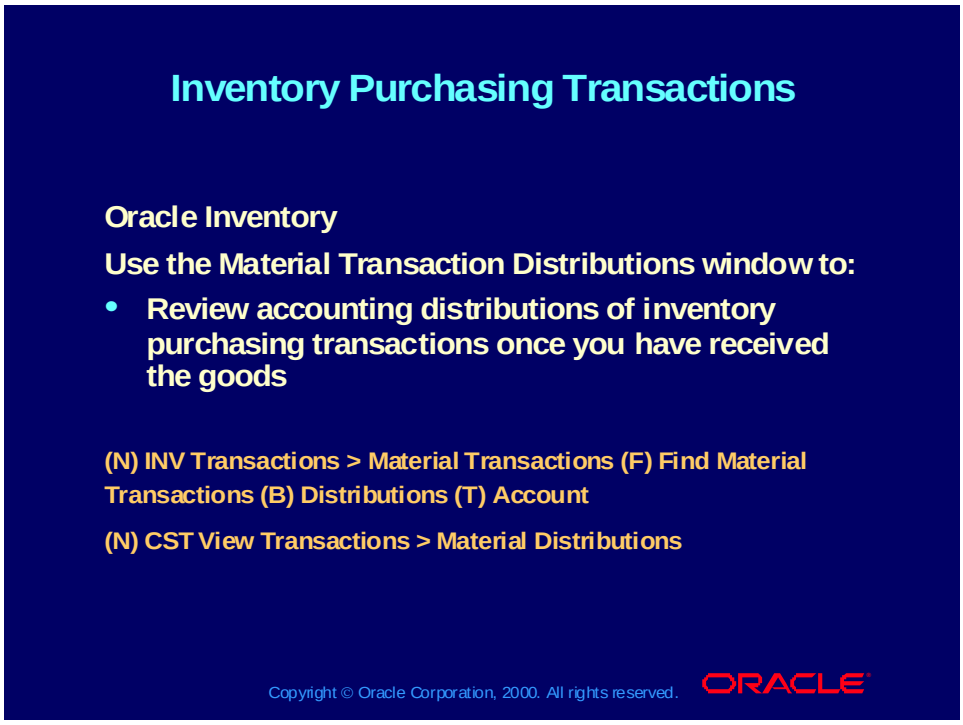

Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Viewing Material Transaction Distributions

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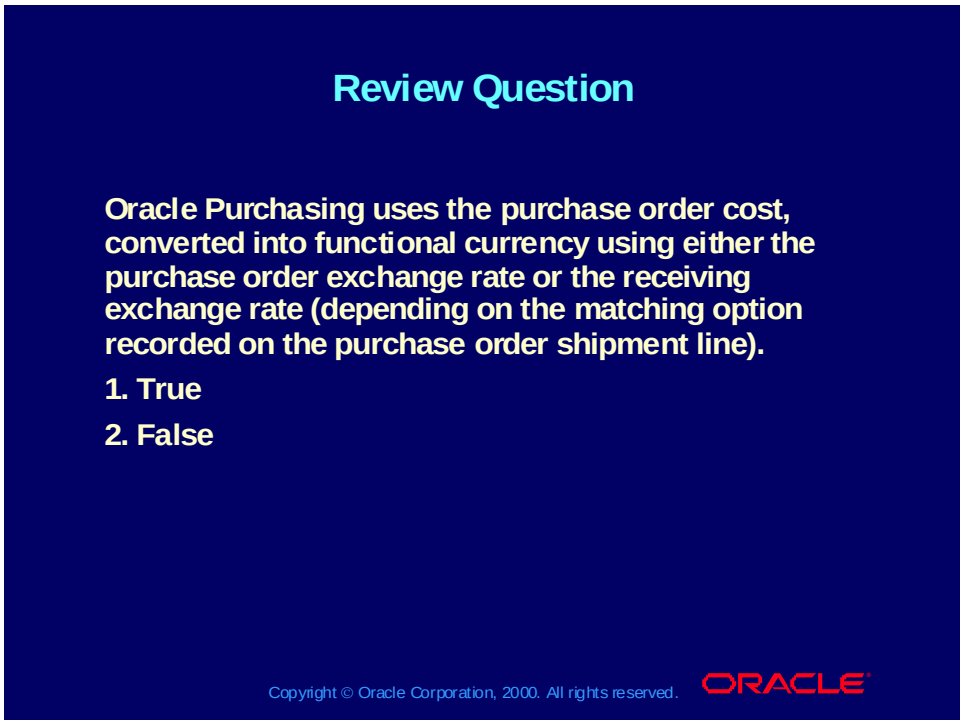

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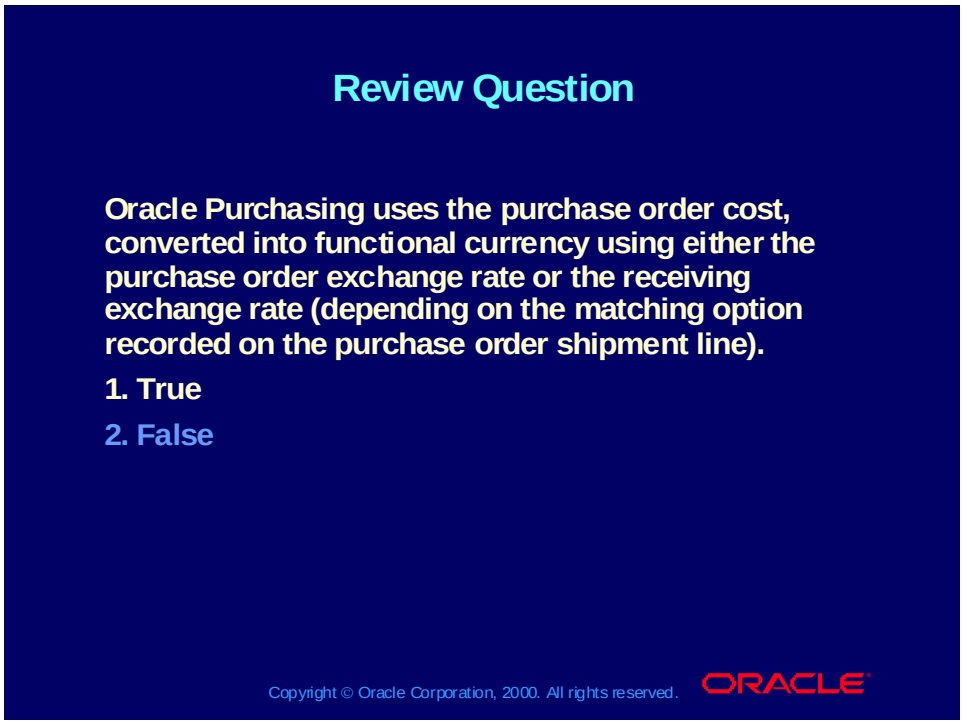

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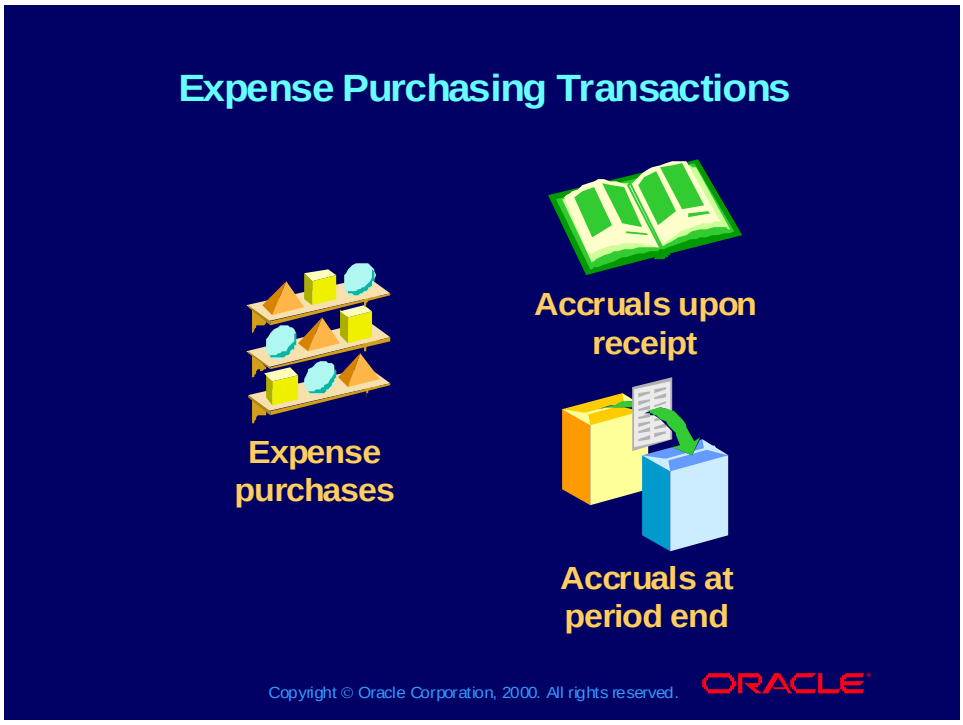
Expense Purchasing Transactions



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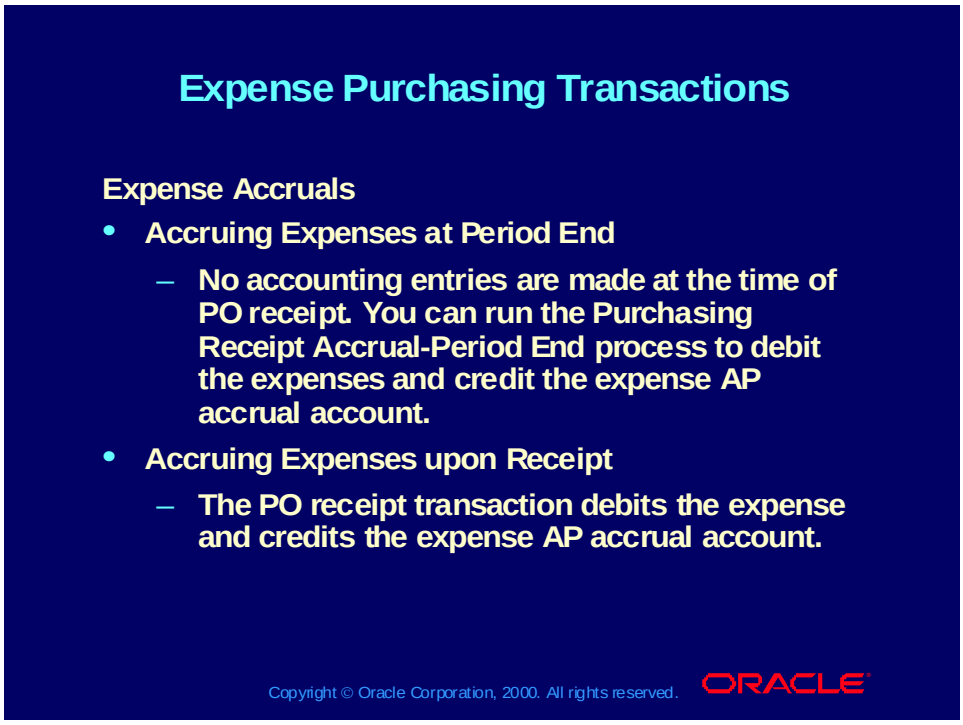

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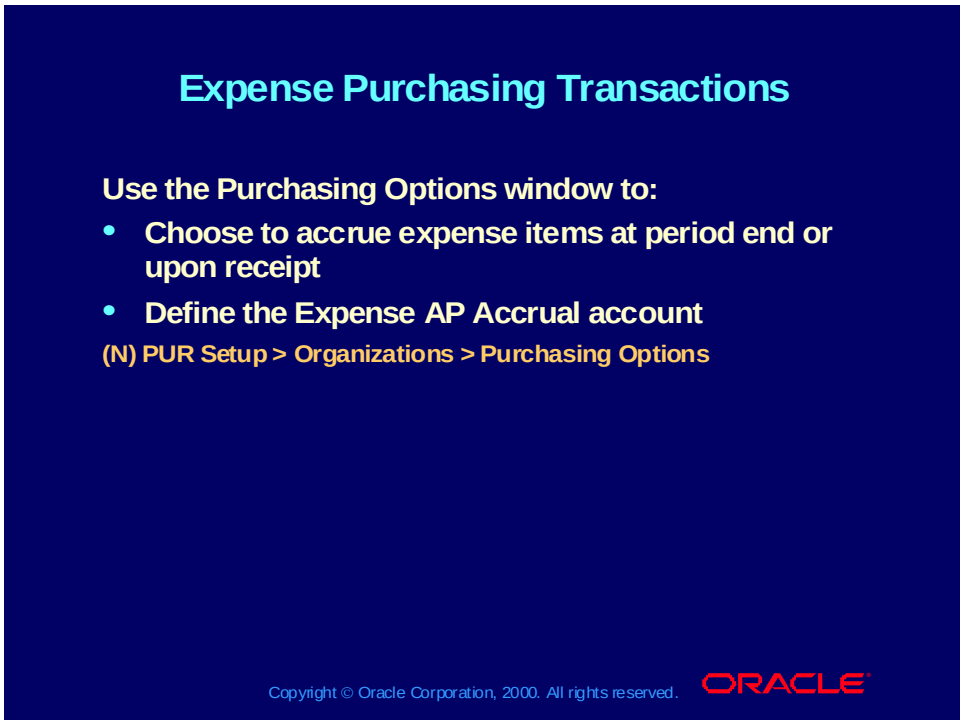

Help: Oracle Manufacturing Applications >Oracle Purchasing > Setting Up > Purchasing Options > Defining Purchasing Options

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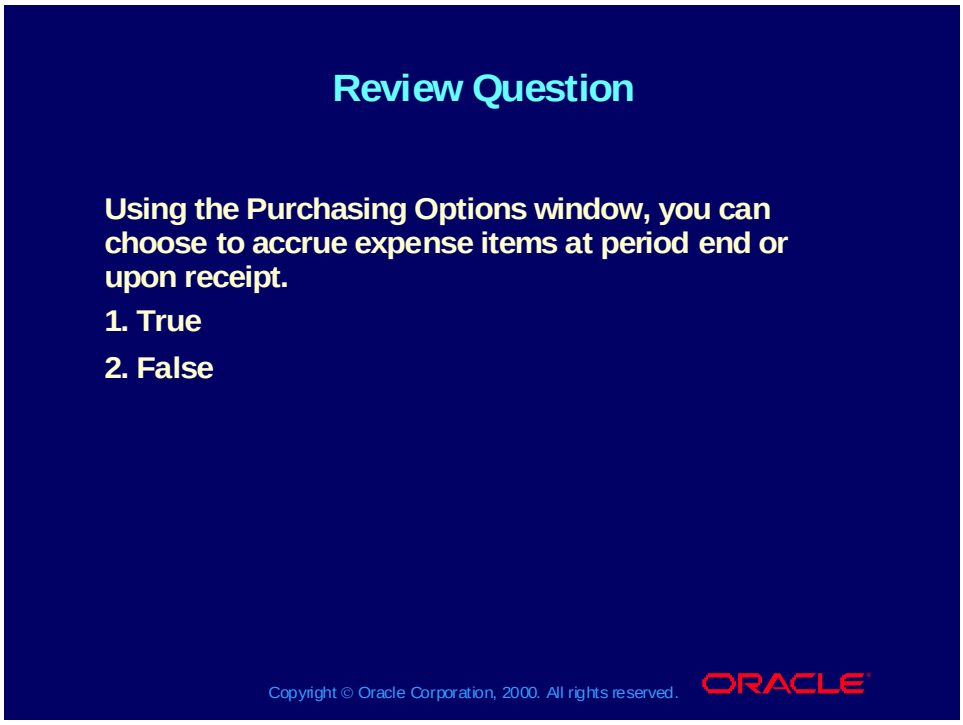

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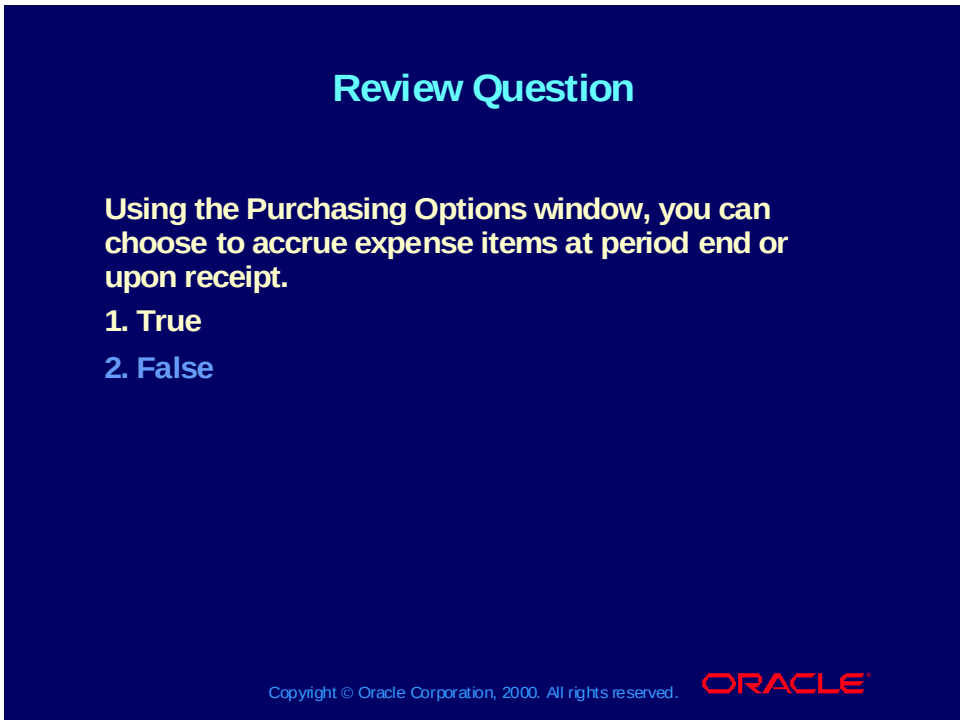

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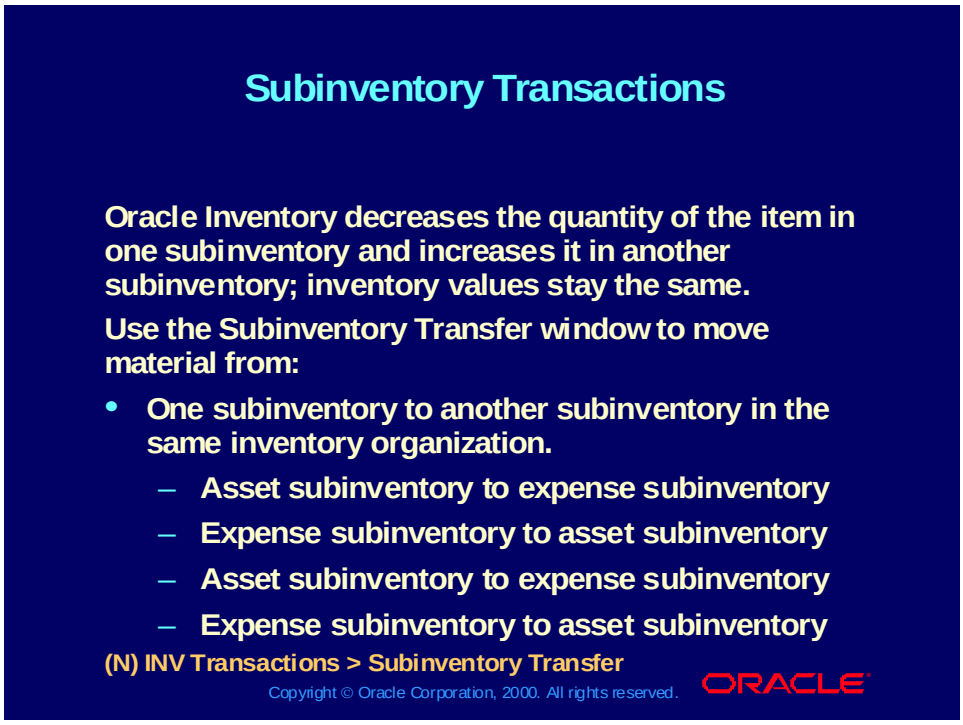

Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Transferring Between Subinventories

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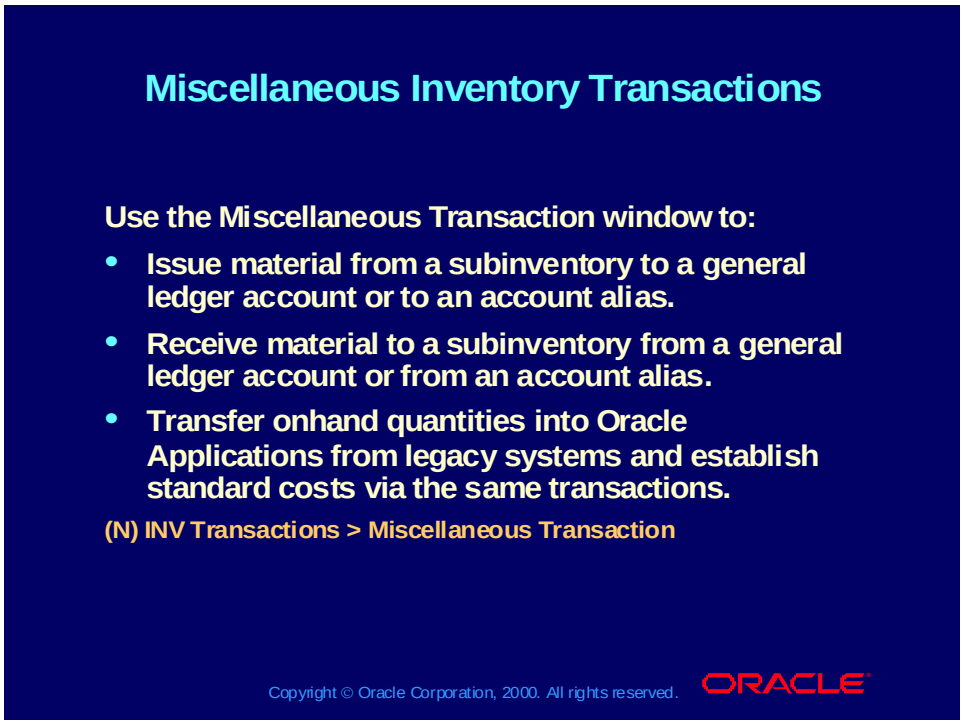

Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Performing Miscellaneous Transactions

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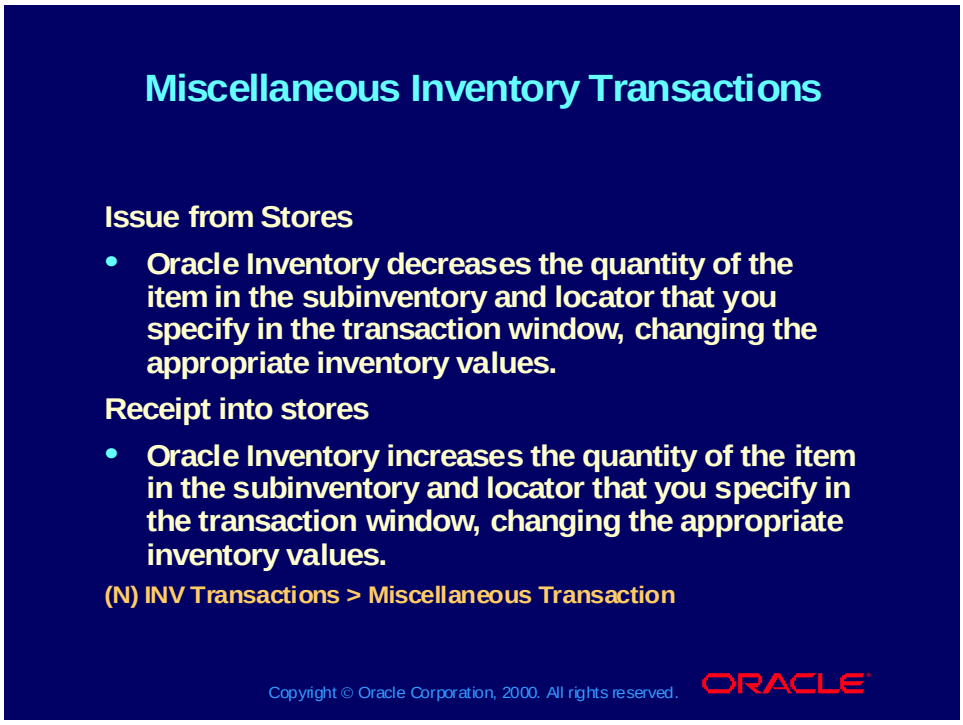

Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Performing Miscellaneous Transactions

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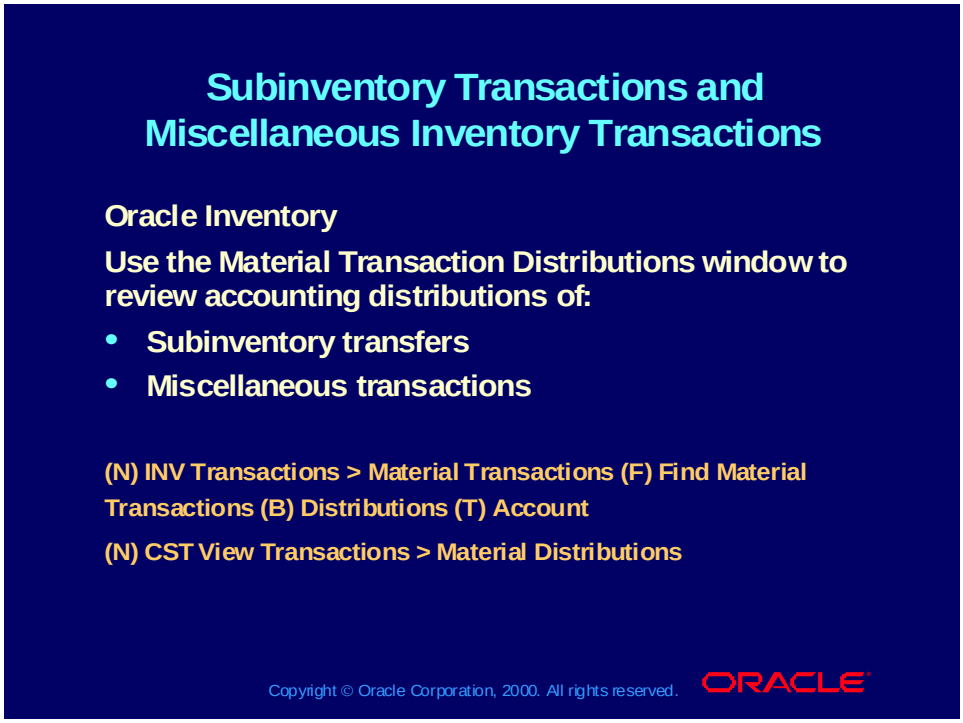

Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Viewing Material Transaction Distributions

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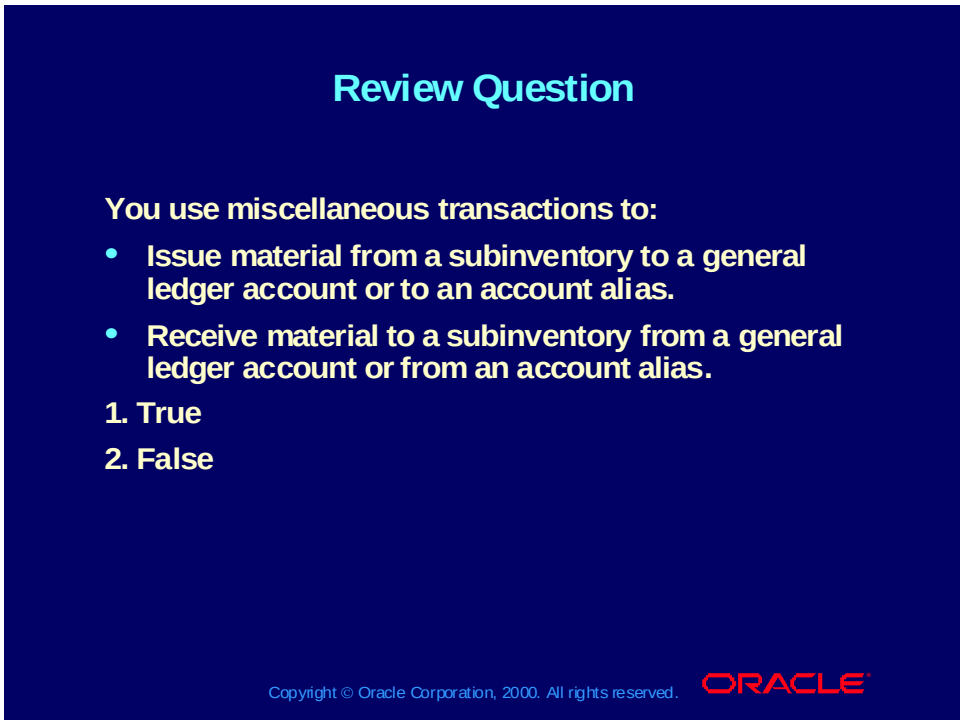

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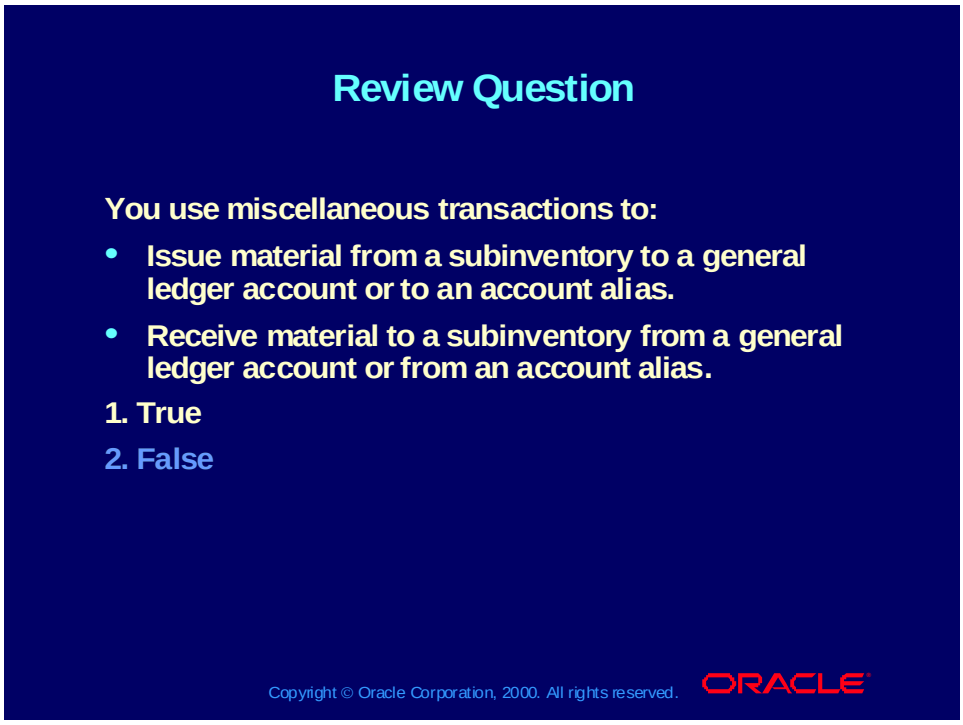

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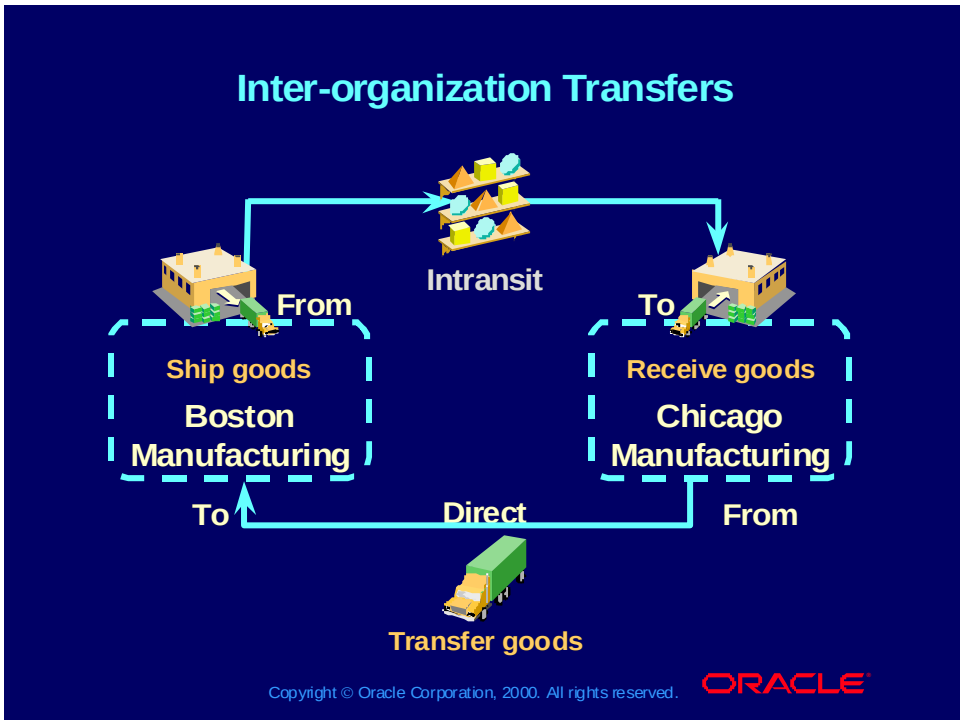
Inter-organization Transfers



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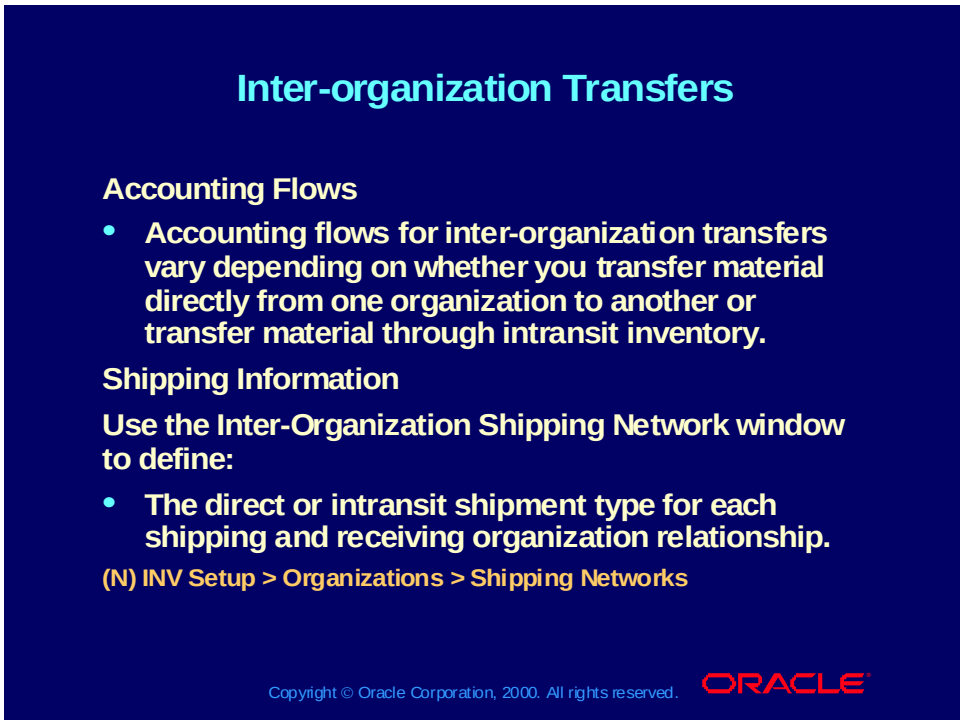

Help: Oracle Manufacturing Applications >Oracle Inventory > Setting Up > Transaction Setup >
Inter-Organization Shipping Network

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

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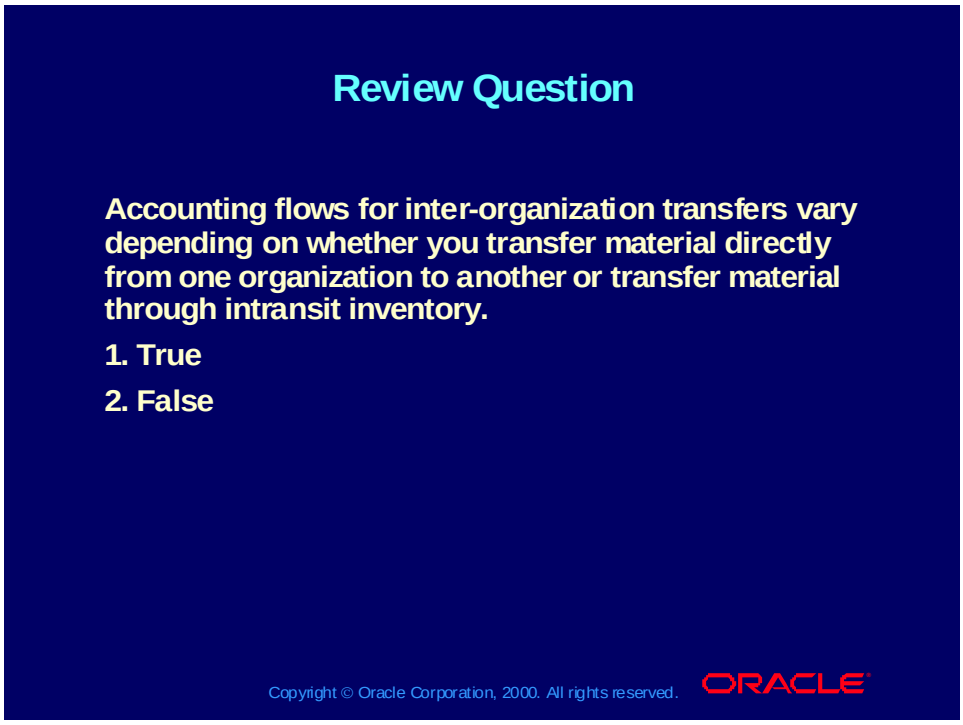

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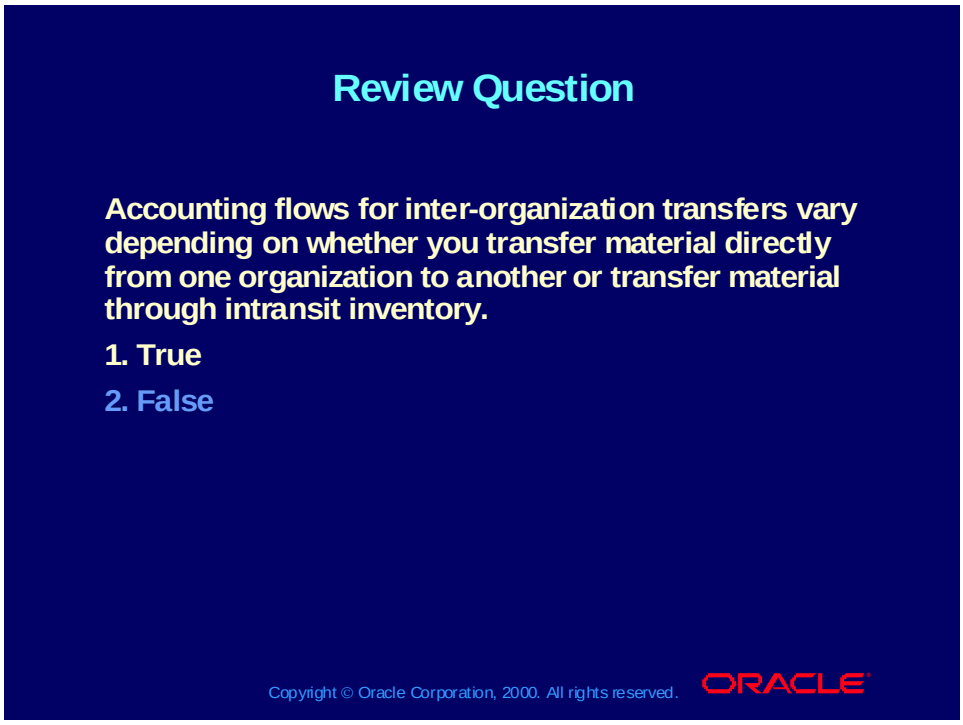

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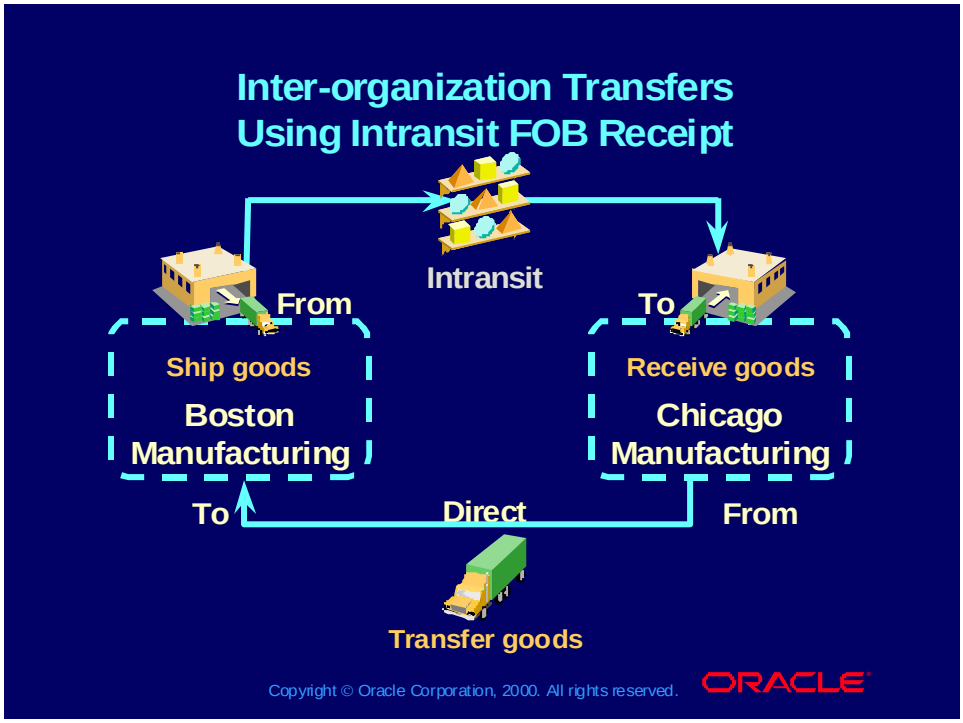
Inter-organization Transfers Using Intransit FOB Receipt



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Inter-organization Transfers Using Intransit FOB Receipt

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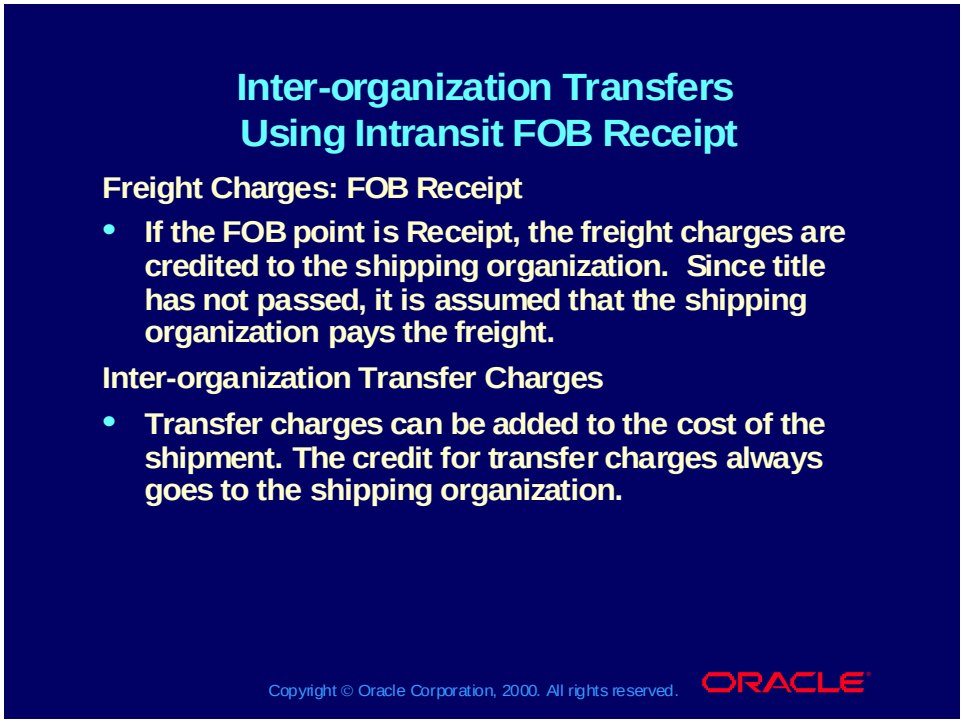
Inter-organization Transfers Using Intransit FOB Receipt



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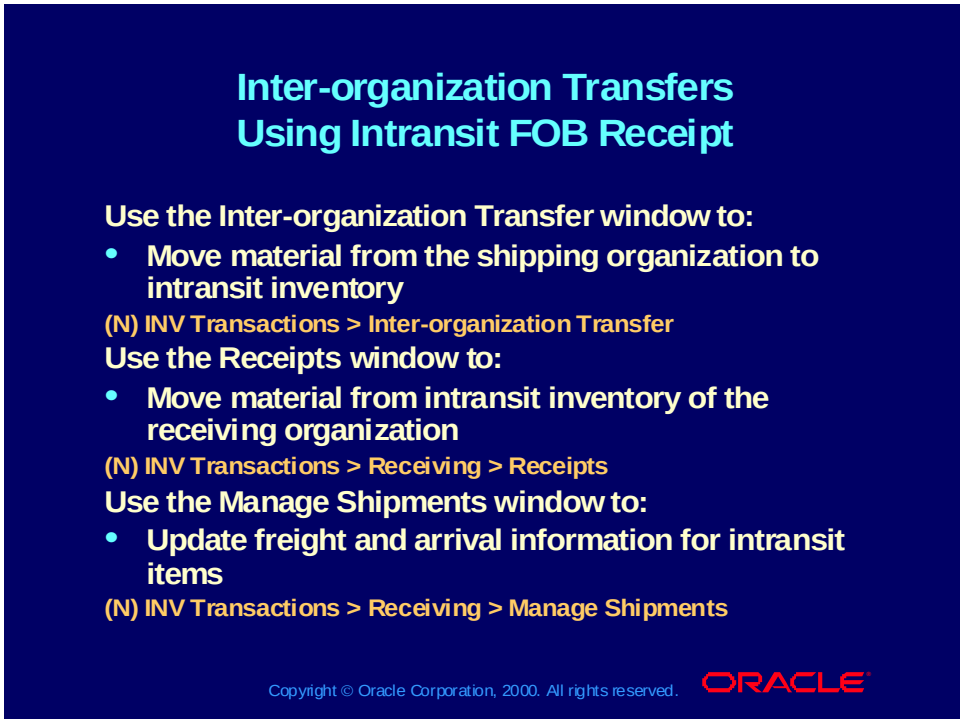
Inter-organization Transfers Using Intransit FOB Receipt



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

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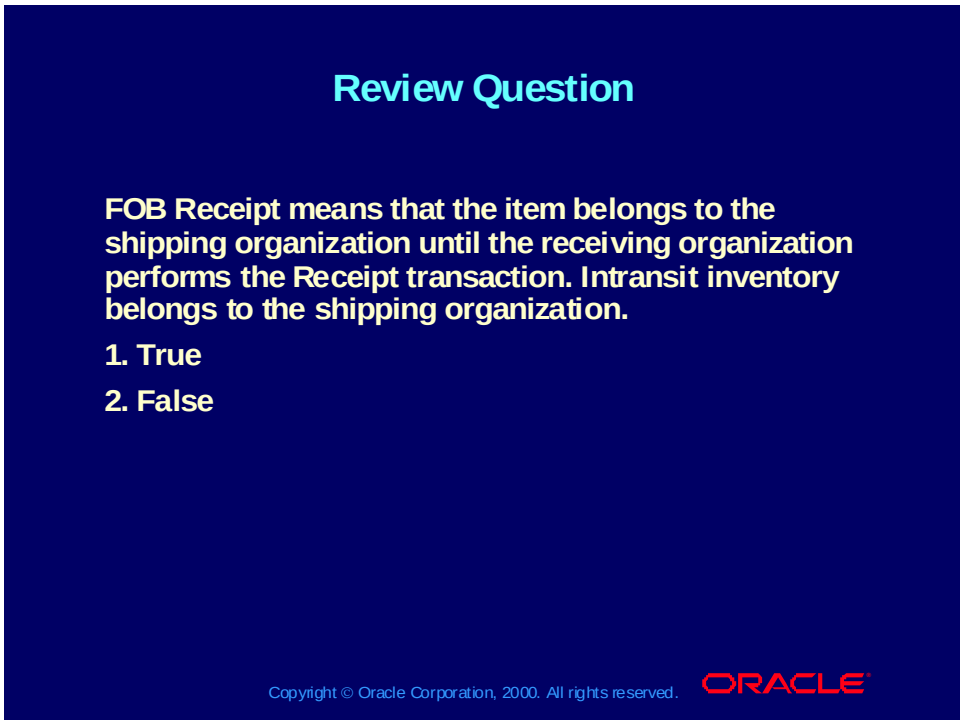

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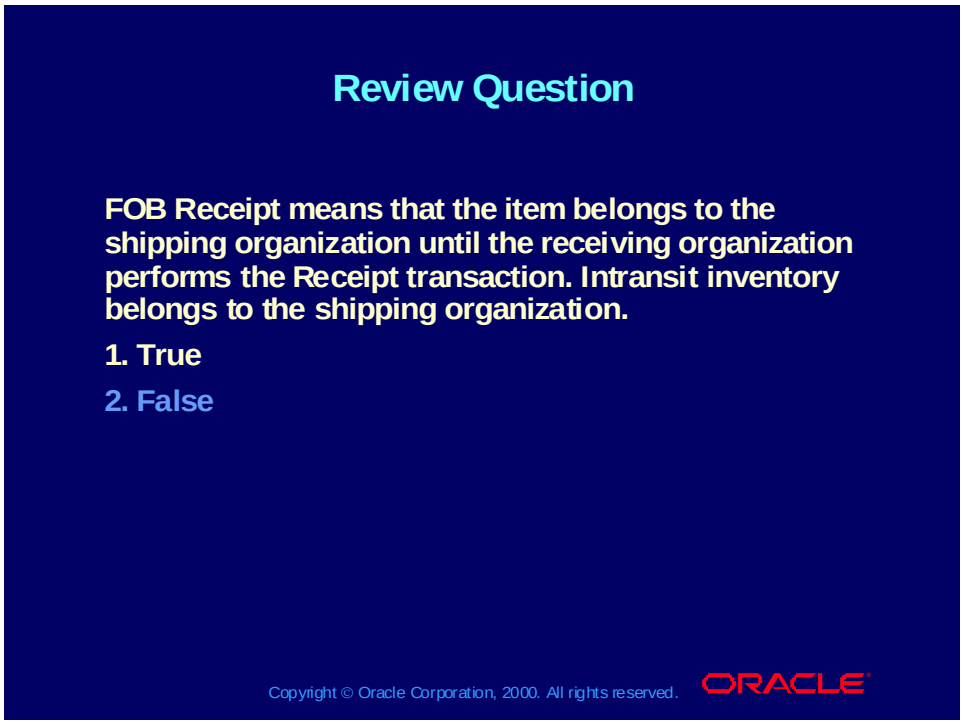

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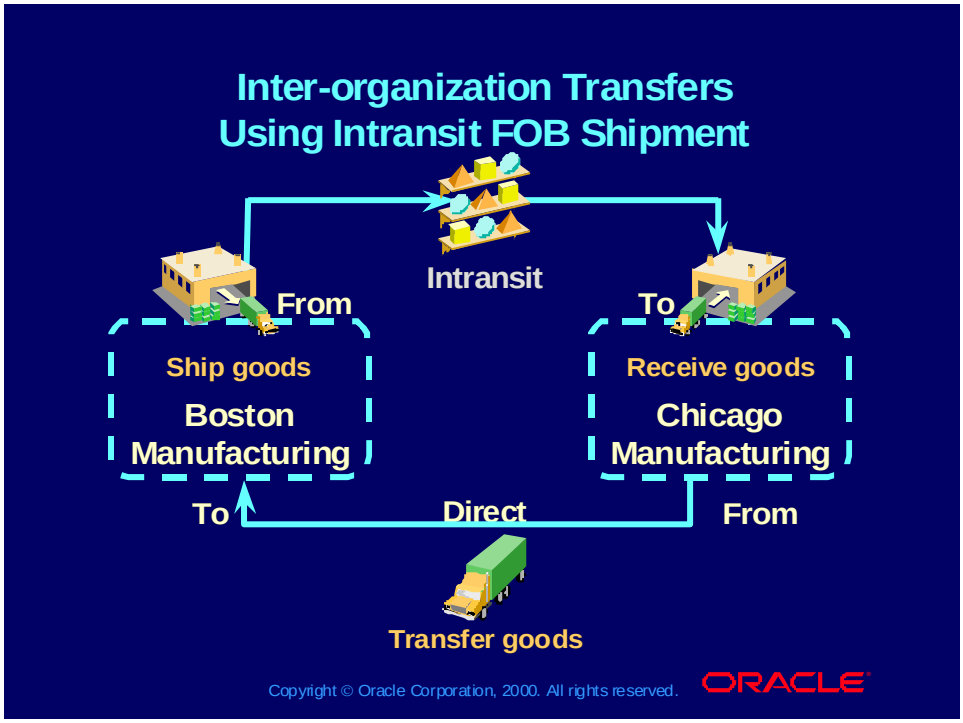
Inter-organization Transfers Using Intransit FOB Shipment



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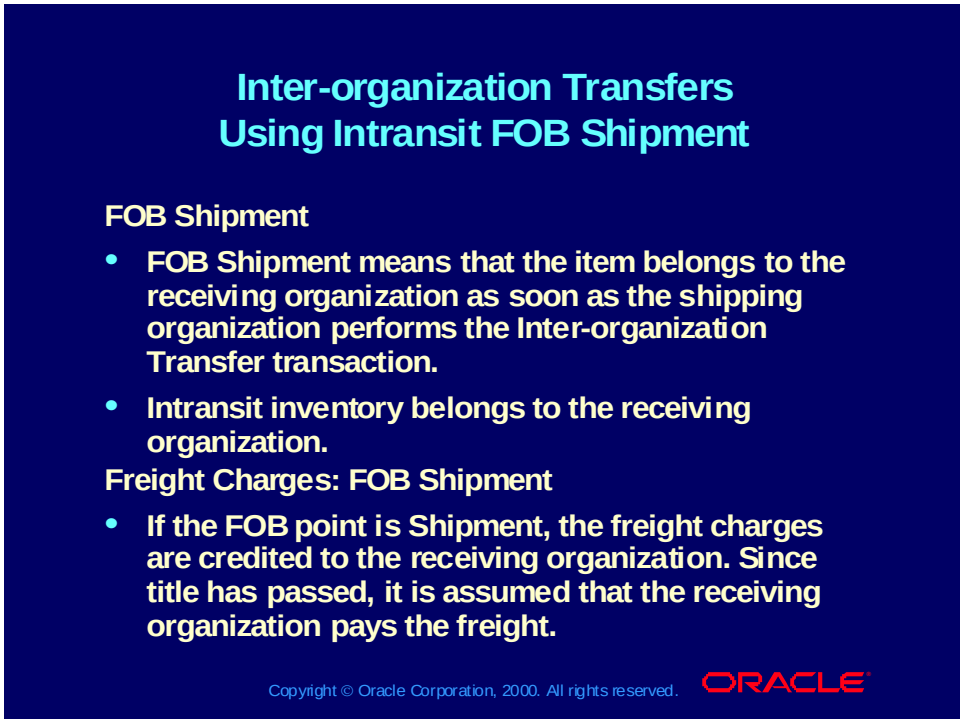
Inter-organization Transfers Using Intransit FOB Shipment



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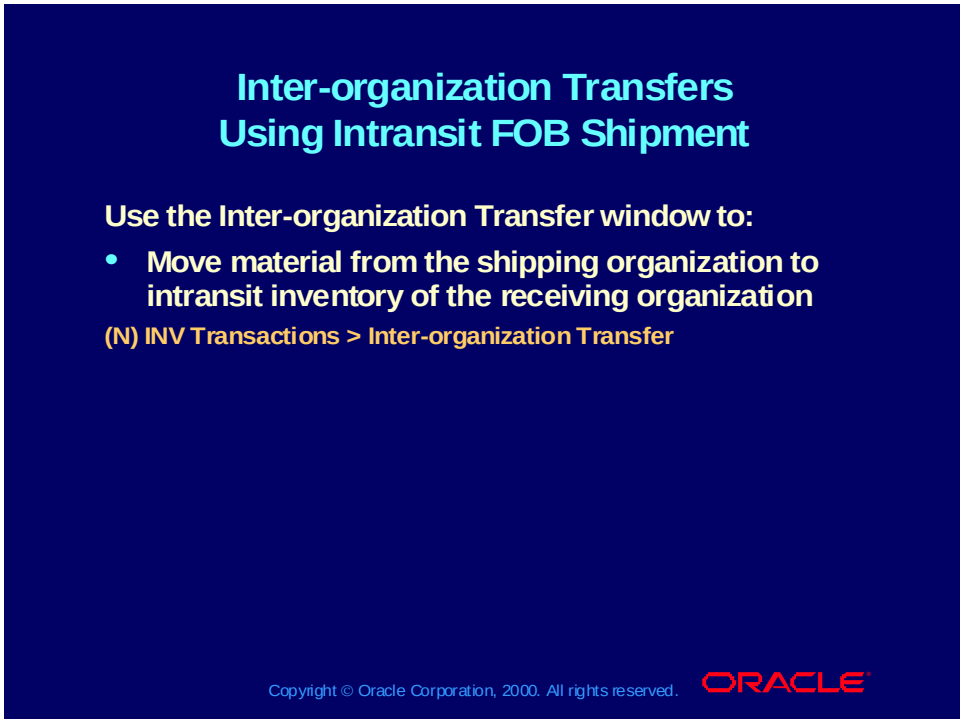
Inter-organization Transfers Using Intransit FOB Shipment



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

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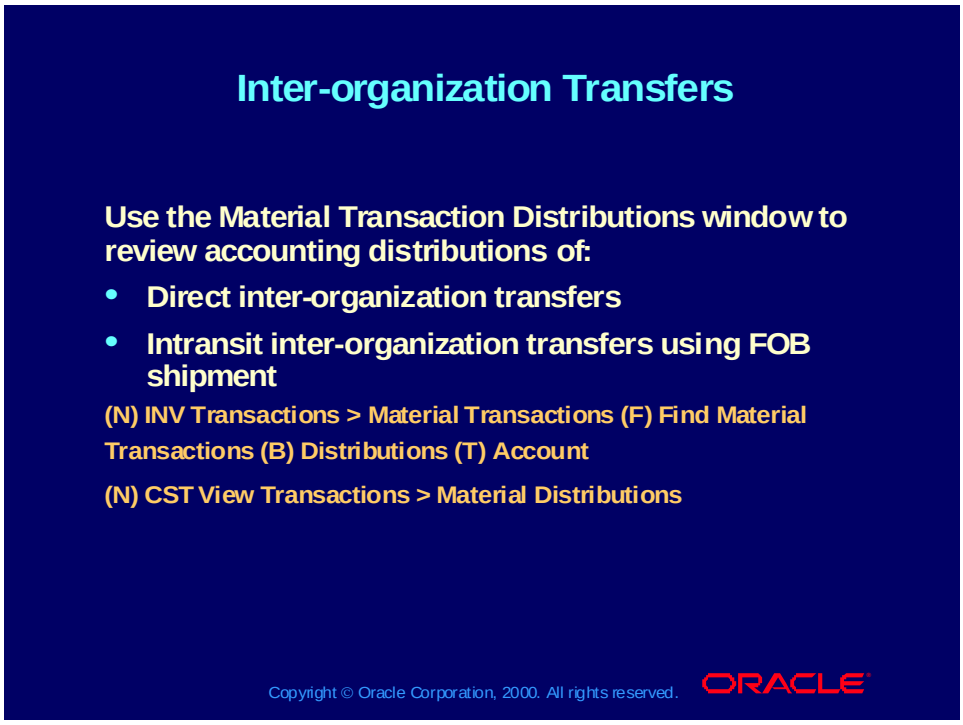

Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Viewing Material Transaction Distributions

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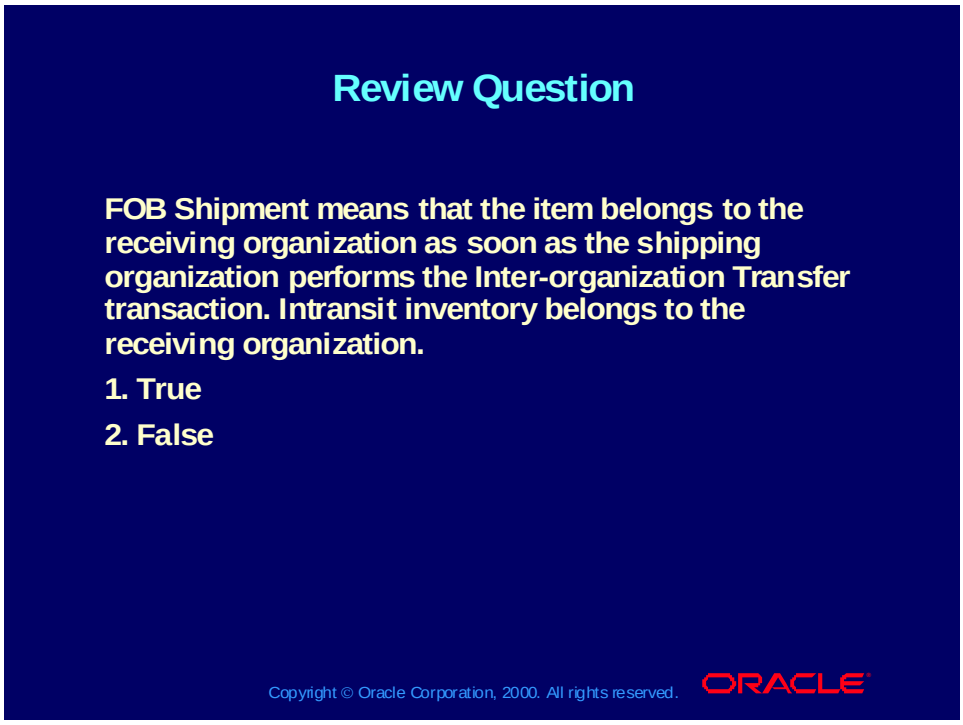

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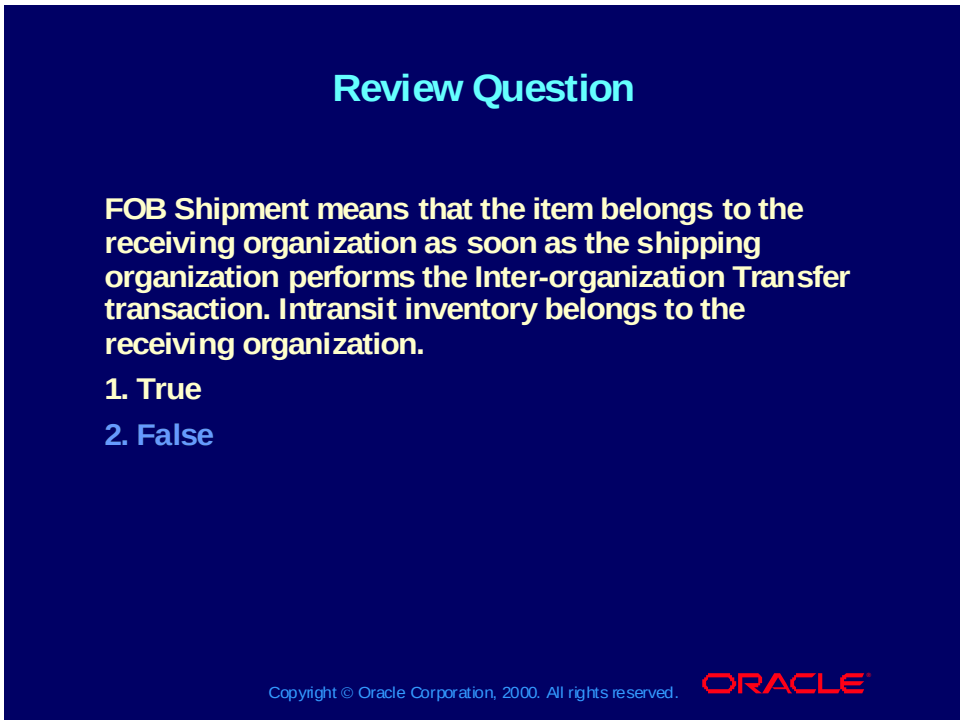

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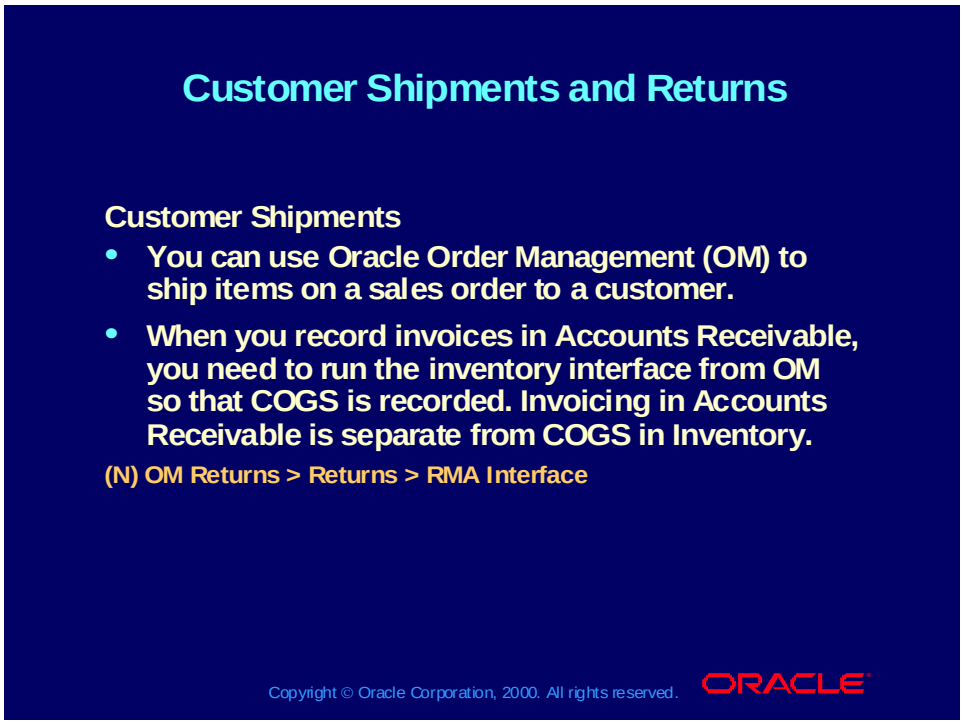

Help: Oracle Manufacturing Applications > Oracle Order Management > RMA Interface

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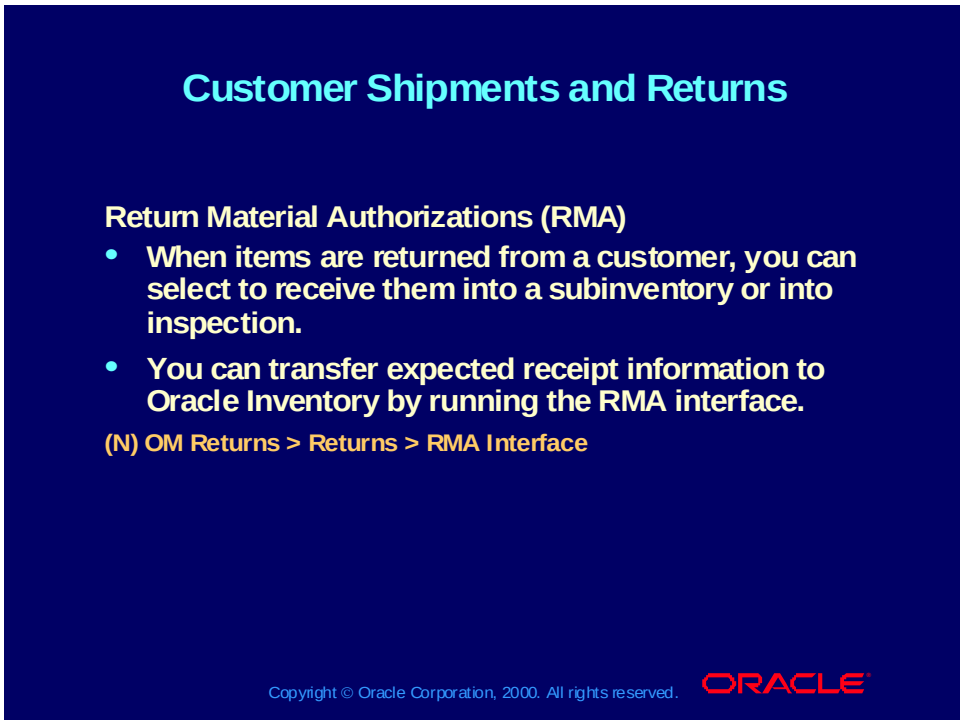

Help: Oracle Manufacturing Applications > Oracle Order Management > RMA Interface

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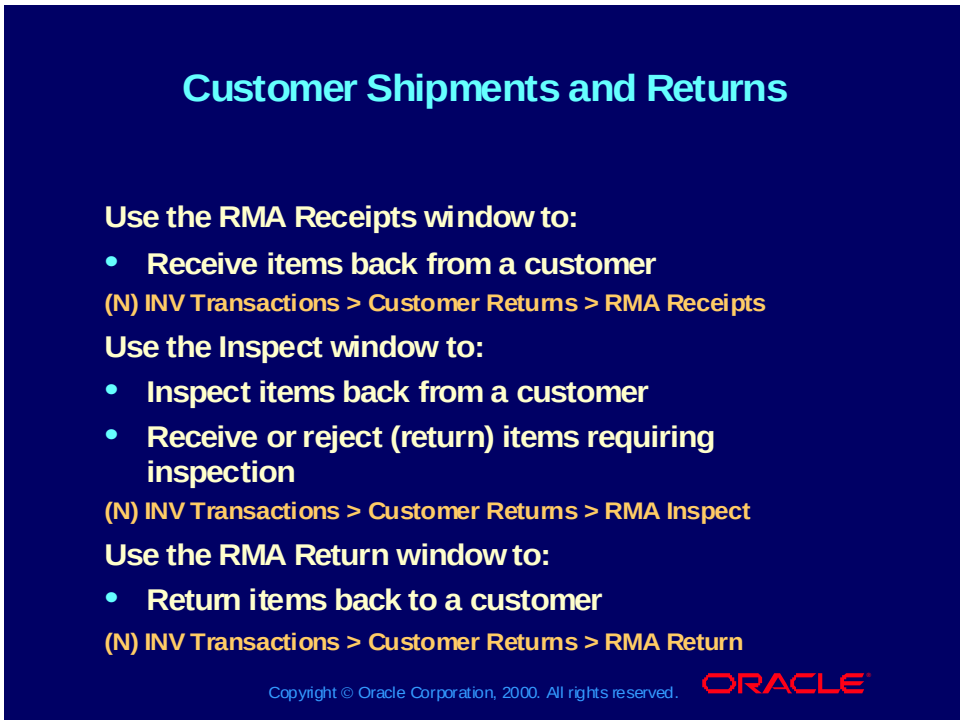

Help: Oracle Manufacturing Applications >Oracle Purchasing > Receiving > Return

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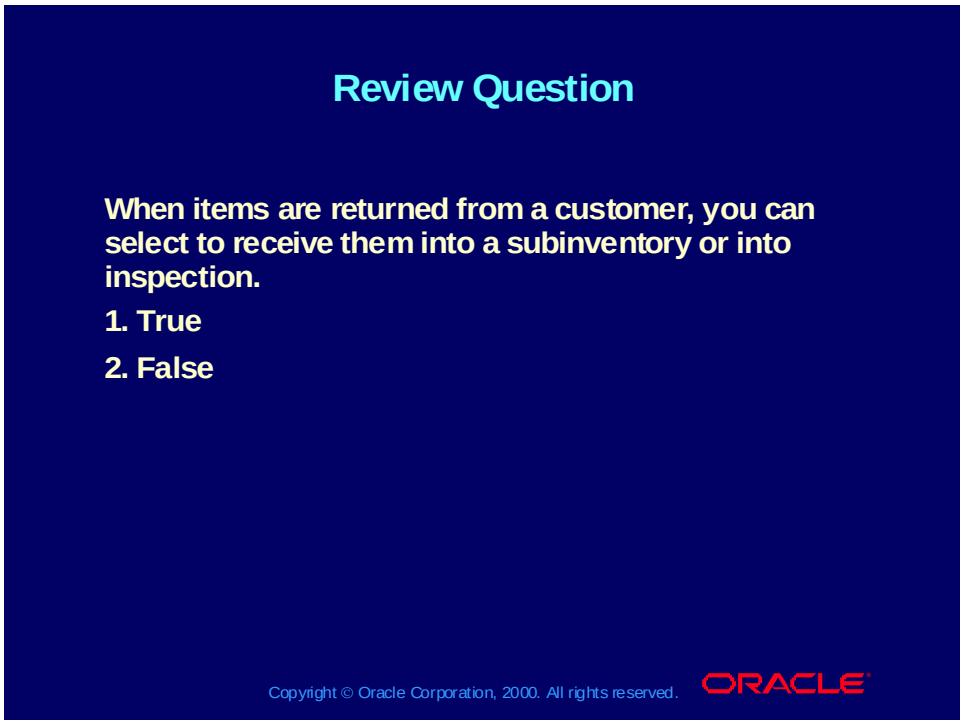

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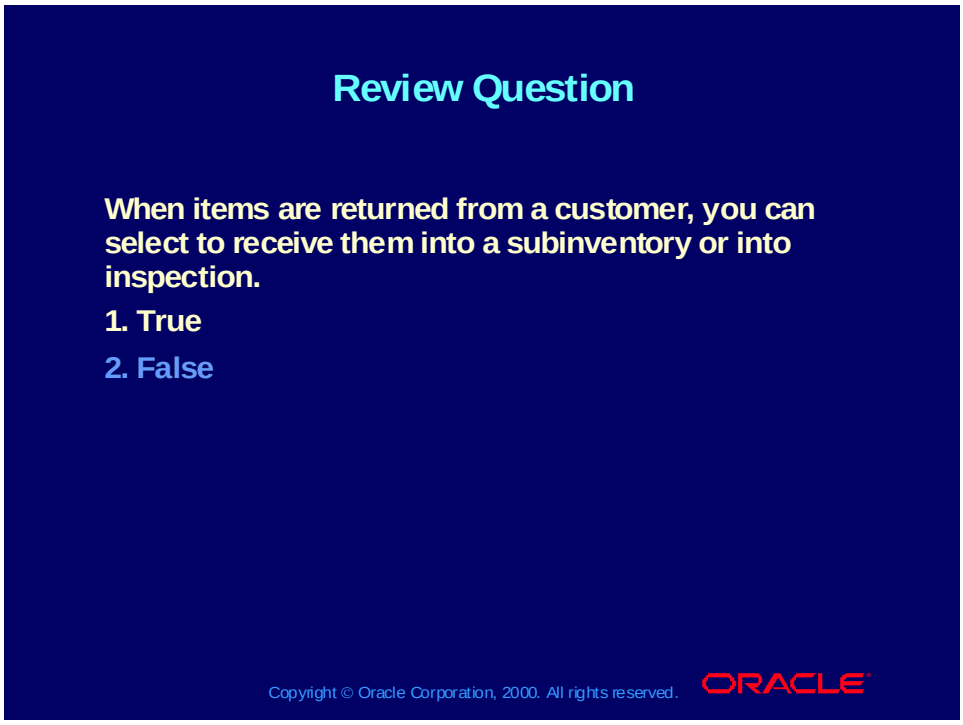

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Inventory Adjustments

- 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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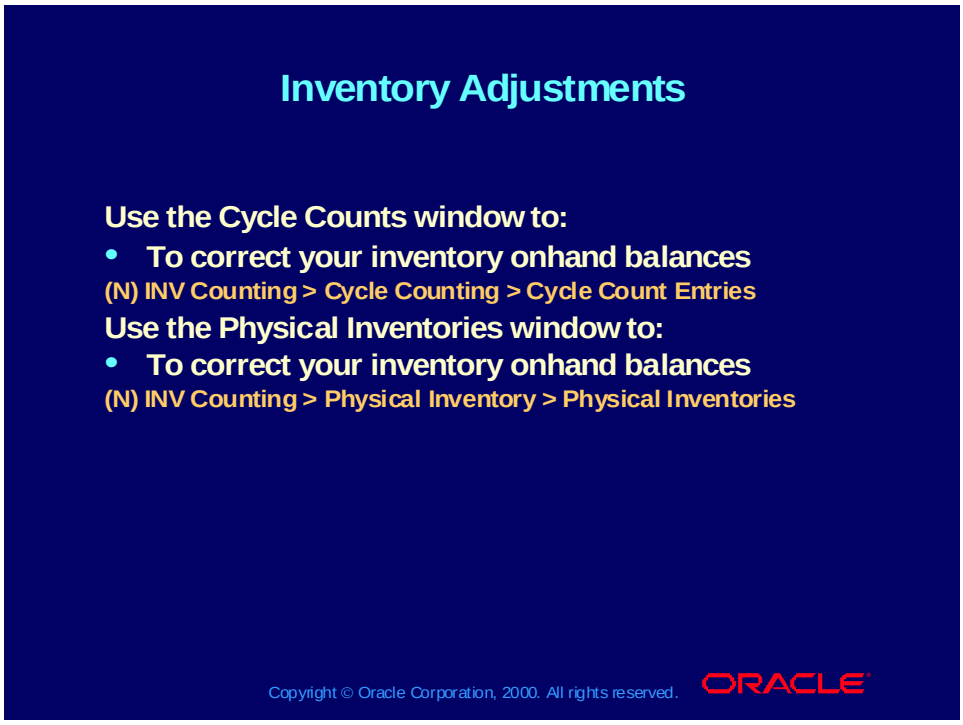

Help: Oracle Manufacturing Applications >Oracle Inventory > Cycle Counting >Entering Cycle Counts

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

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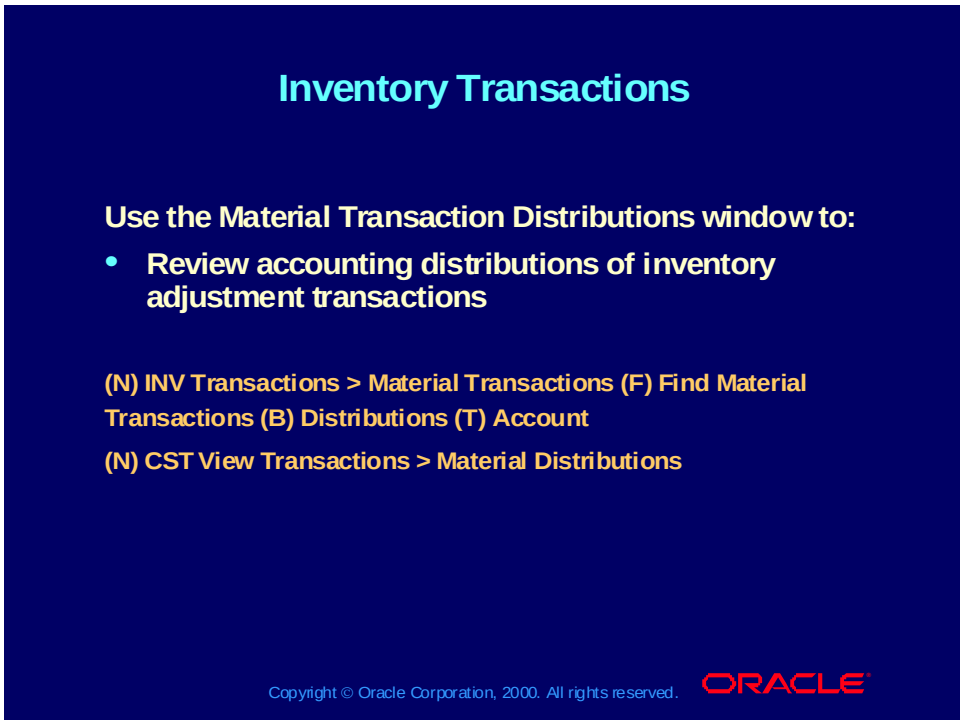

Help: Oracle Manufacturing Applications >Oracle Inventory > Transactions >Viewing Material Transaction Distributions

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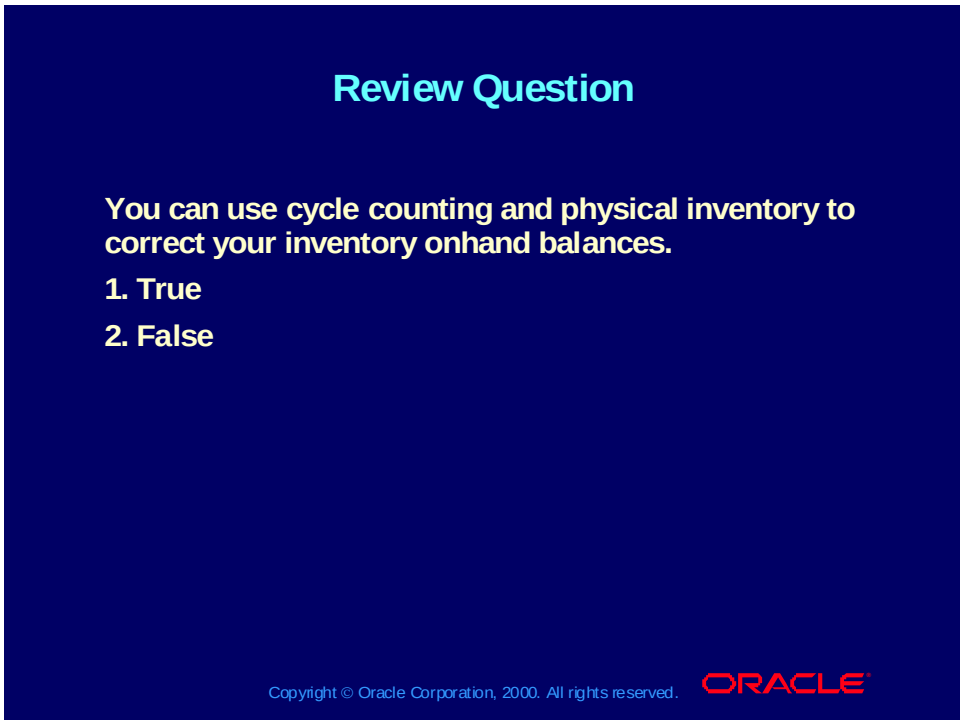

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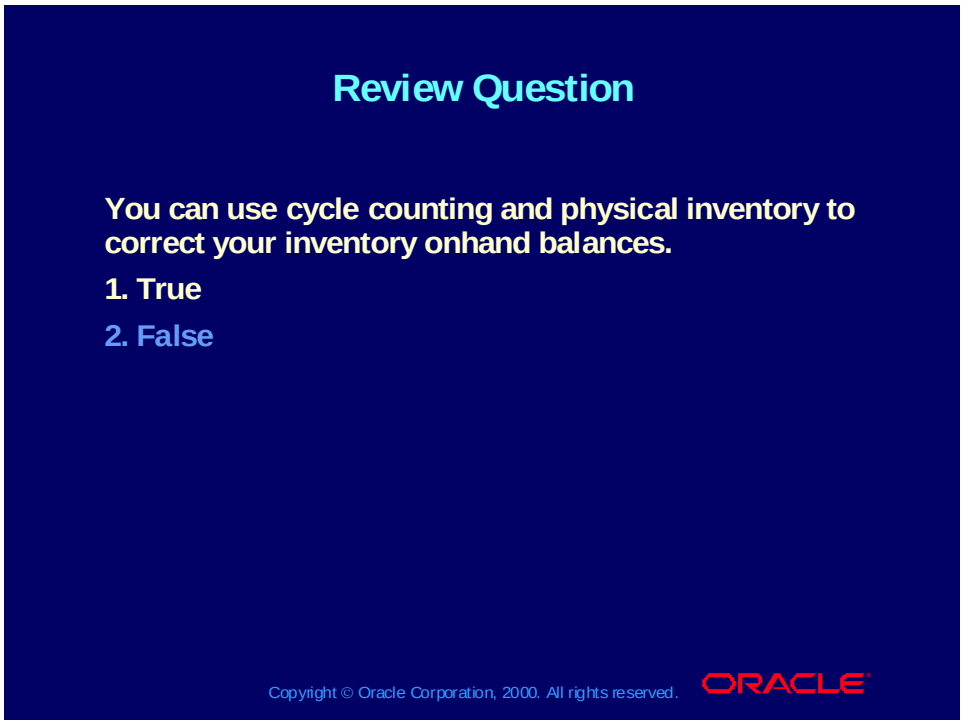

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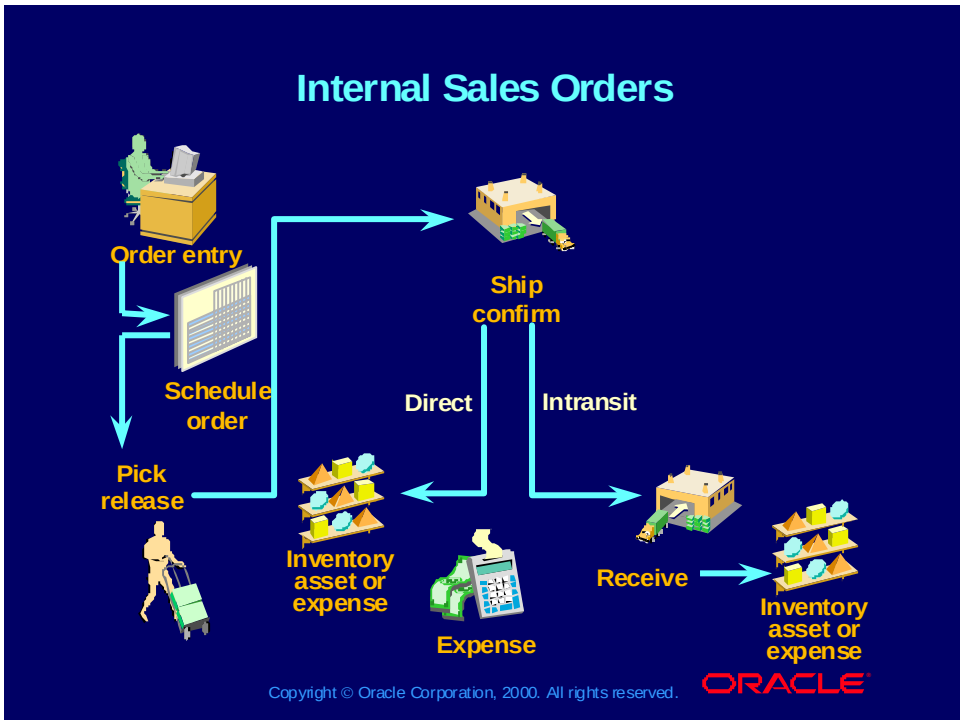
Internal Sales Orders



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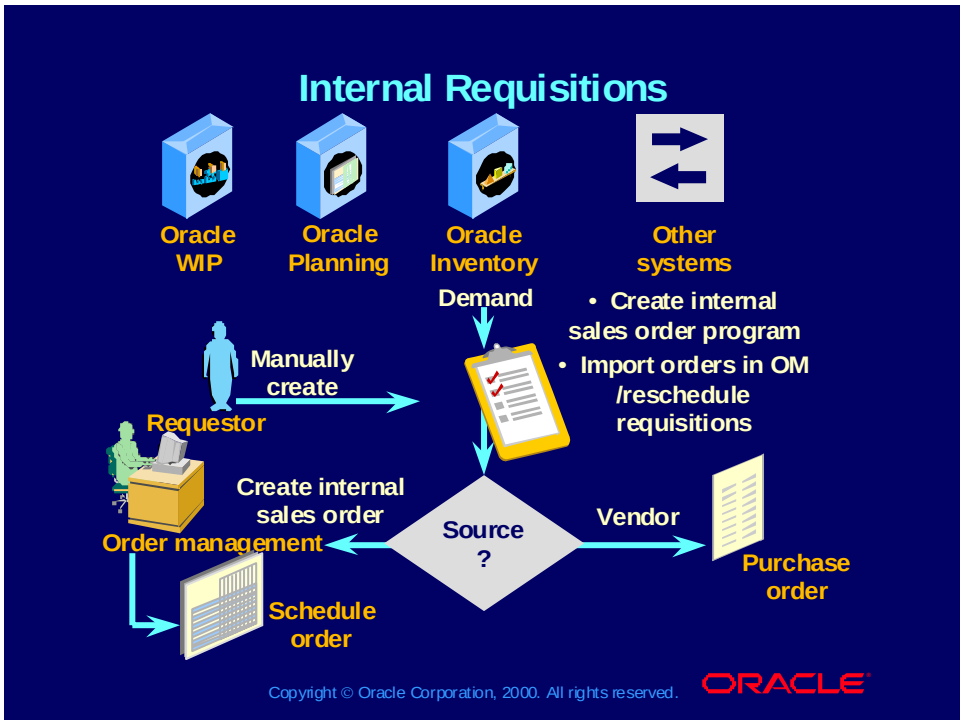
Internal Requisitions



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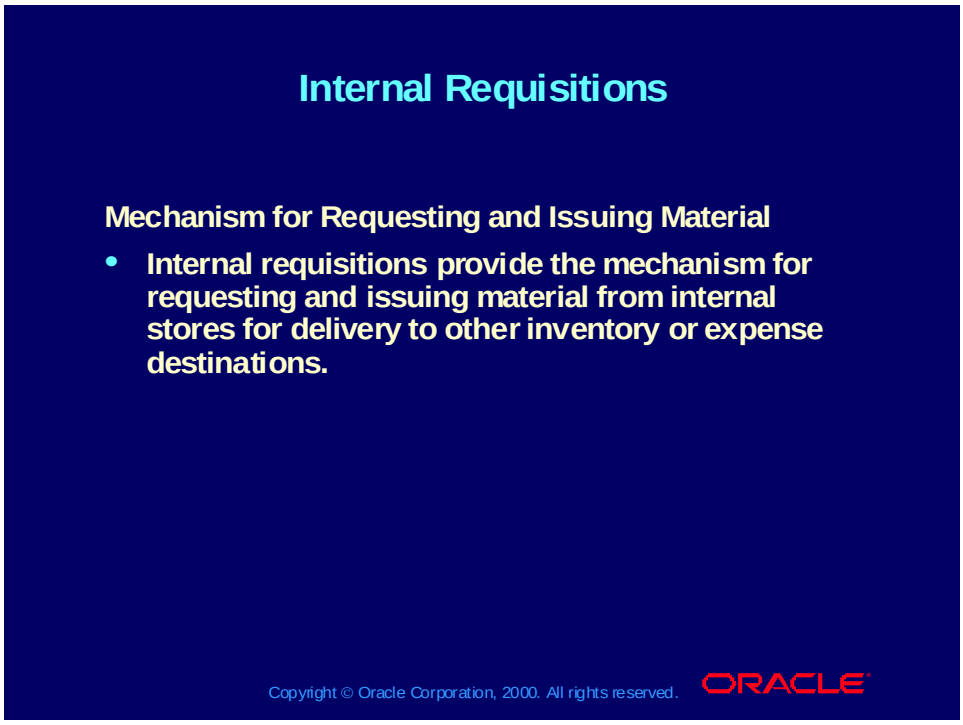

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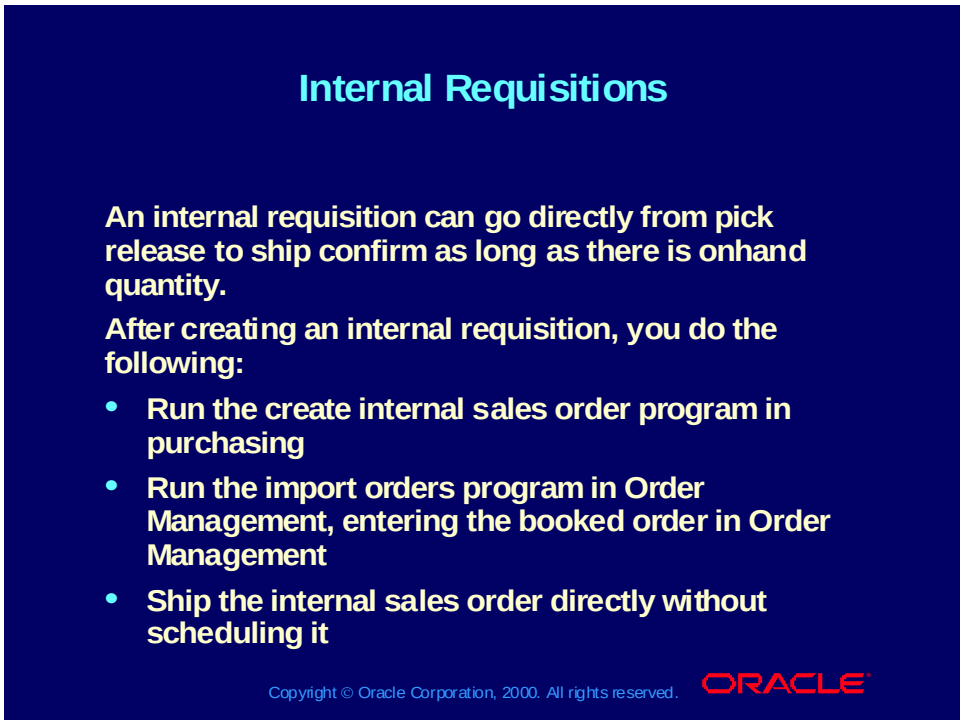

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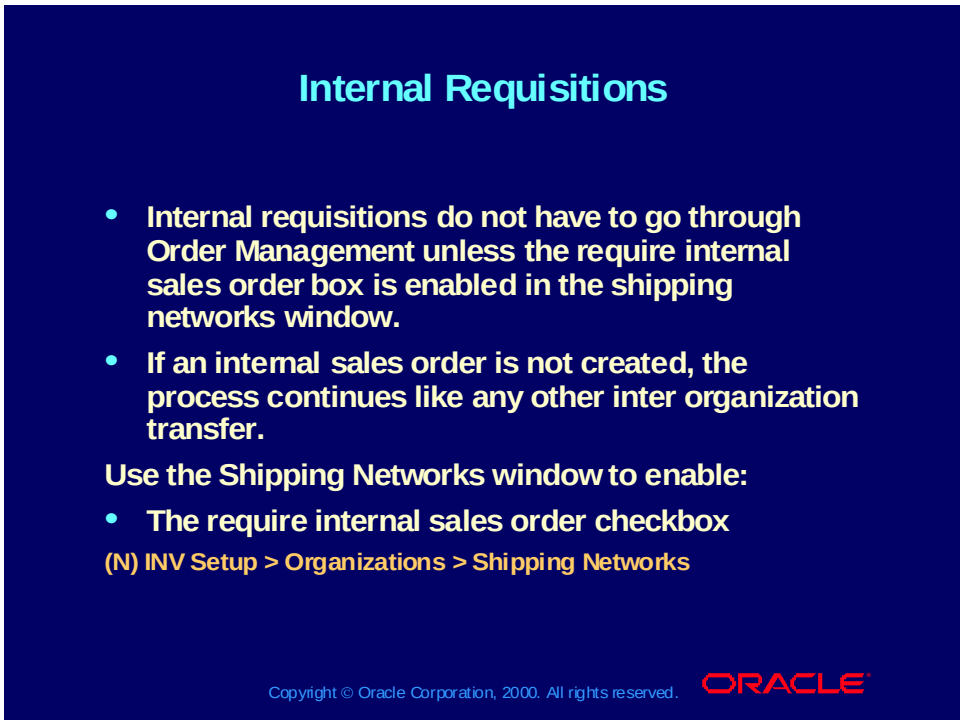

Help: Oracle Manufacturing Applications >Oracle Inventory > Setting Up > Transaction Setup >
Inter-Organization Shipping Network

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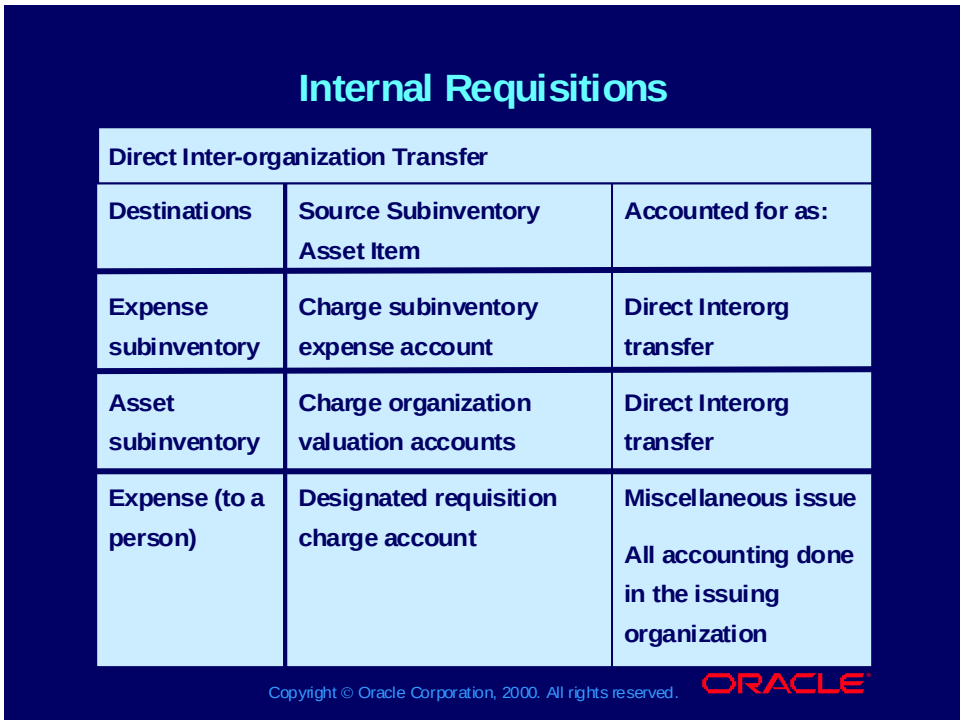

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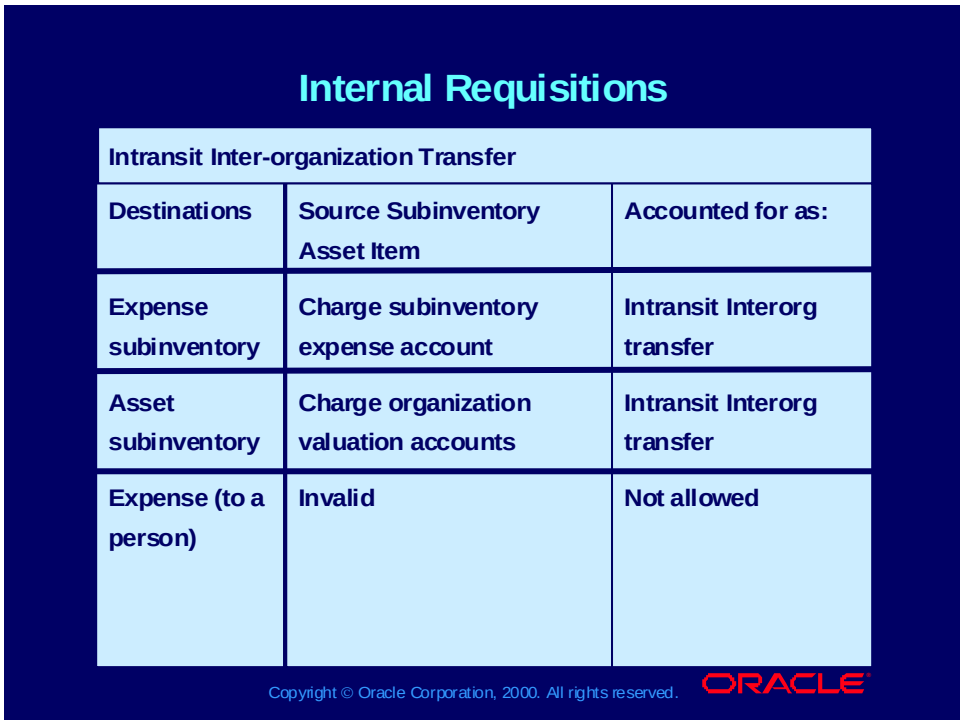

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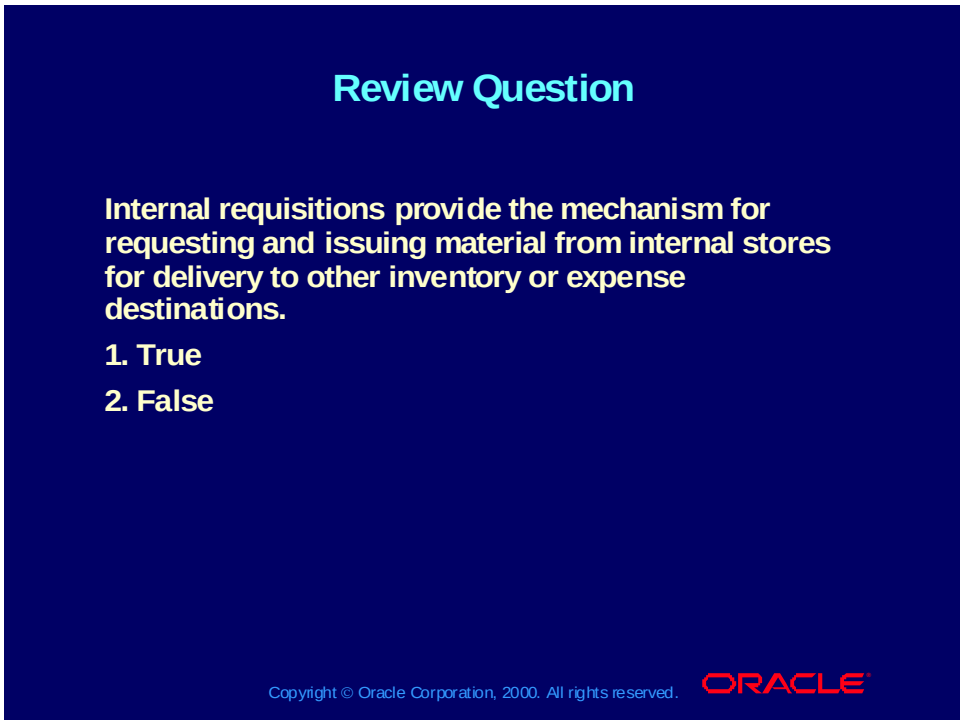

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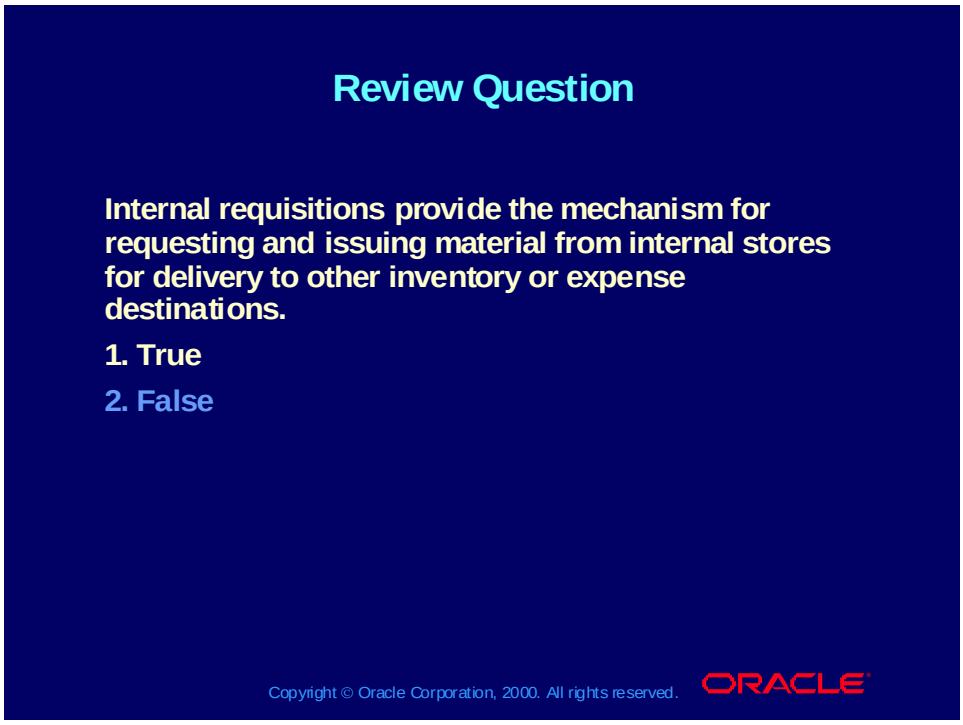

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Summary

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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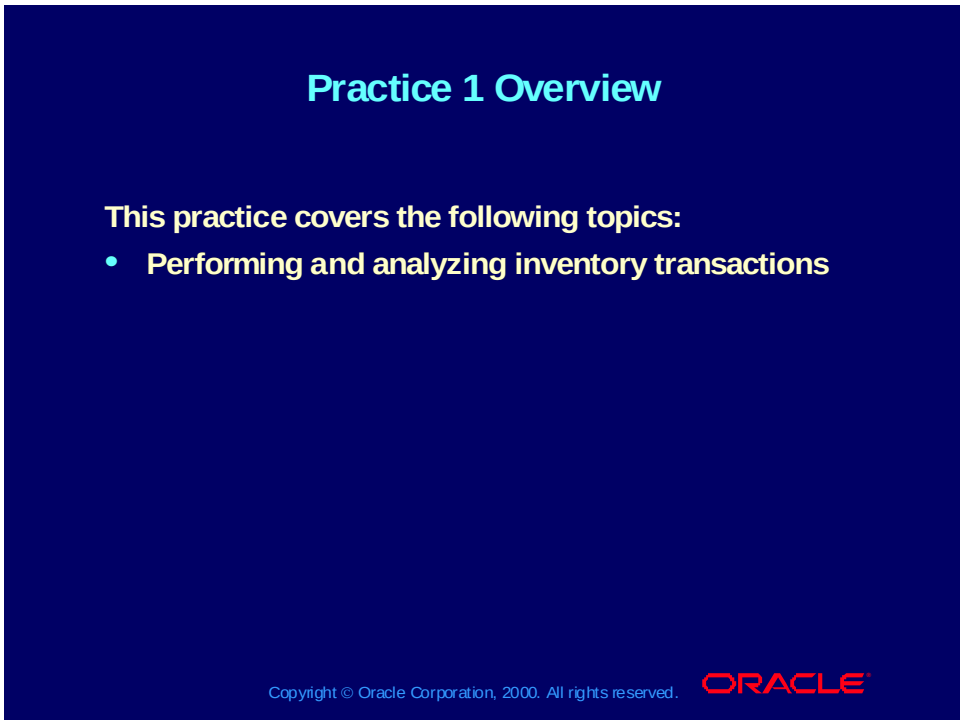

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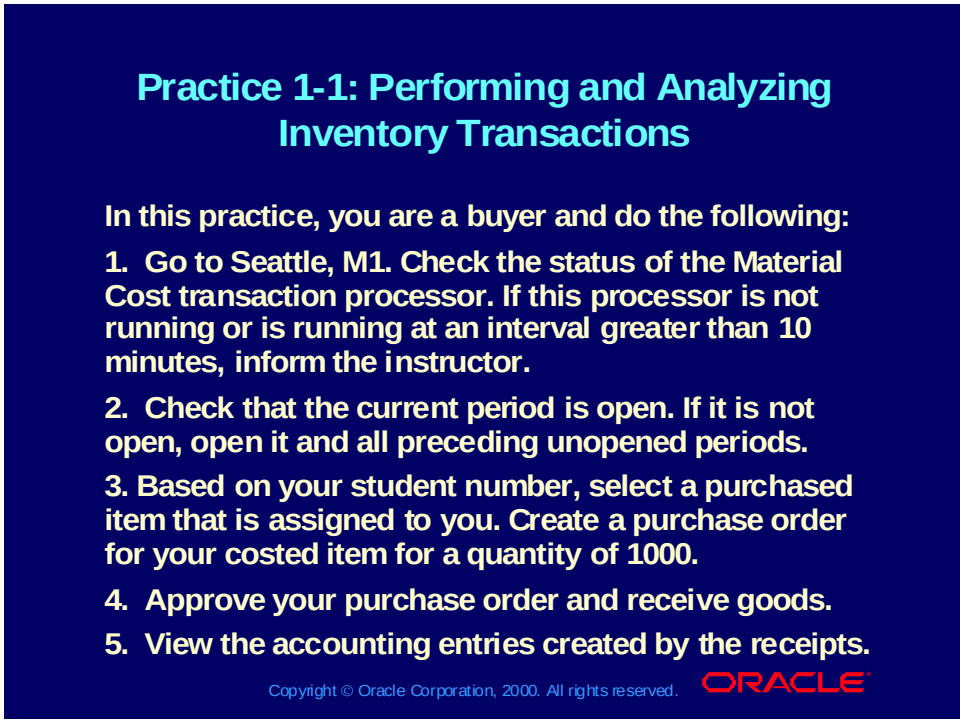
Practice 1-1: Performing and Analyzing Inventory Transactions



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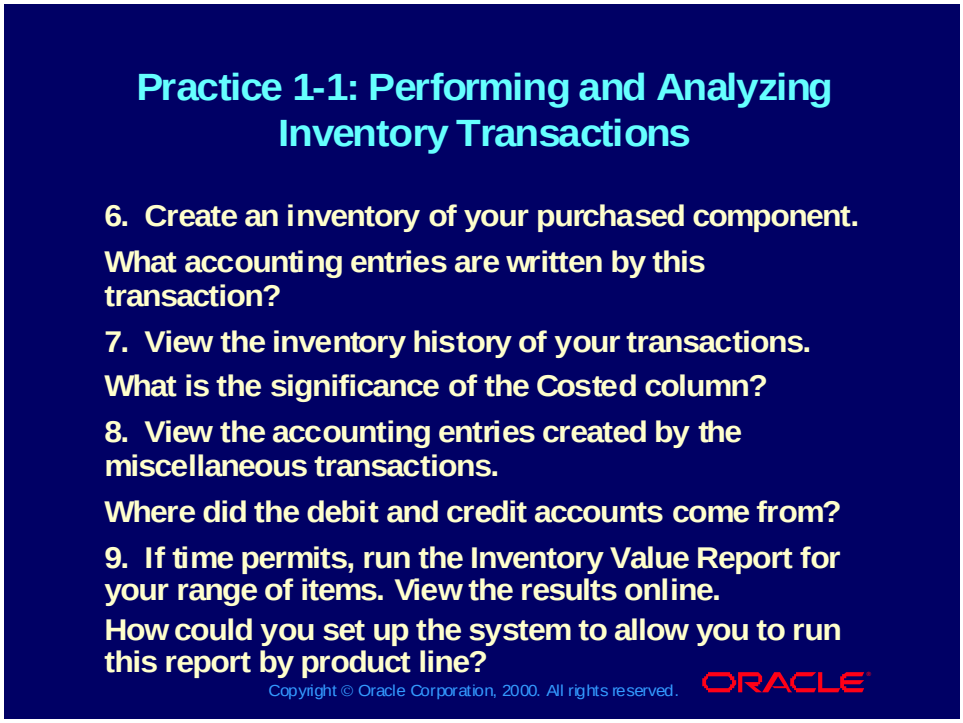
Practice 1-1: Performing and Analyzing Inventory Transactions



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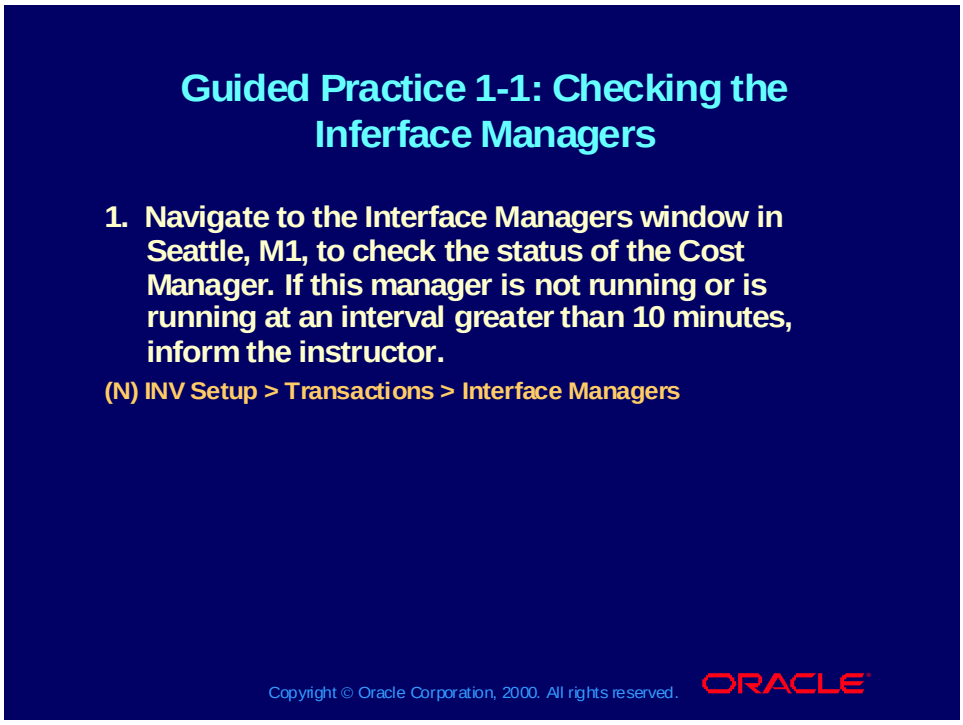

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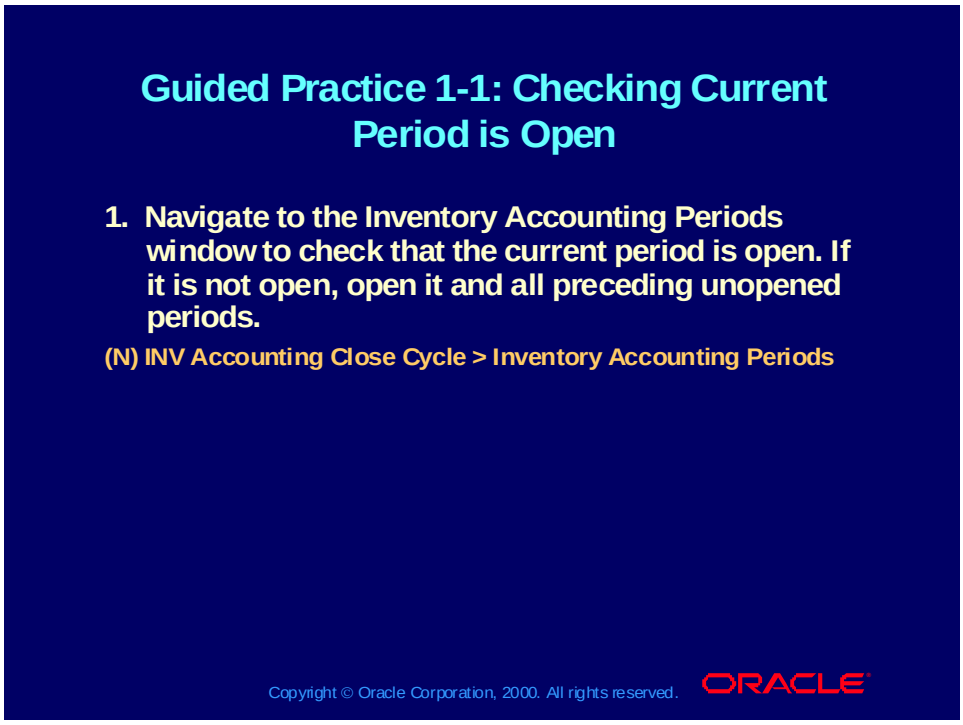

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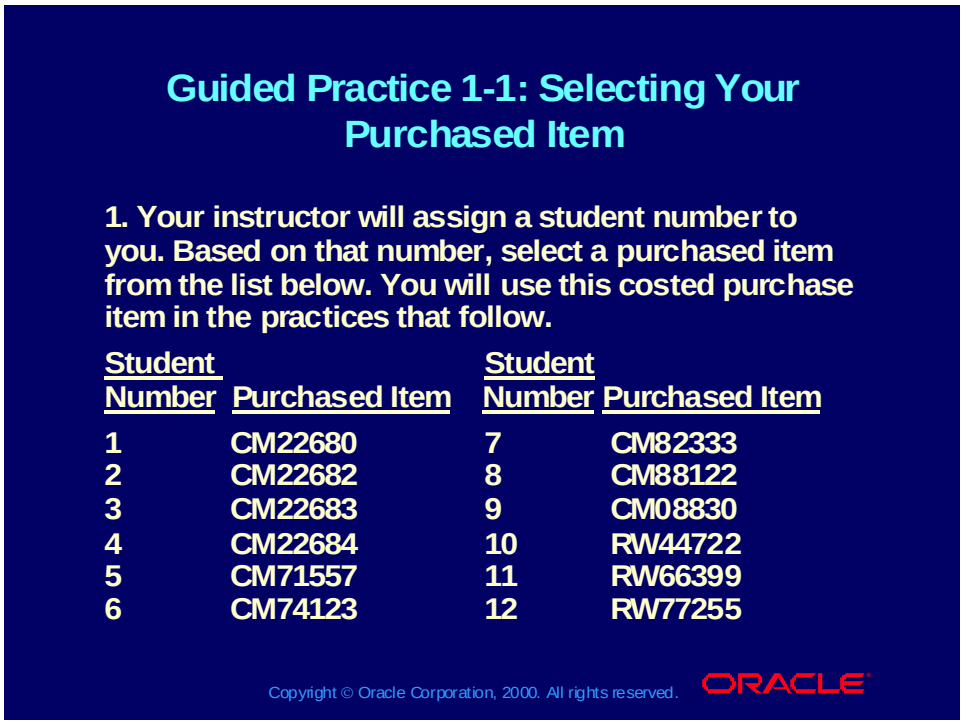

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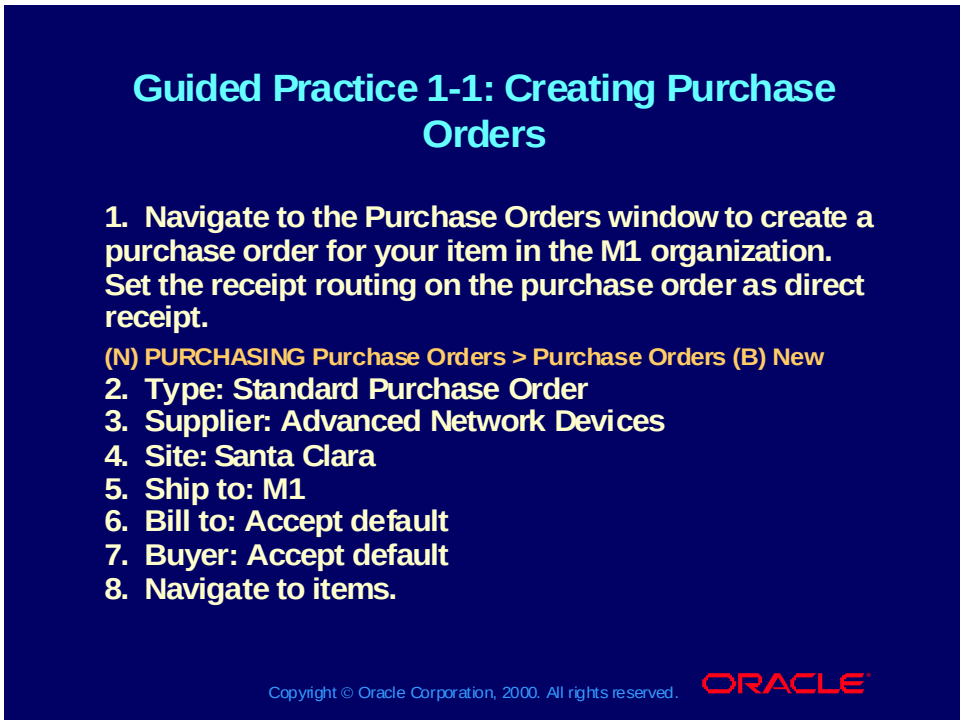

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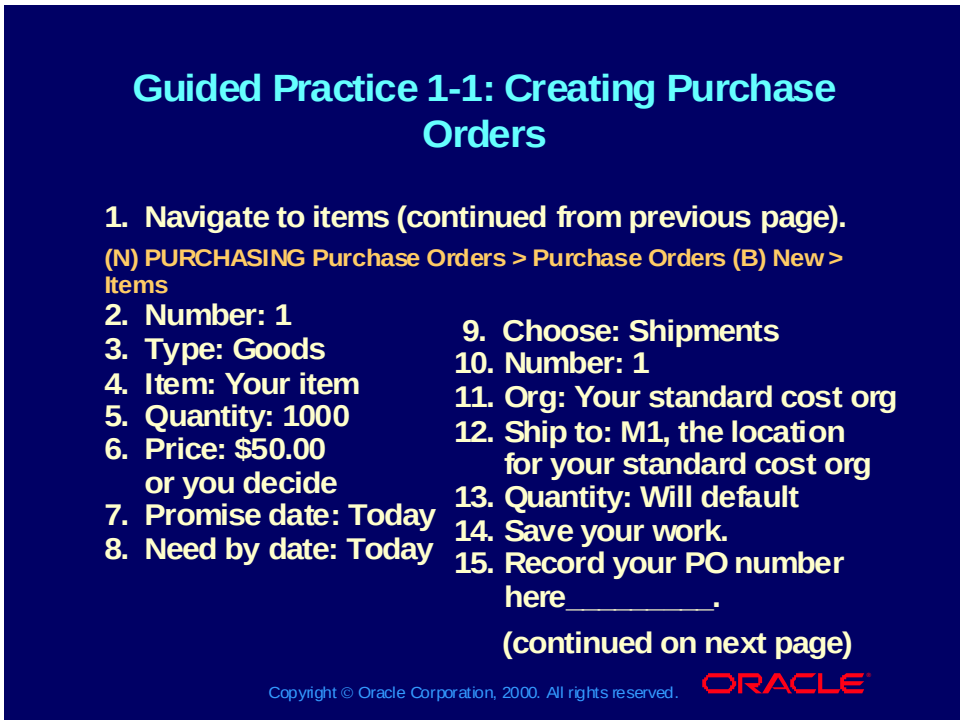

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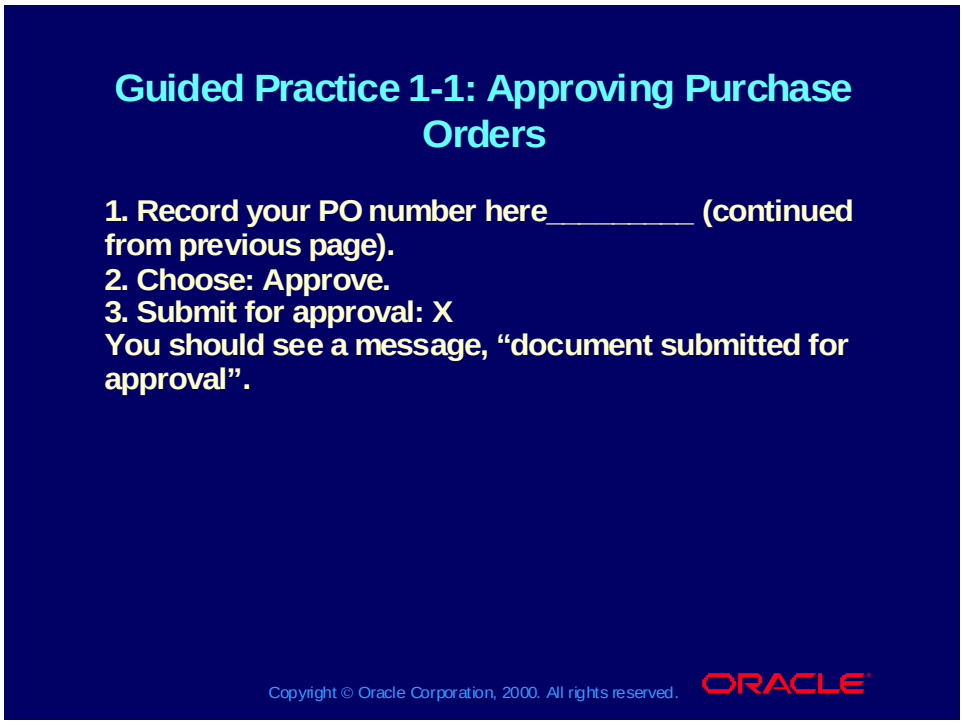

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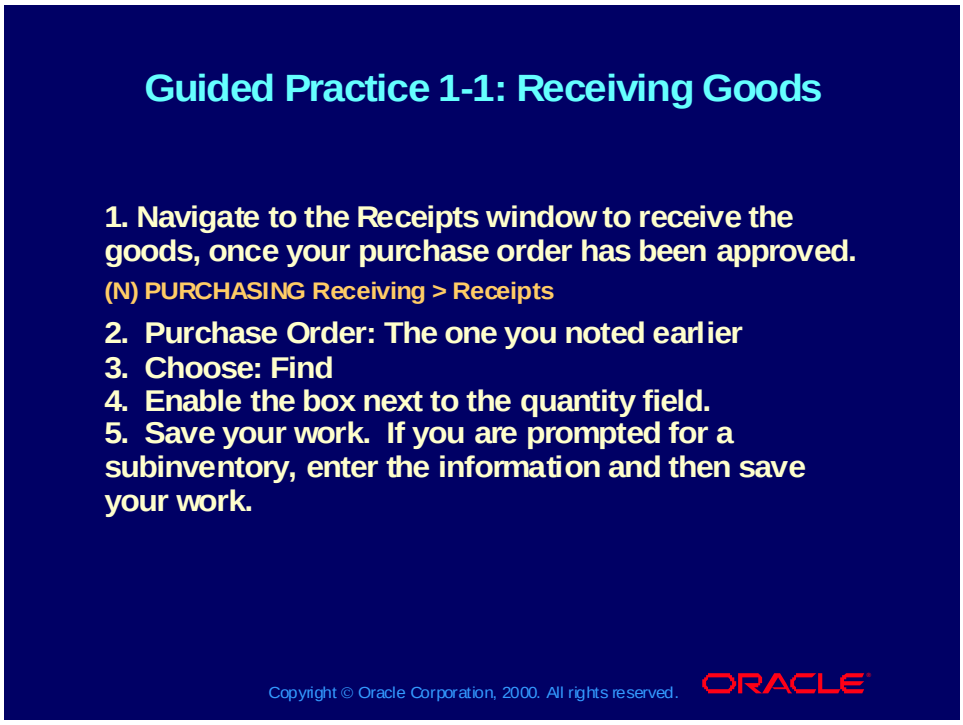

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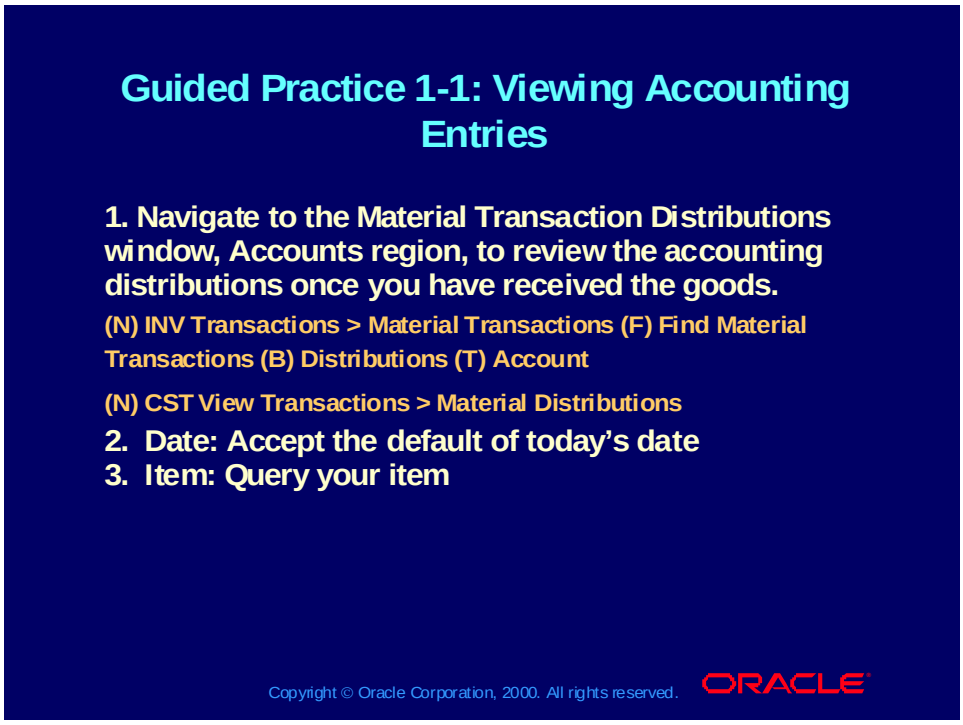

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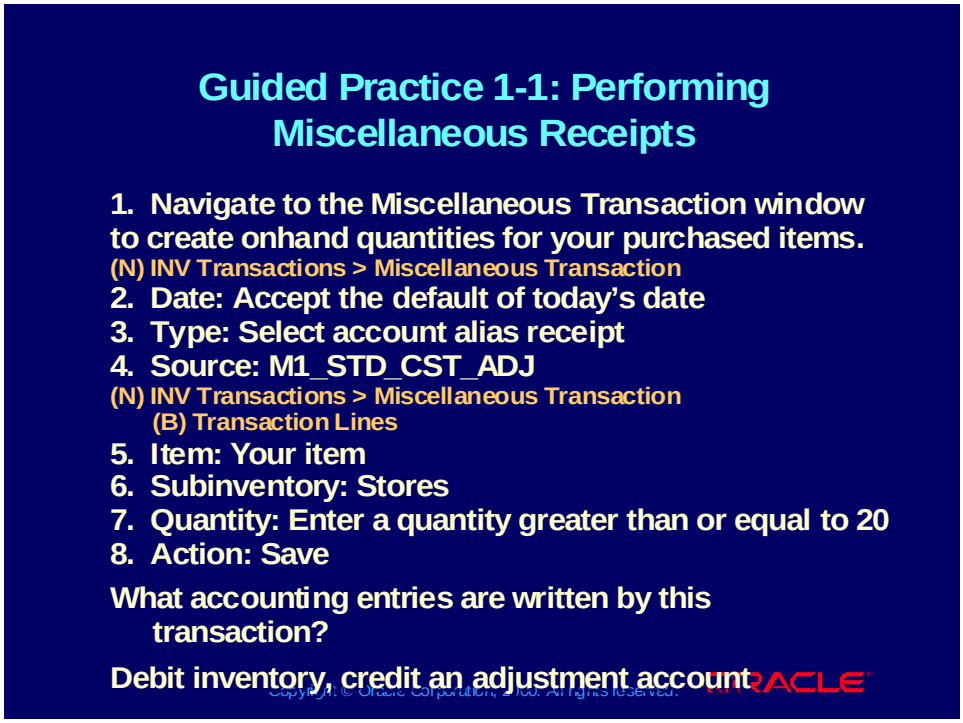
Guided Practice 1-1: Performing Miscellaneous Receipts



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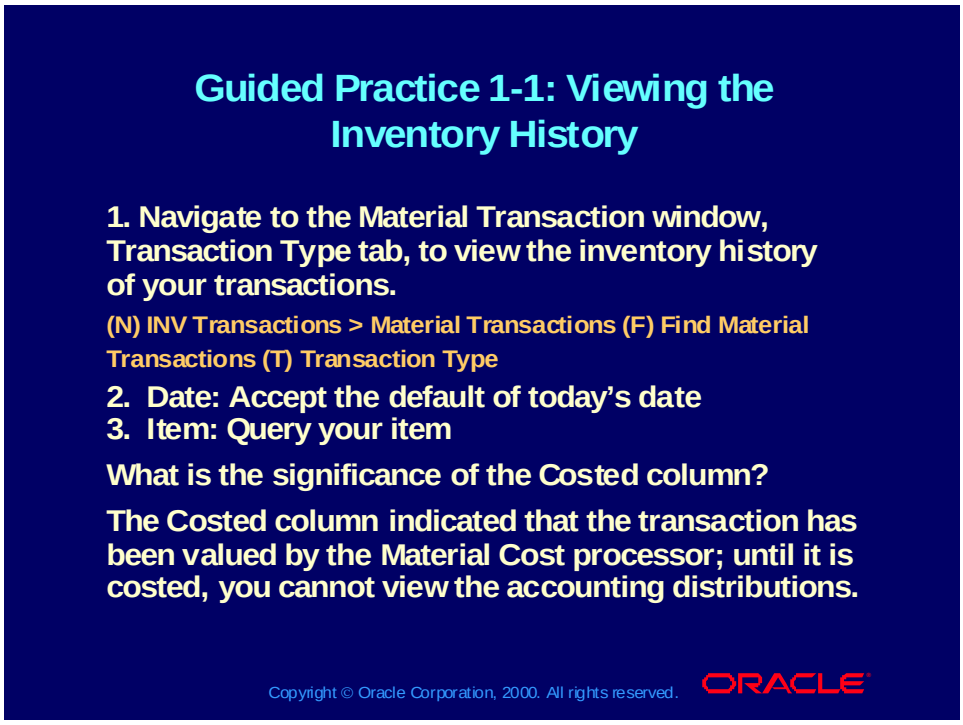

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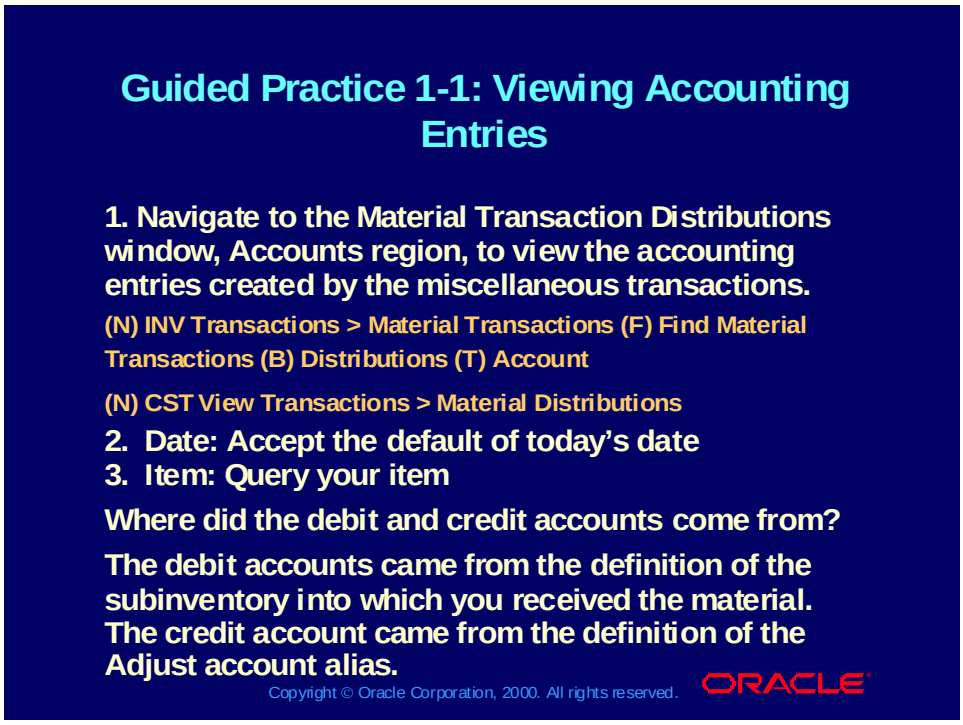

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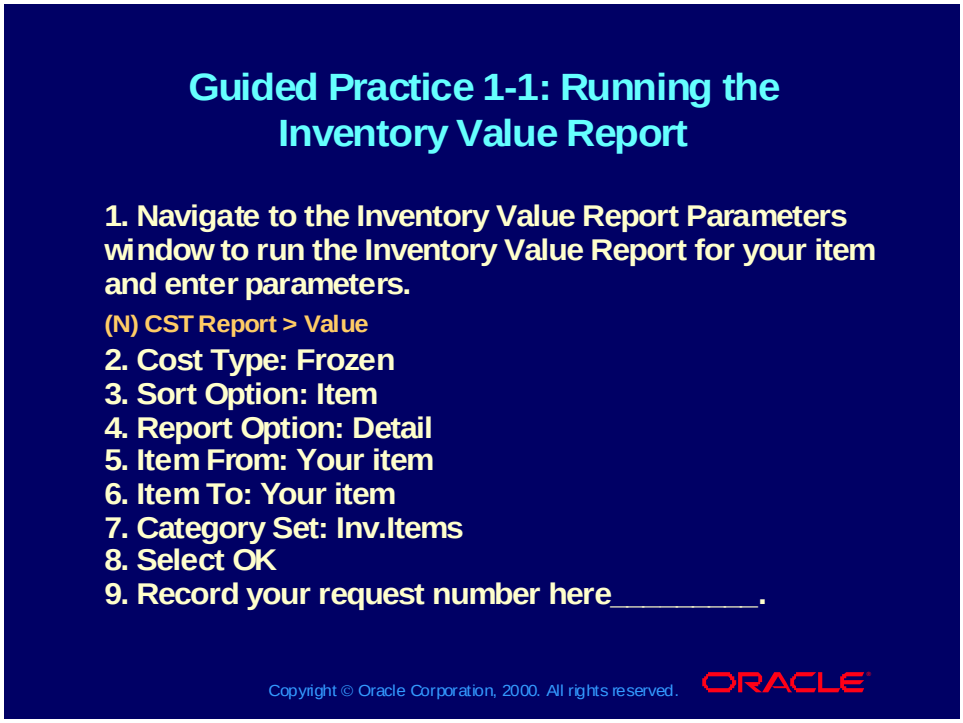
Guided Practice 1-1: Running the Inventory Value Report



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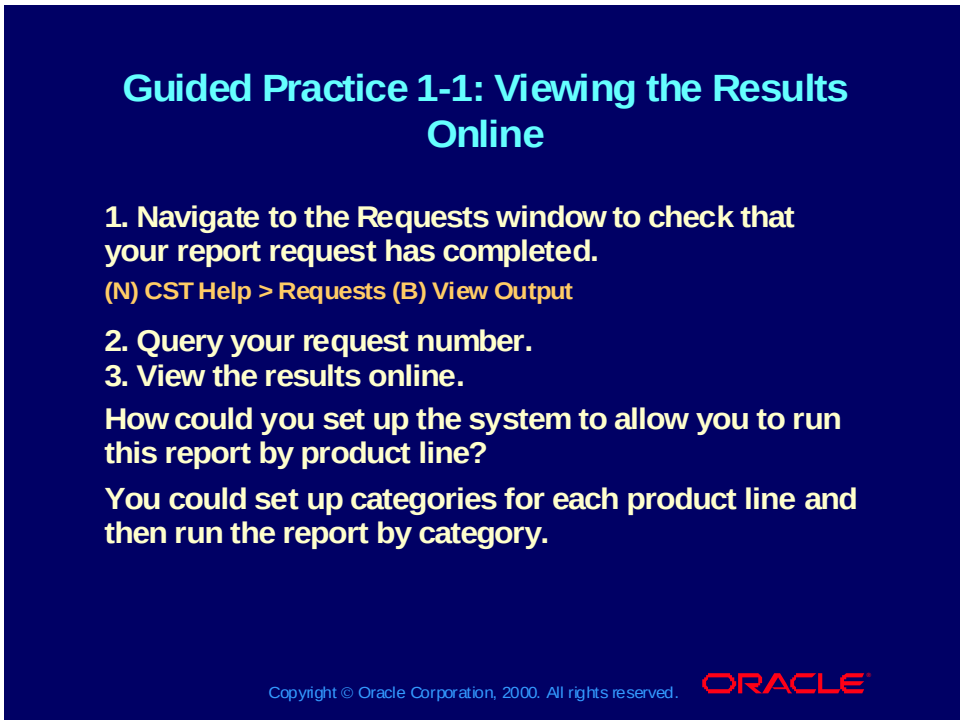

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Accounting for WIP Transactions for Standard Costing

Chapter 2

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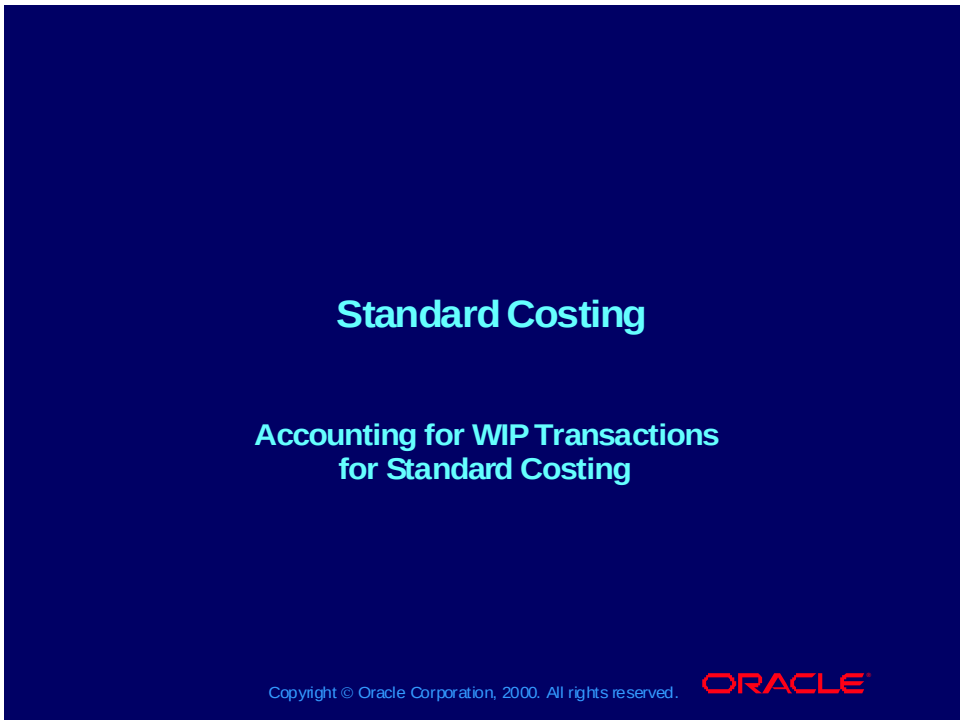

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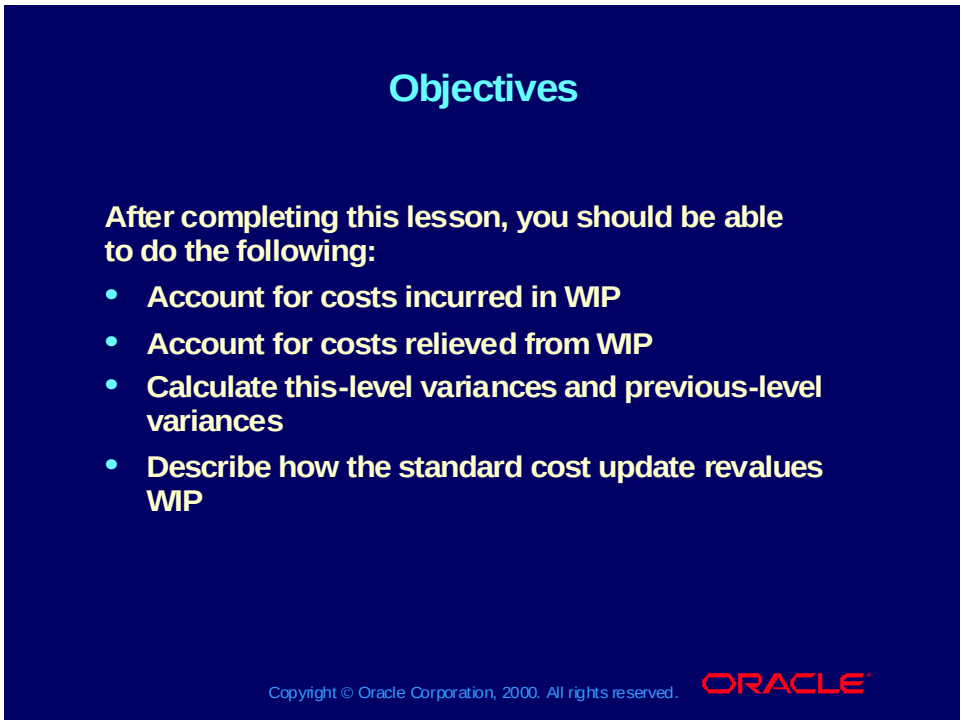

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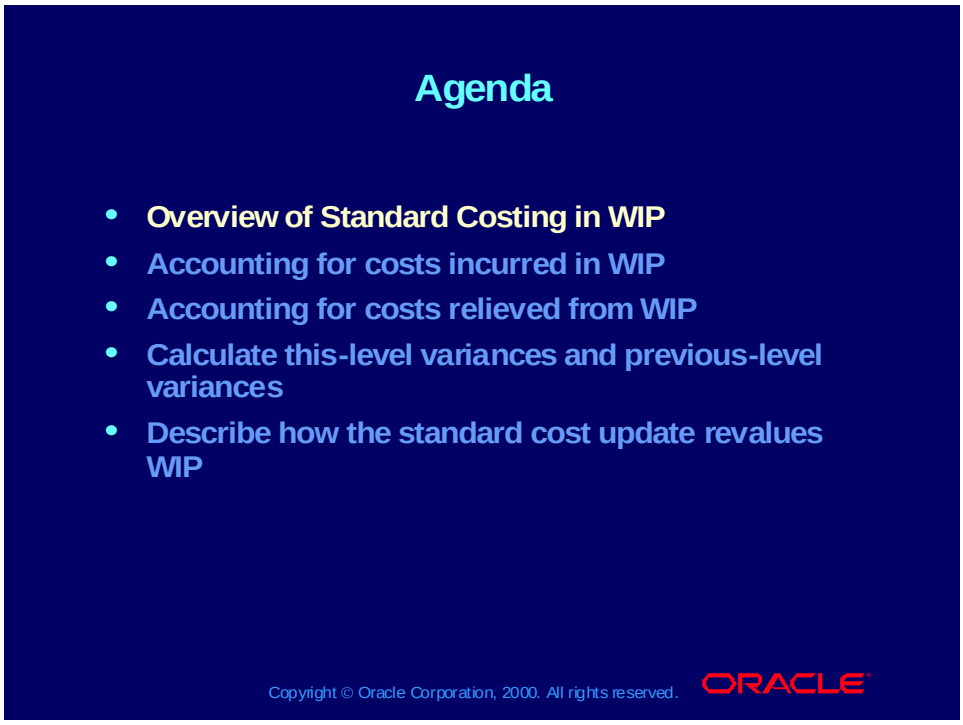

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Overview

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

Quantity movements

Audit trail

Financial transactions

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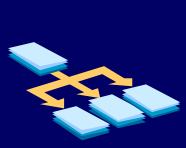
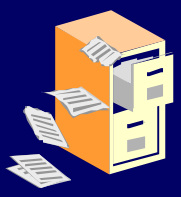
Overview

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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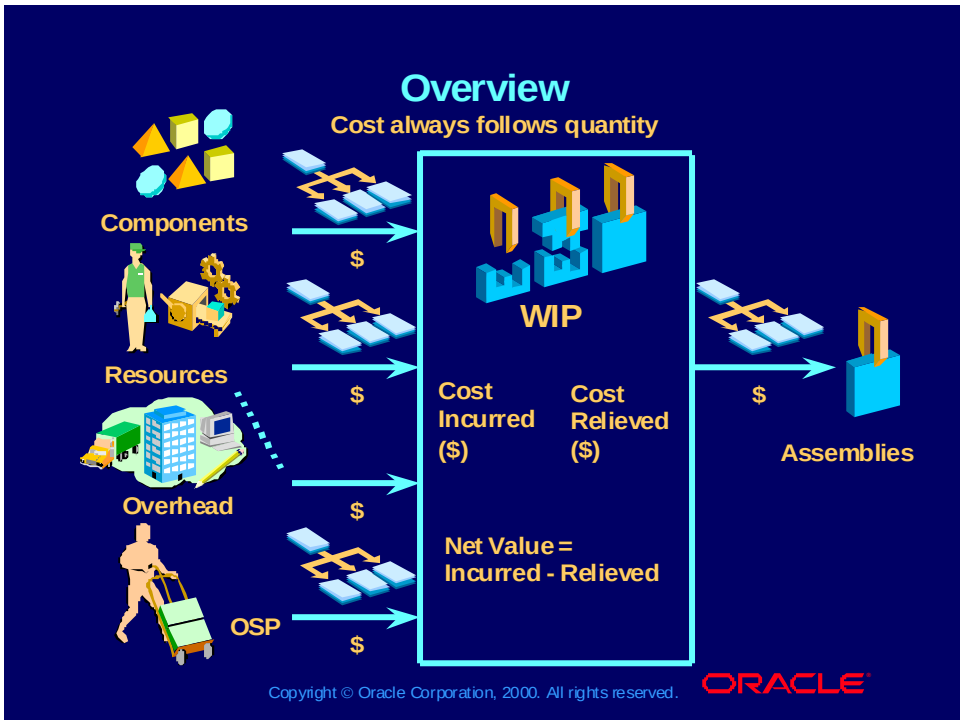
Overview



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Overview

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

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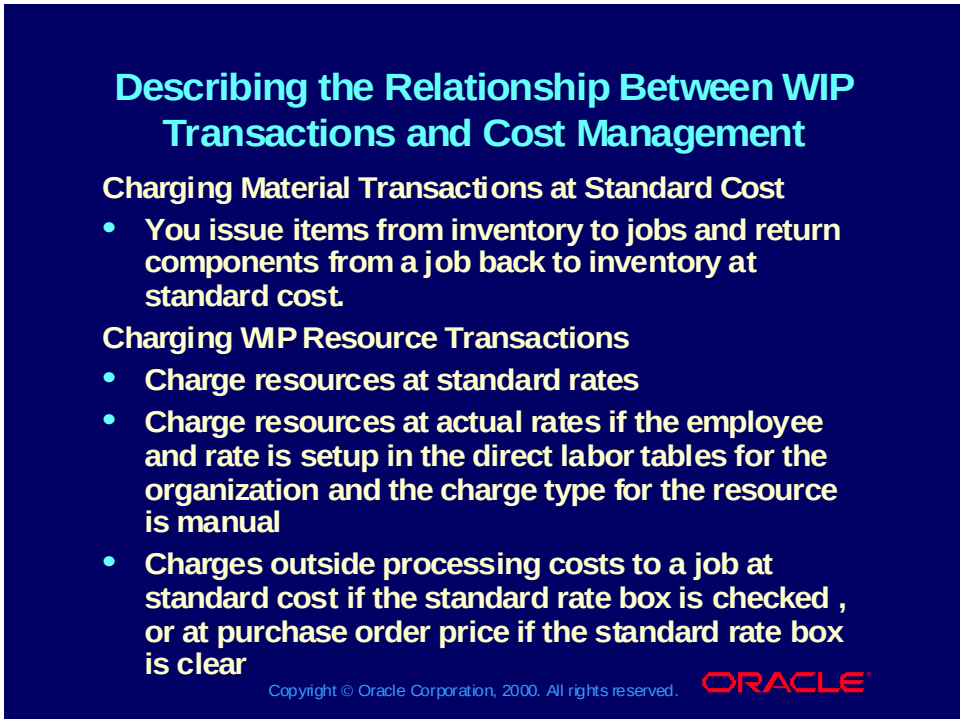

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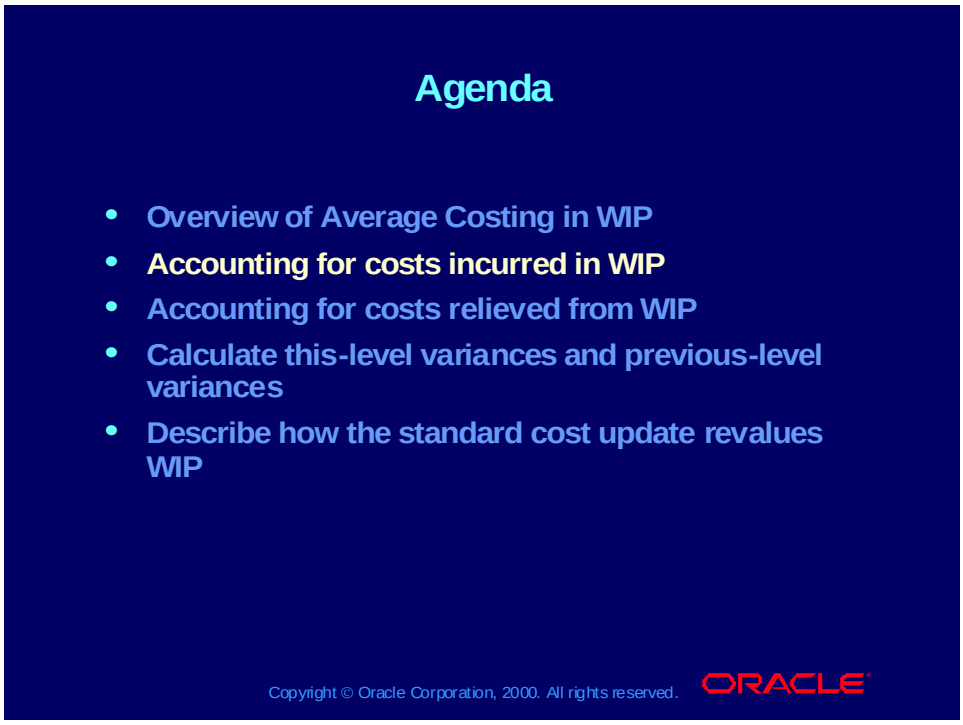

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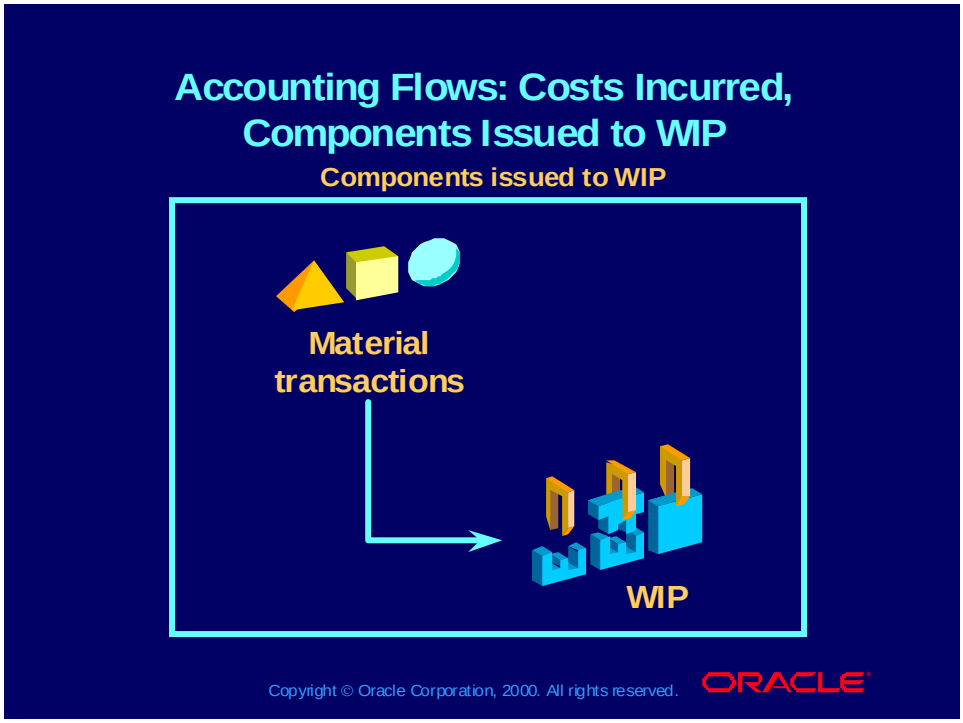
Accounting Flows: Costs Incurred, Components Issued to WIP



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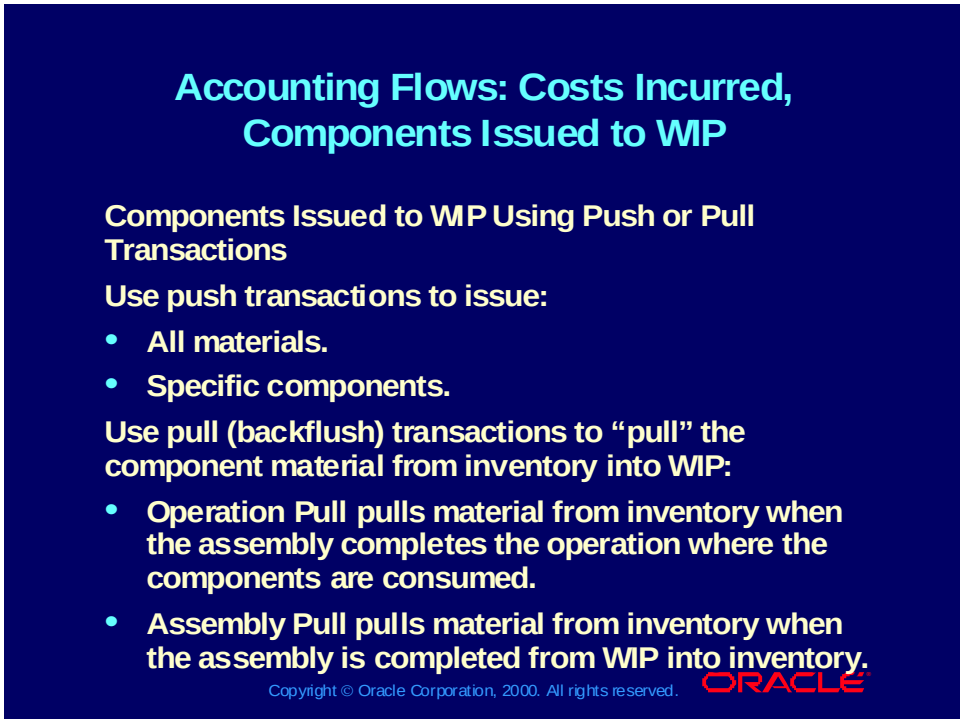

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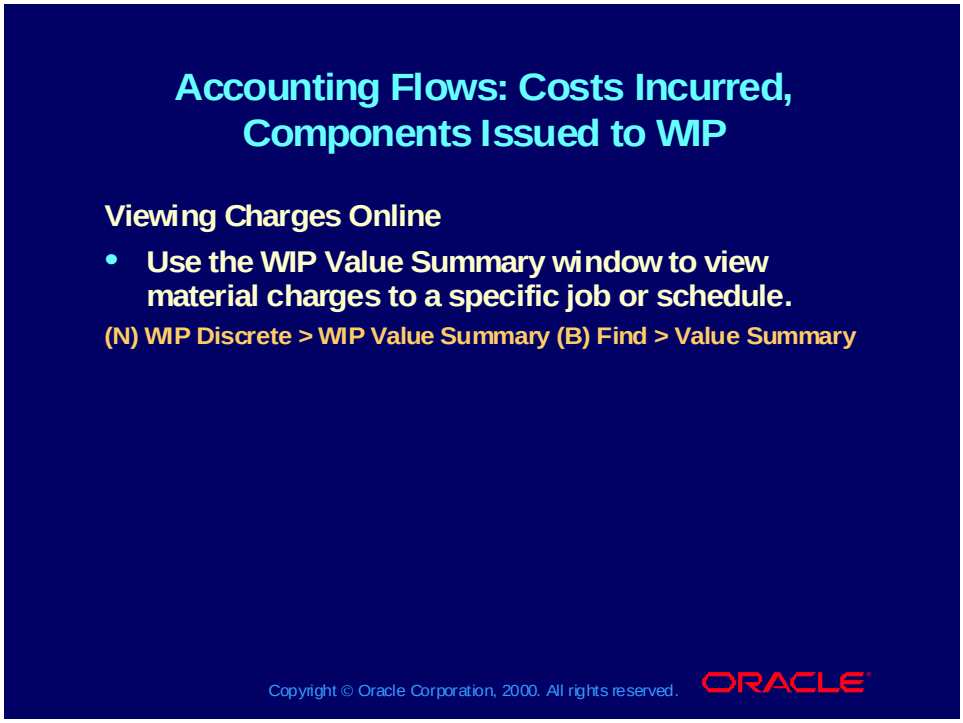
Accounting Flows: Costs Incurred, Components Issued to WIP



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

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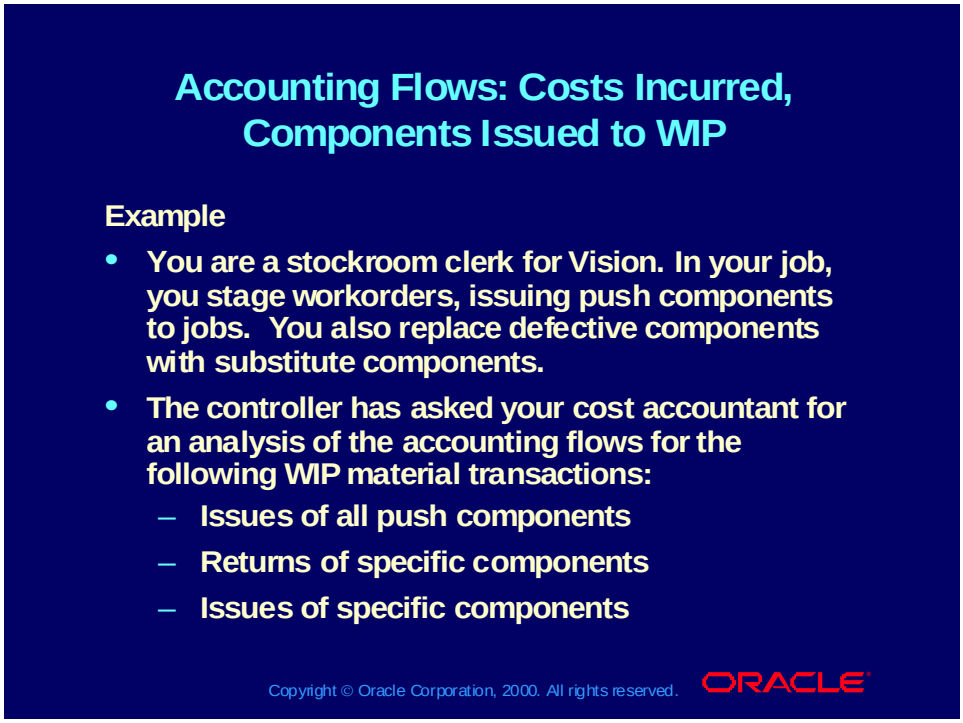
Accounting Flows: Costs Incurred, Components Issued to WIP



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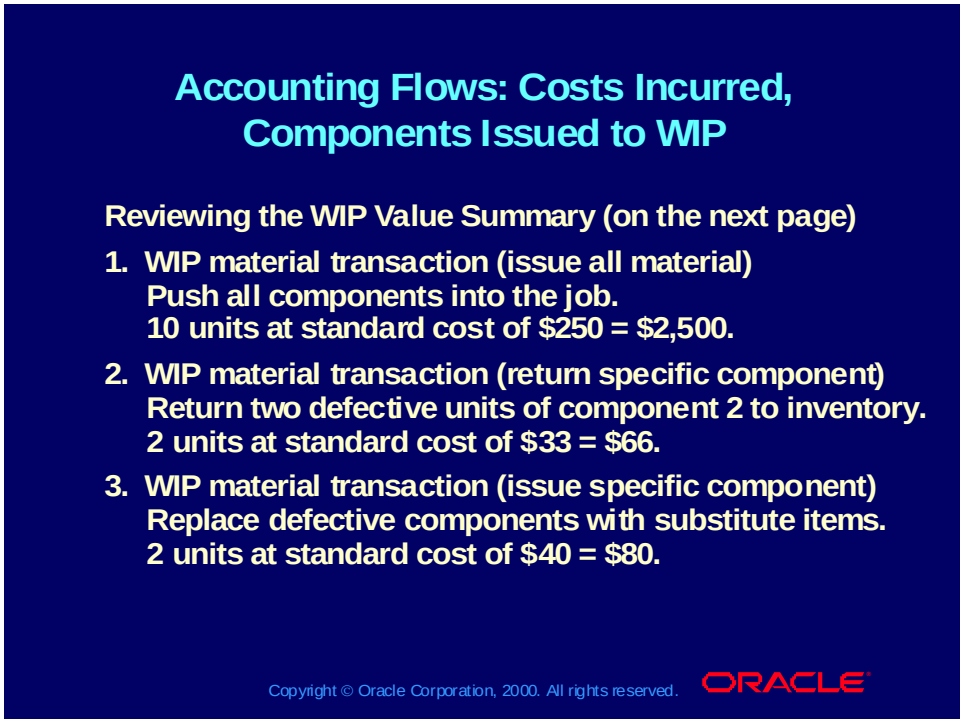

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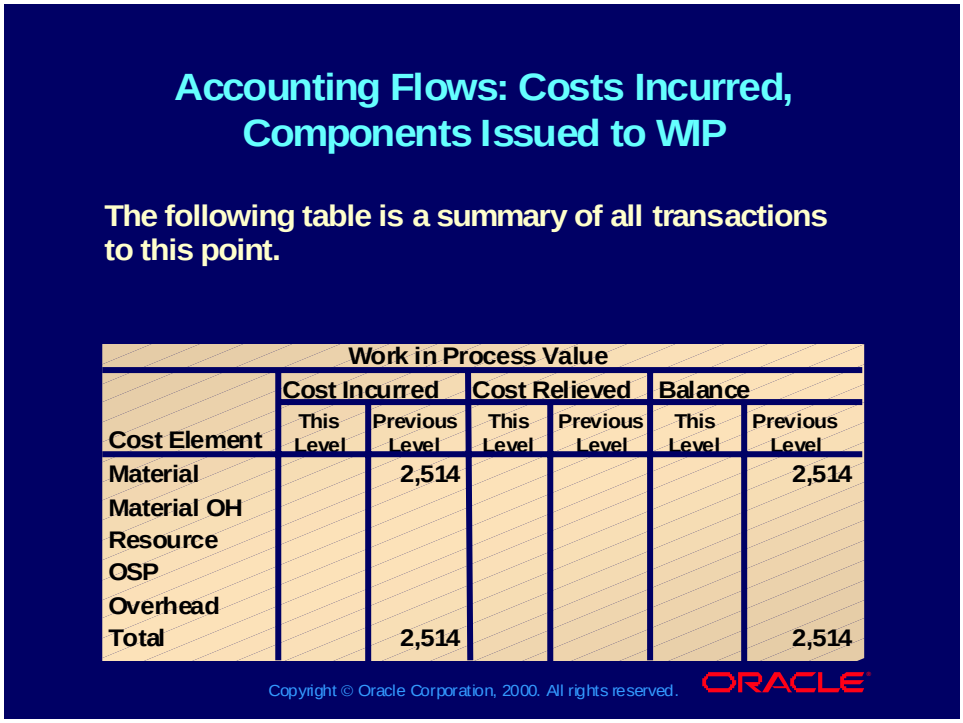

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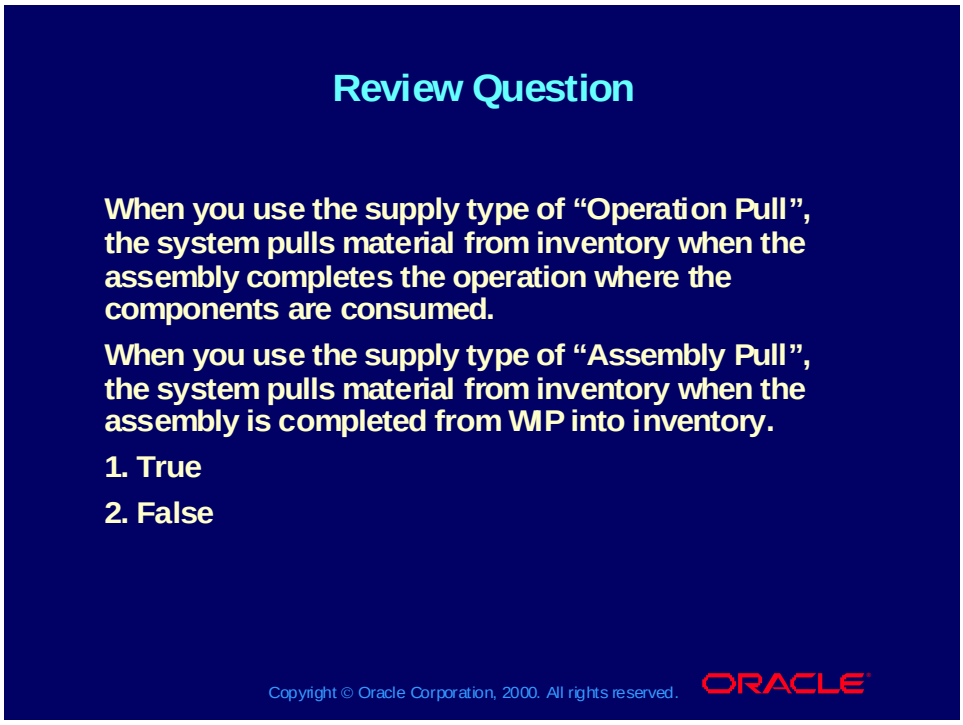

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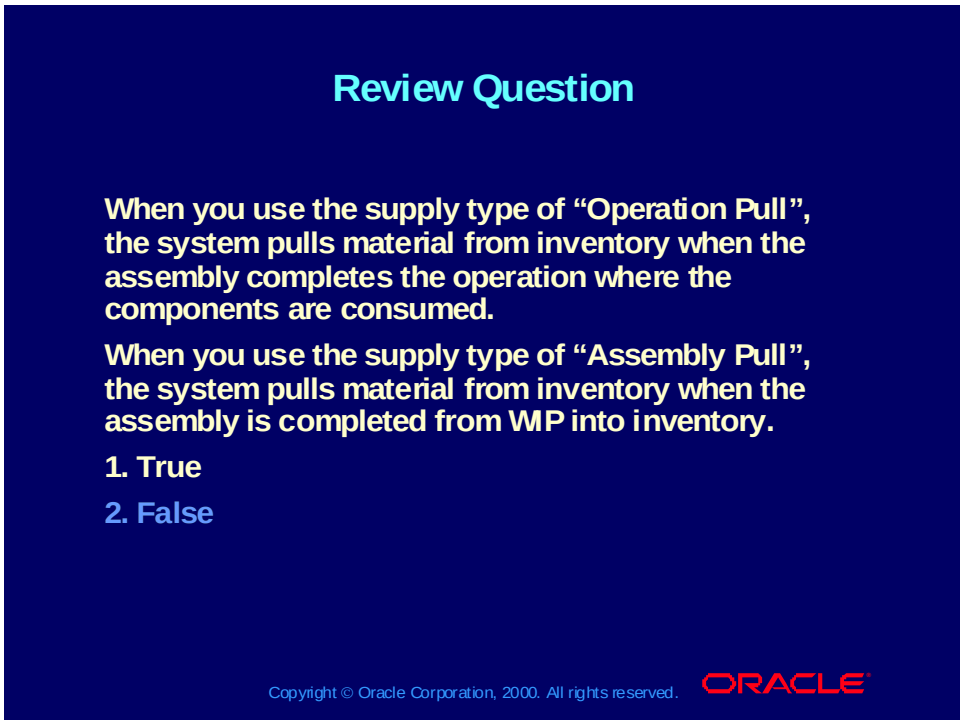

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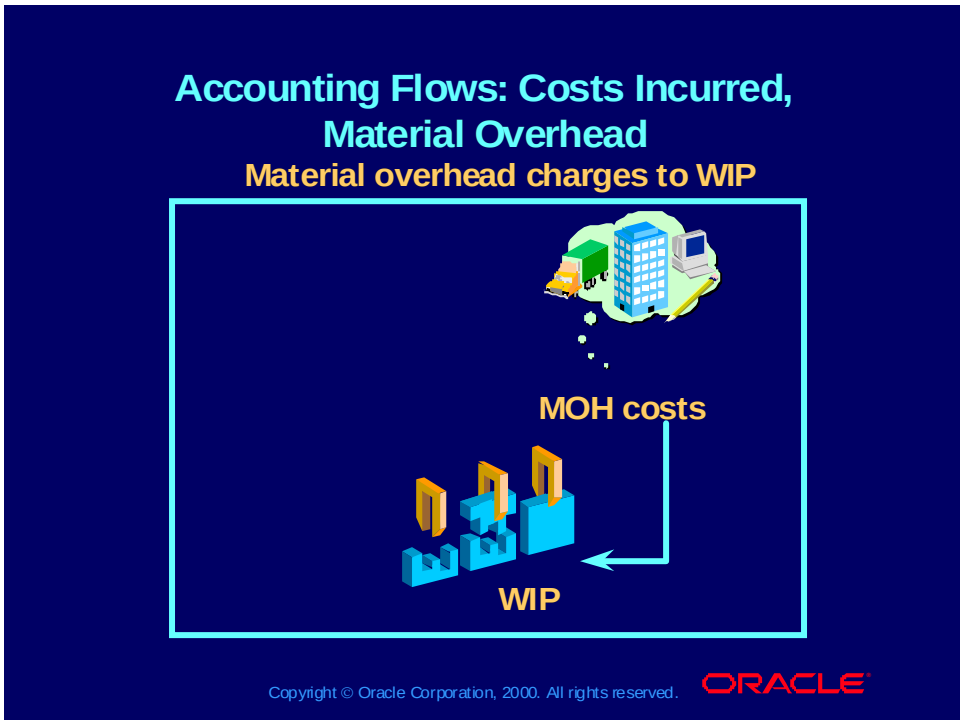

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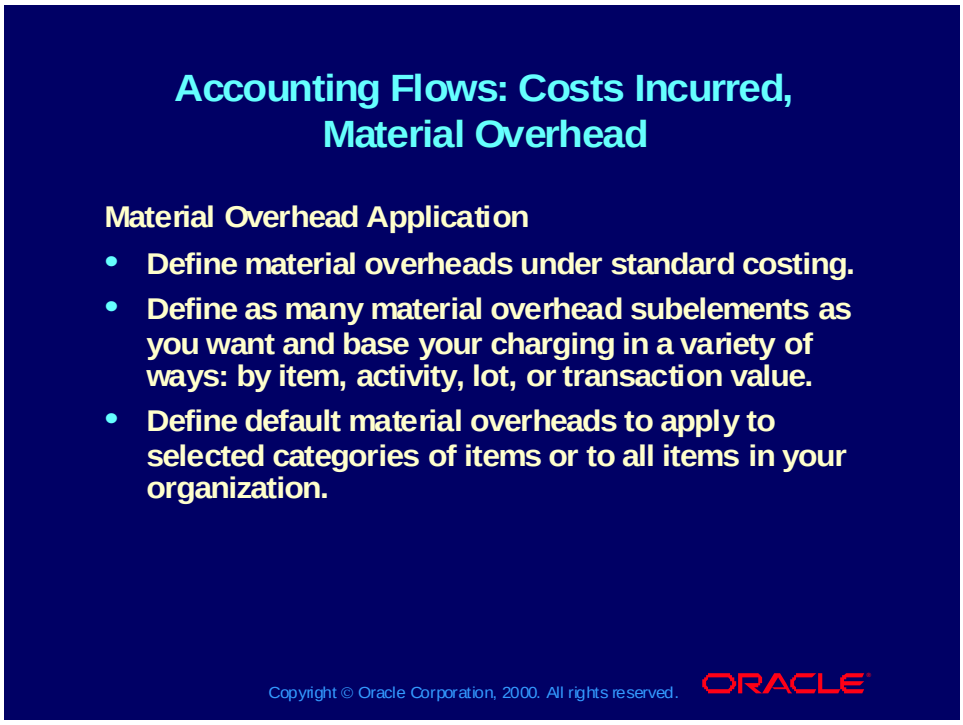

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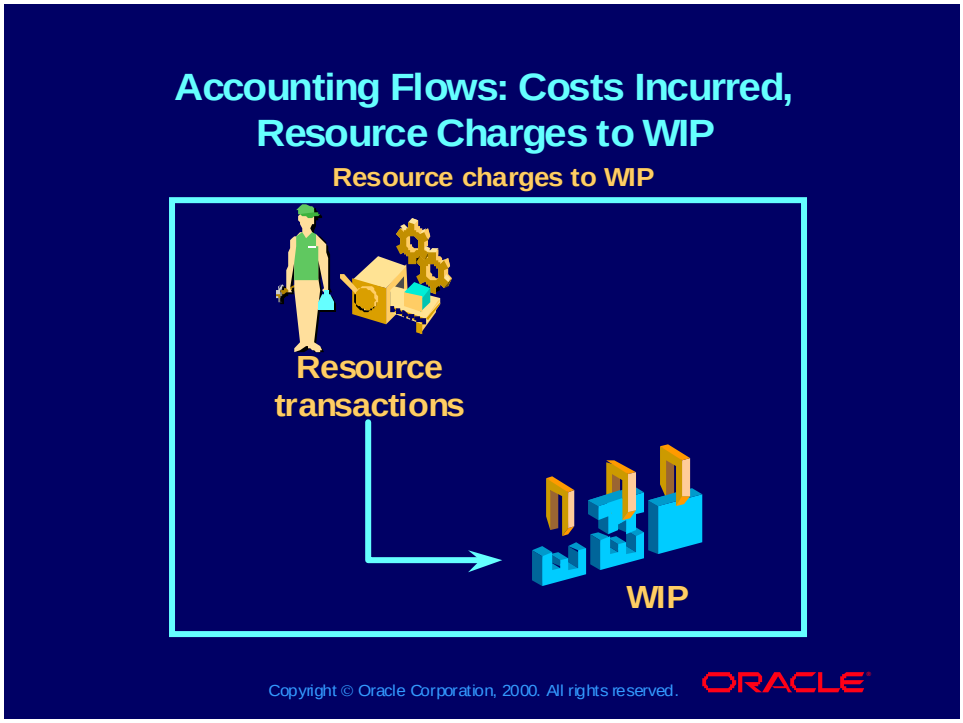
Accounting Flows: Costs Incurred, Resource Charges to WIP



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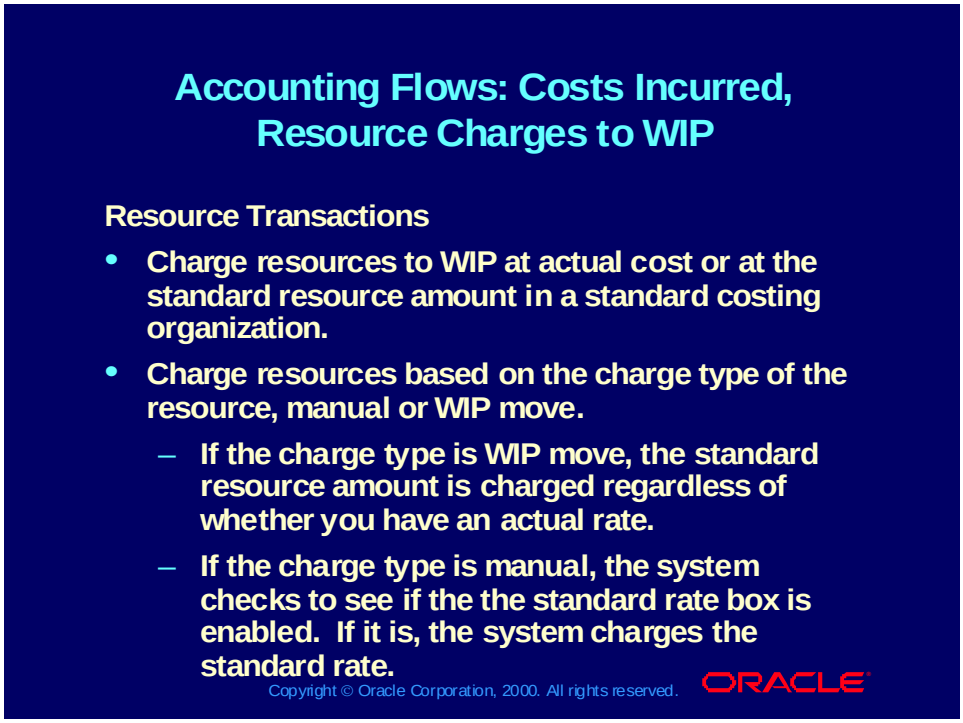

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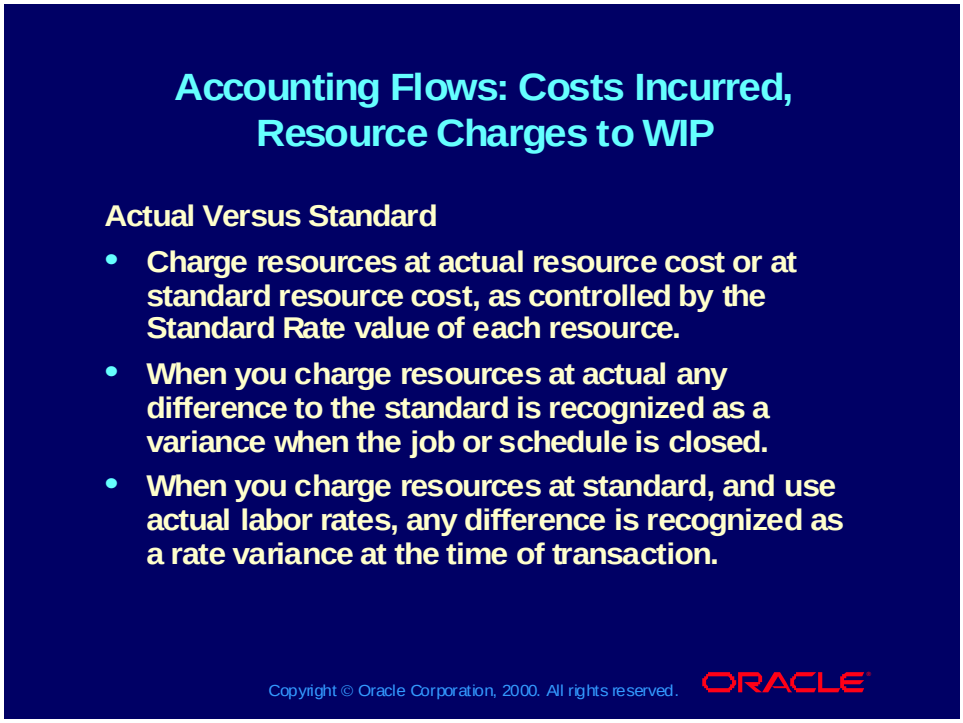

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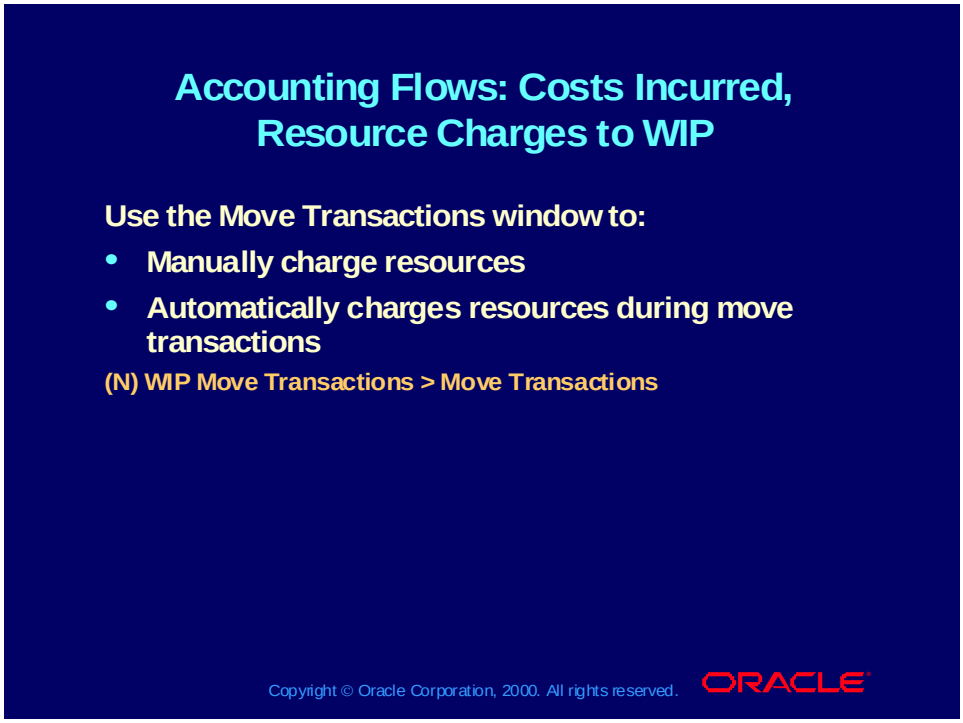
Accounting Flows: Costs Incurred, Resource Charges to WIP



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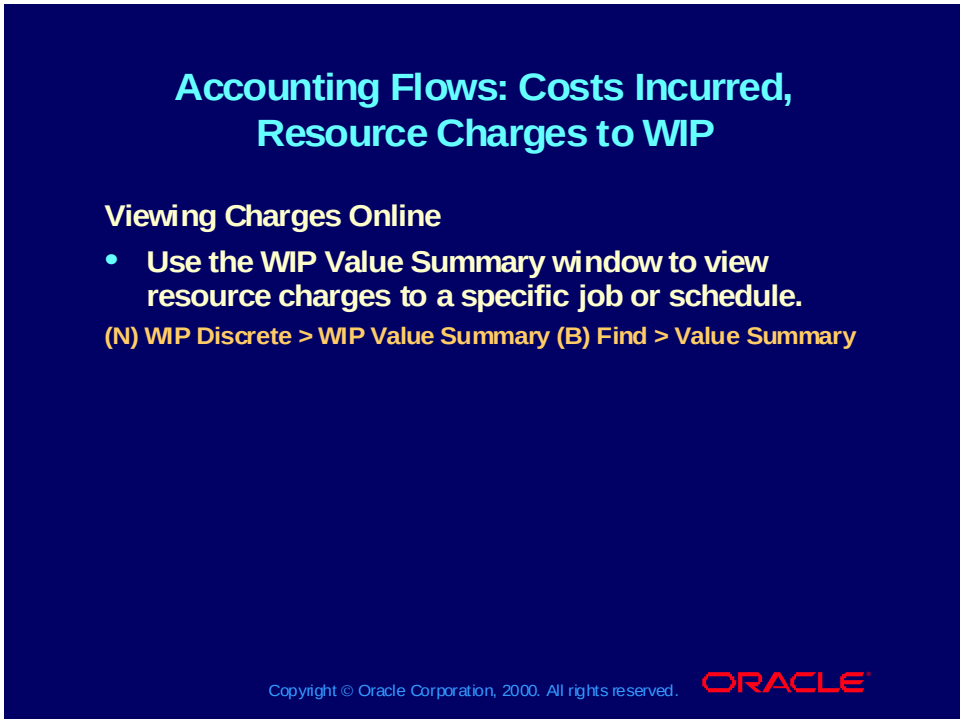
Accounting Flows: Costs Incurred, Resource Charges to WIP



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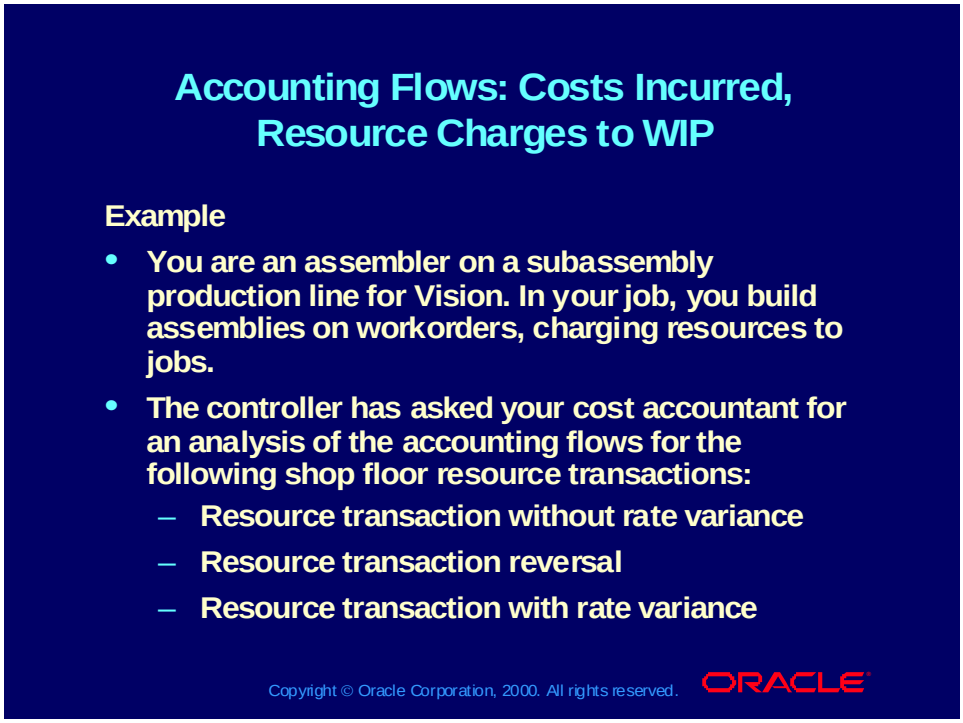

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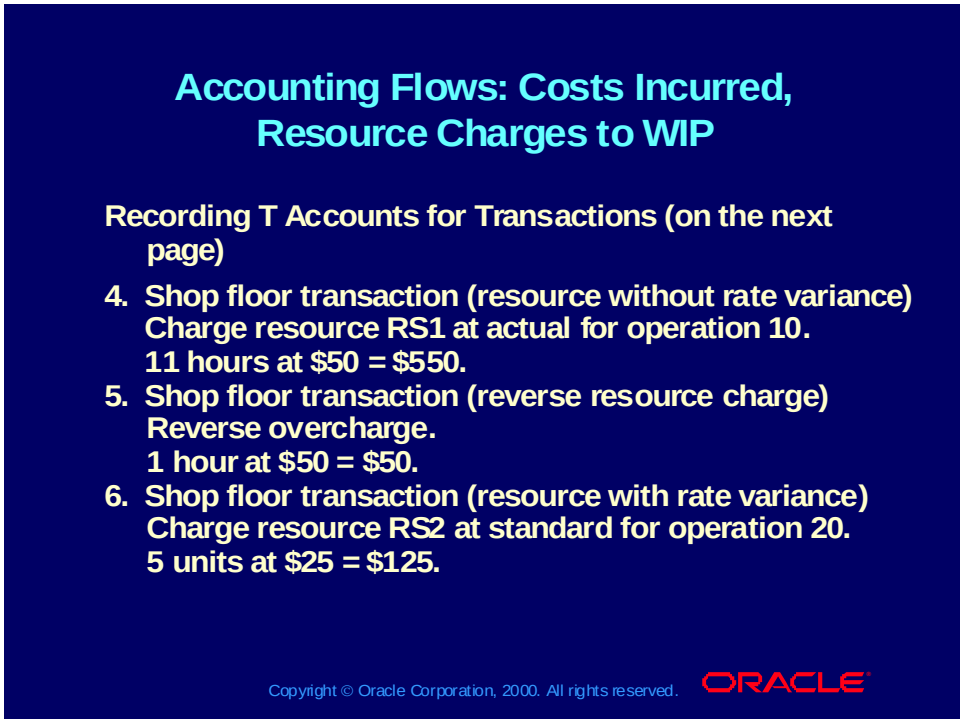

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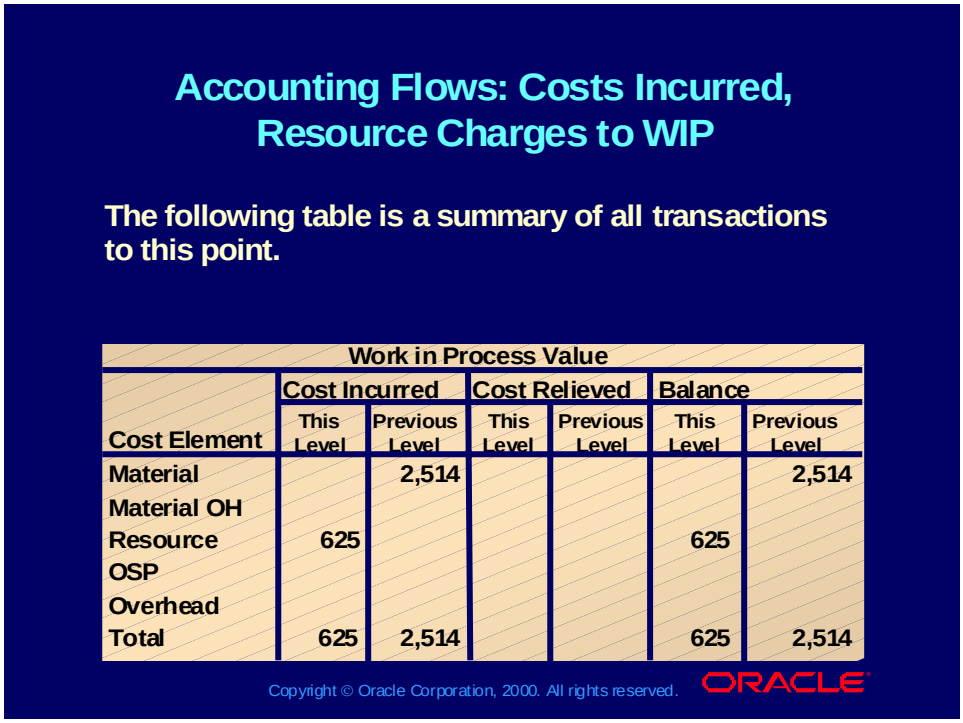

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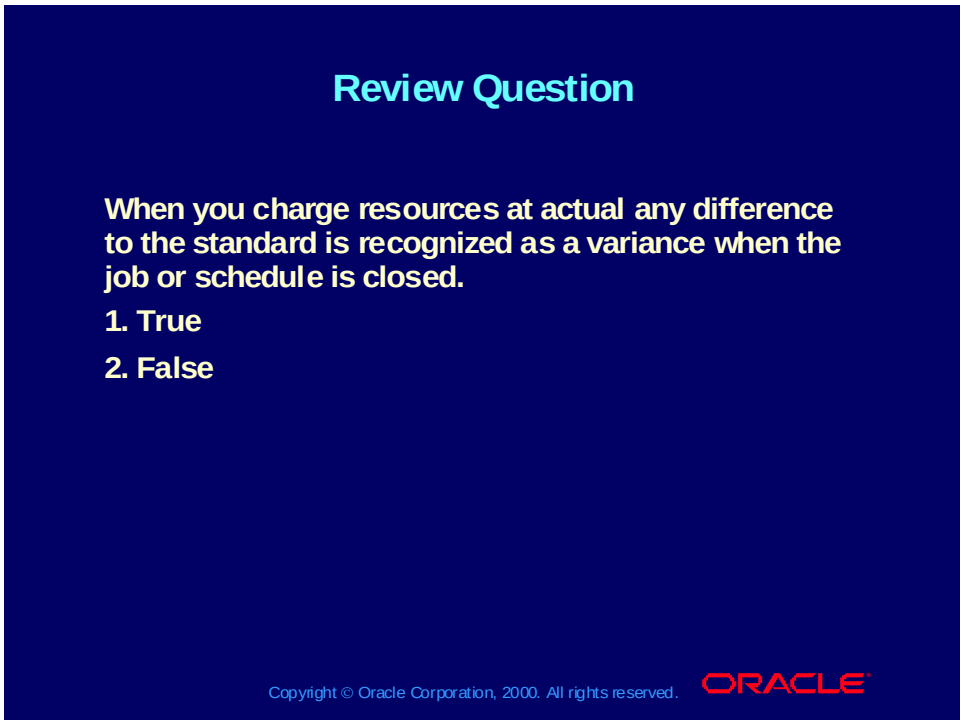

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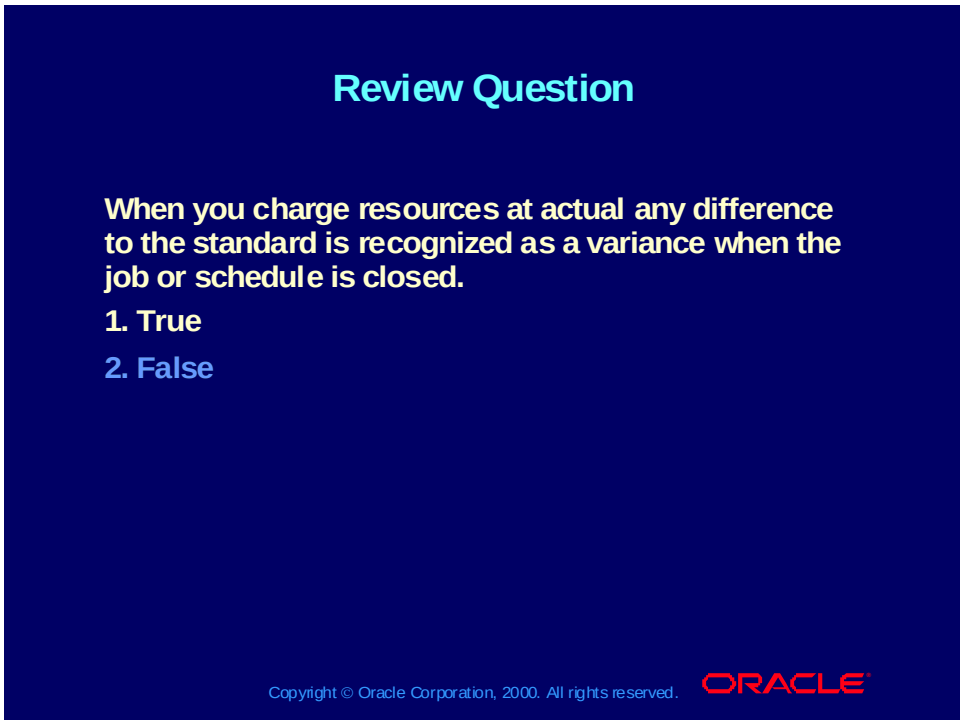

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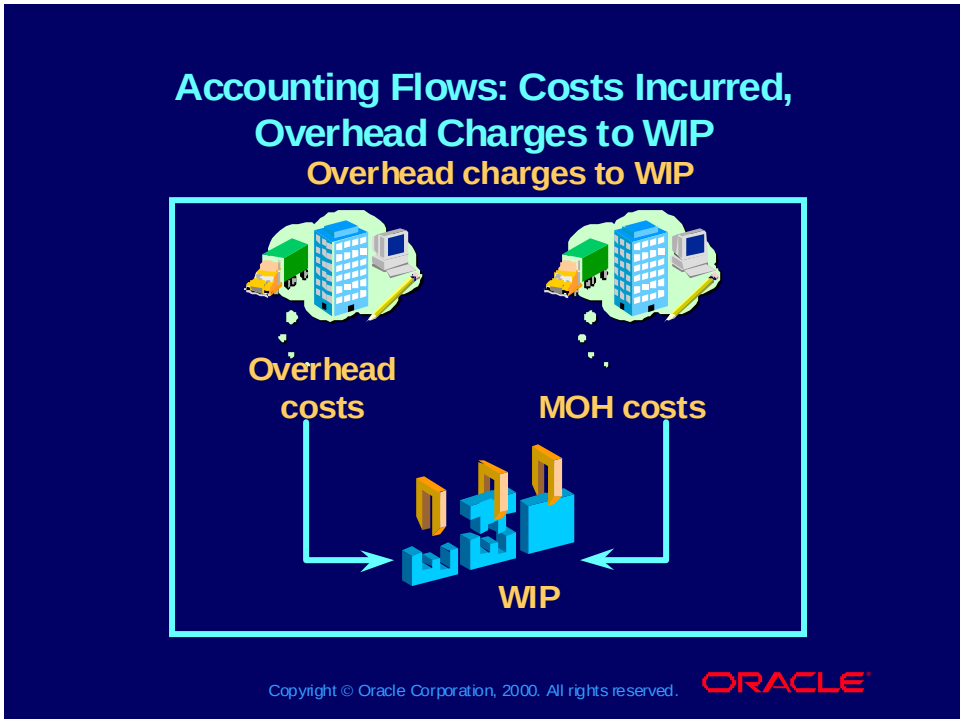
Accounting Flows: Costs Incurred, Overhead Charges to WIP



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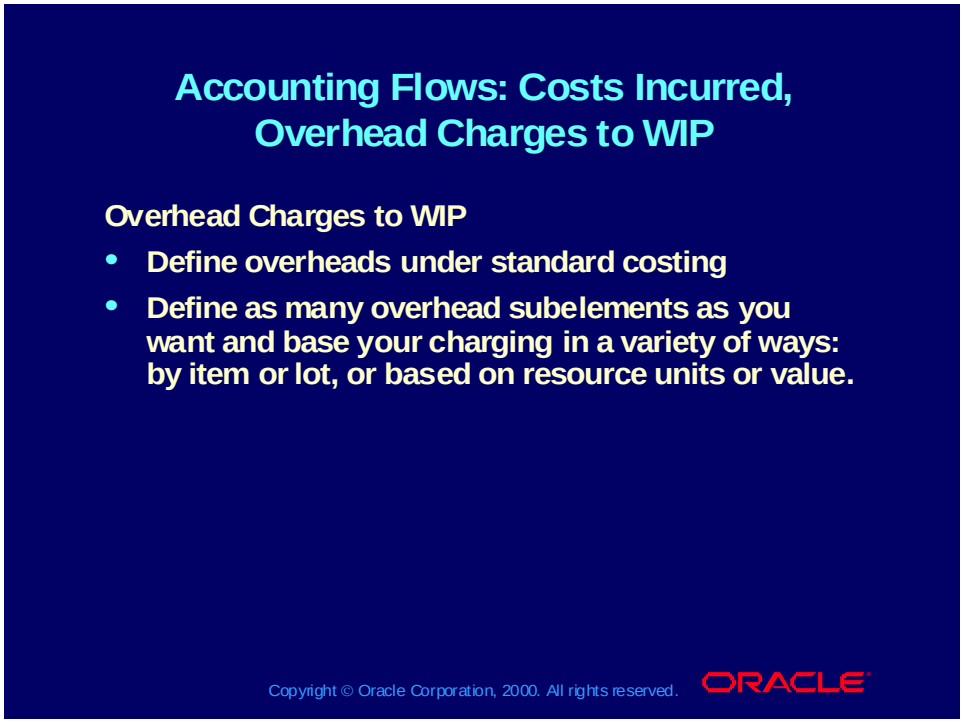

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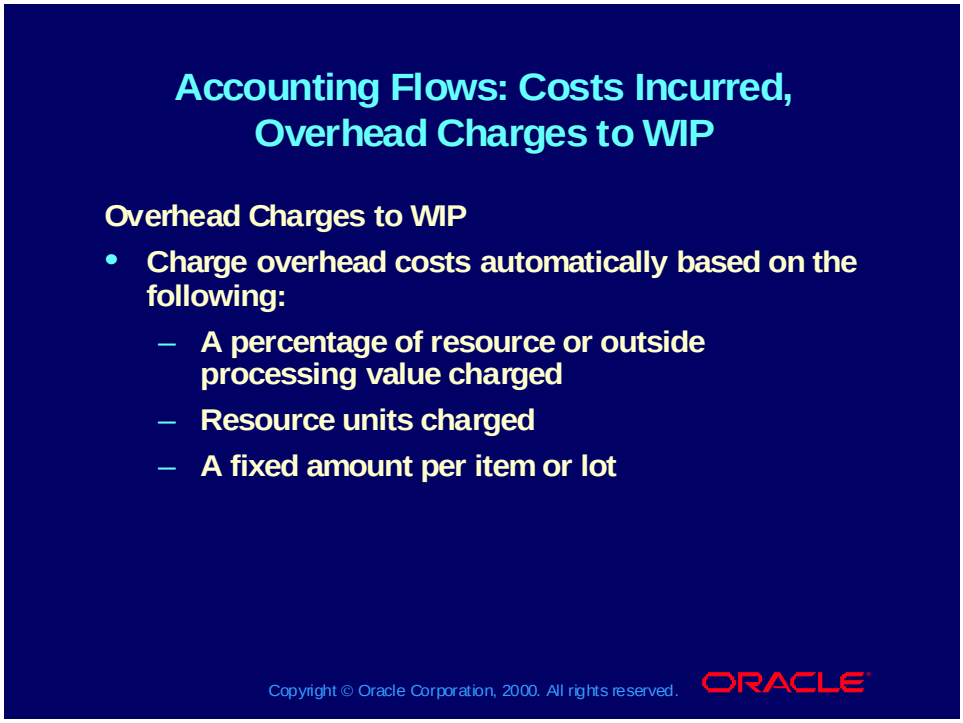

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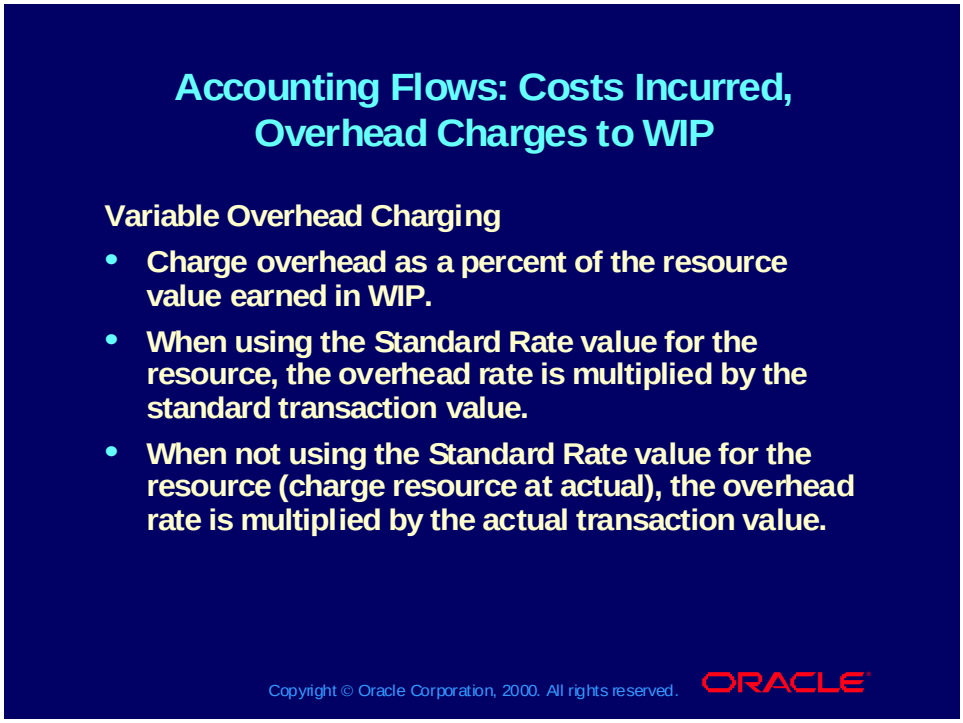

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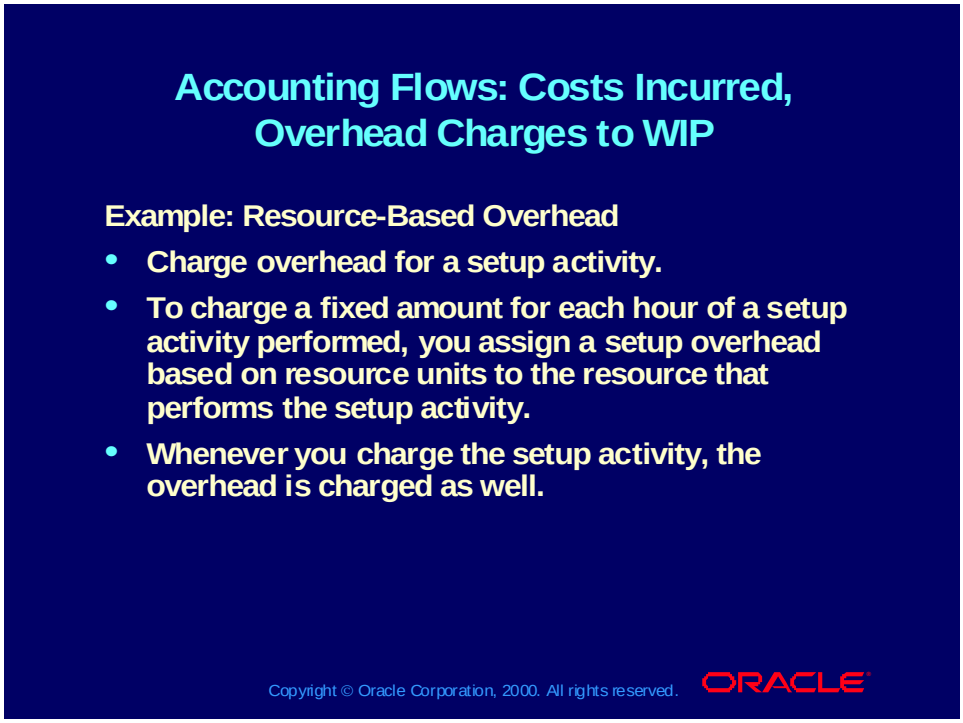

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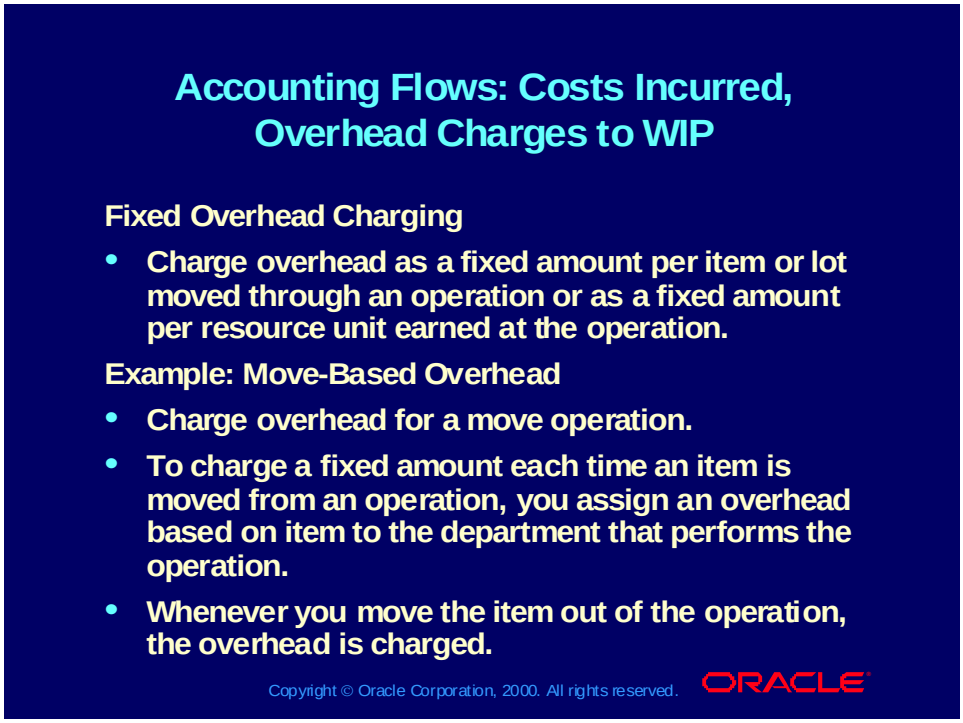

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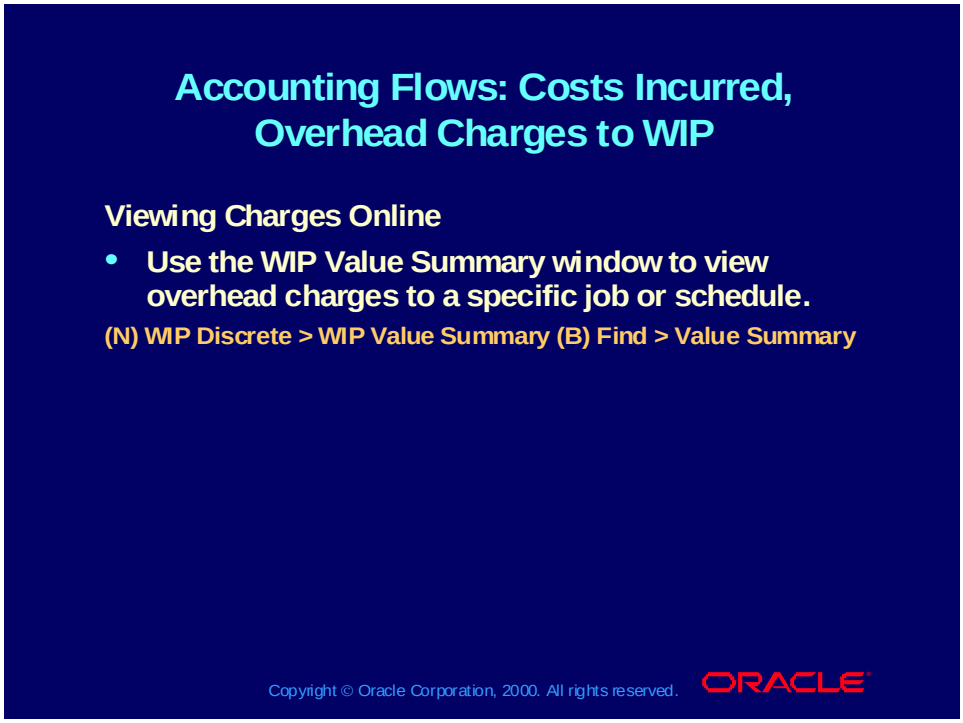

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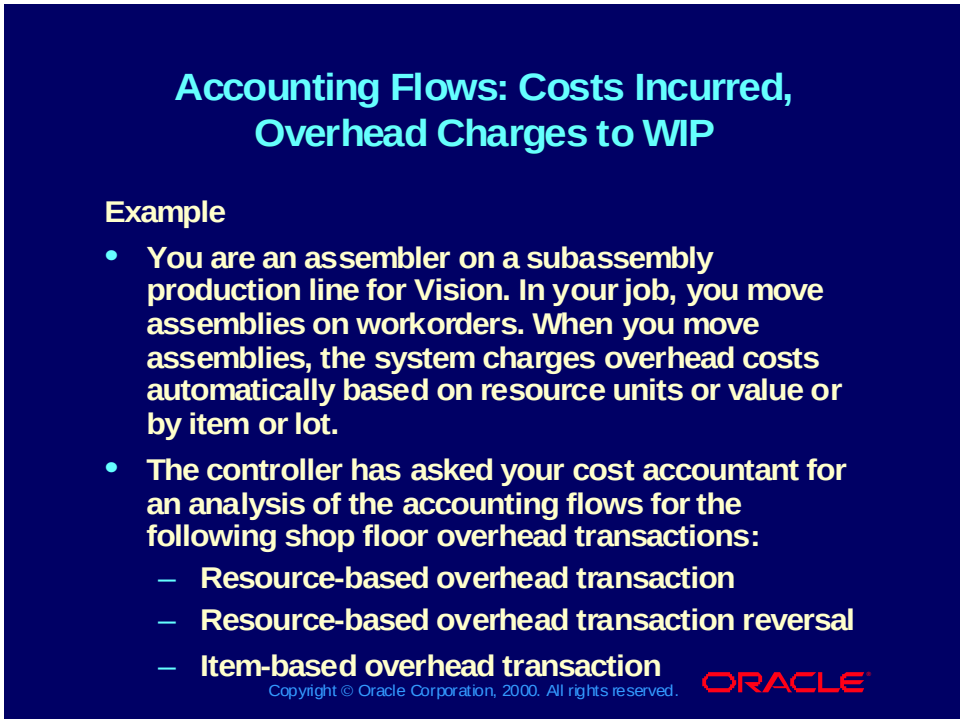

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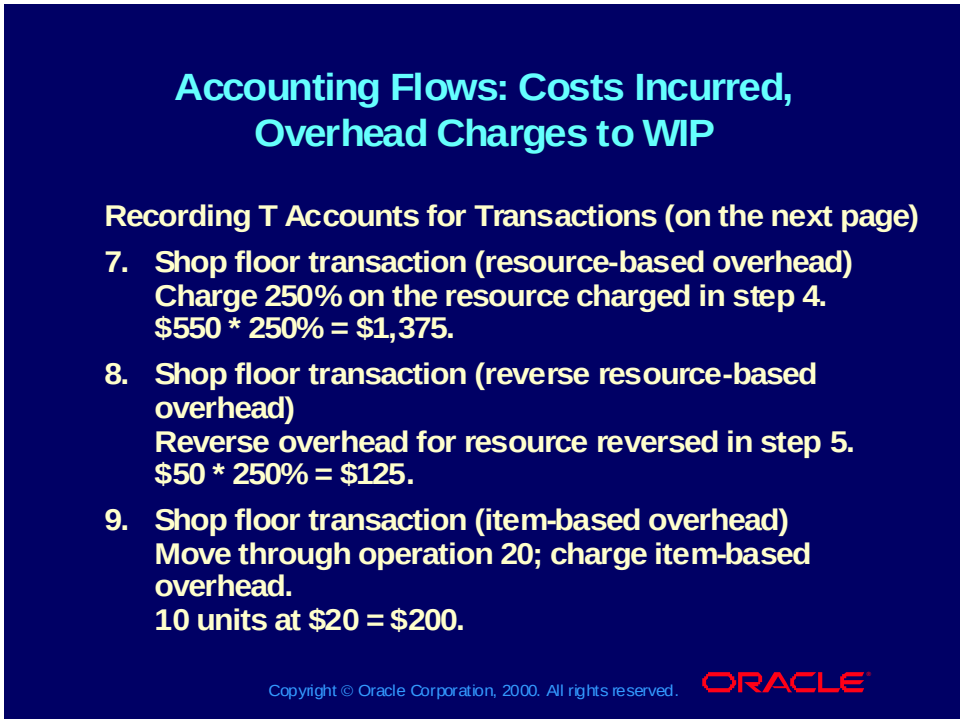

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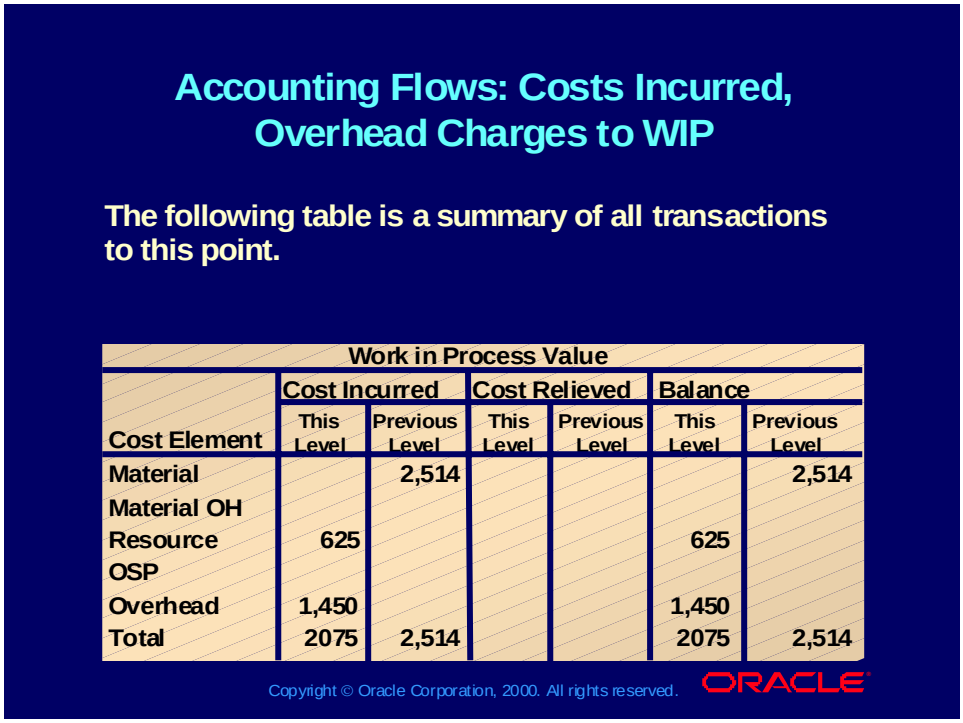

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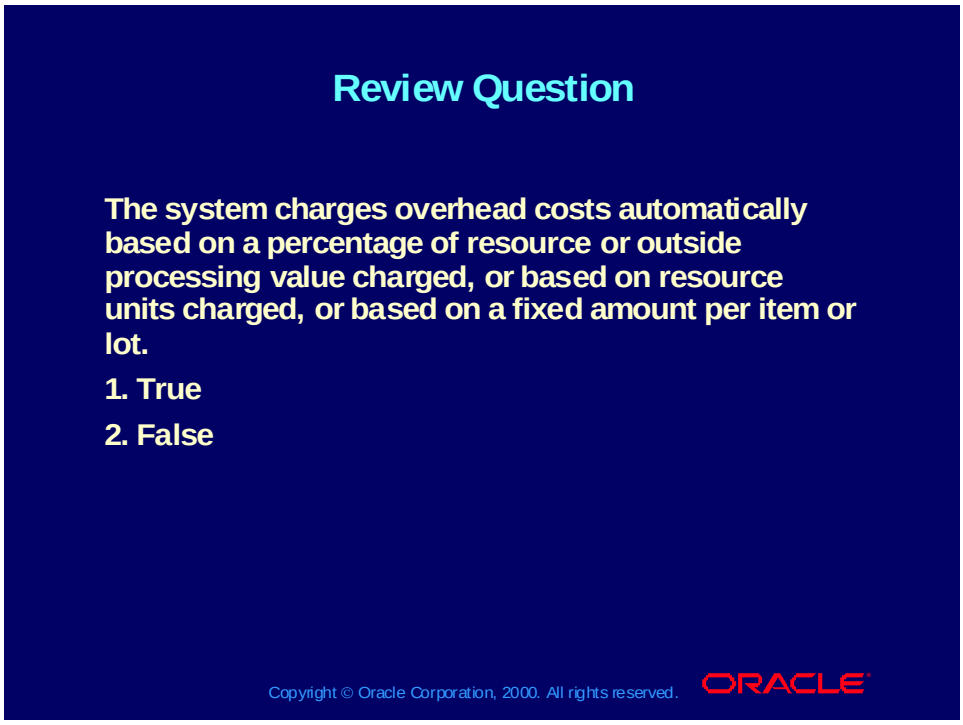

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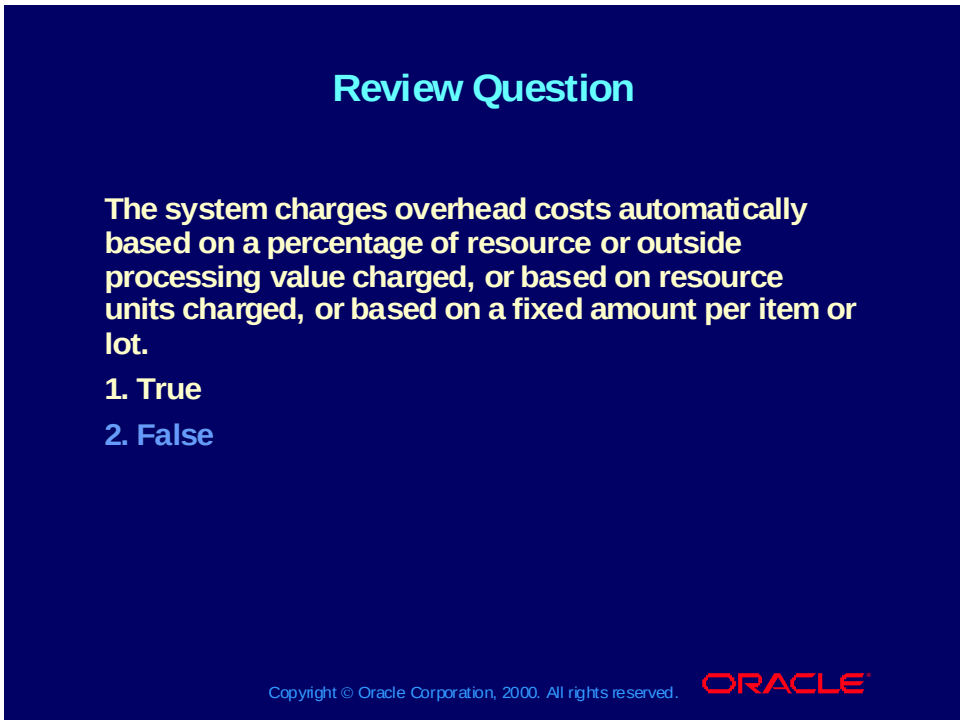

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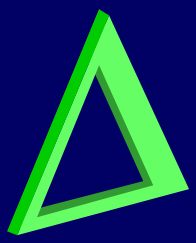
Accounting Flows: Costs Incurred, Outside Processing

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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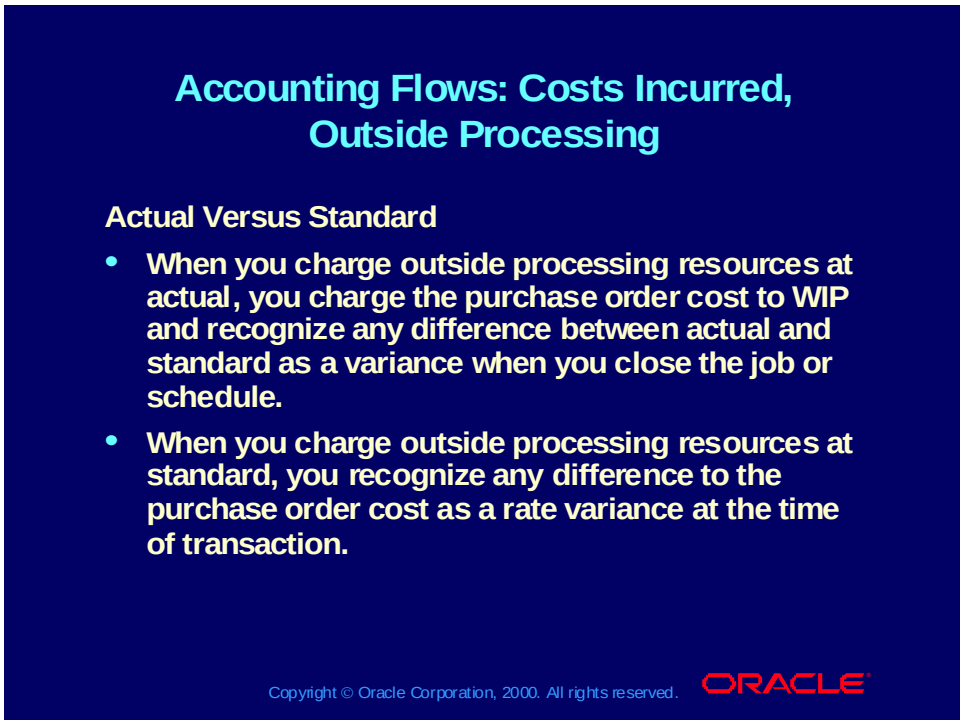

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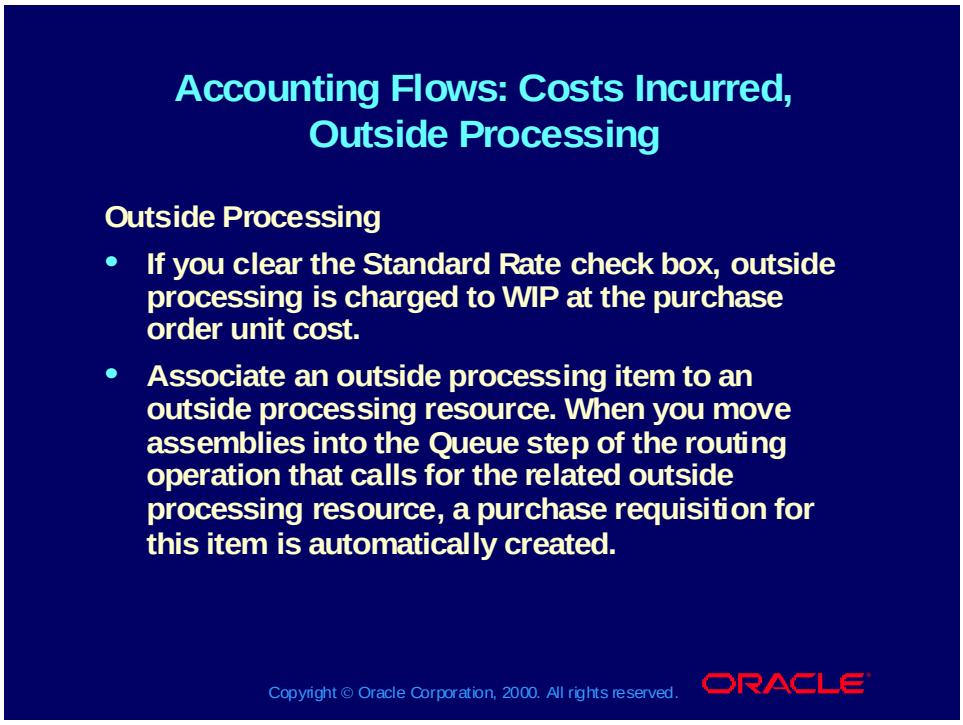

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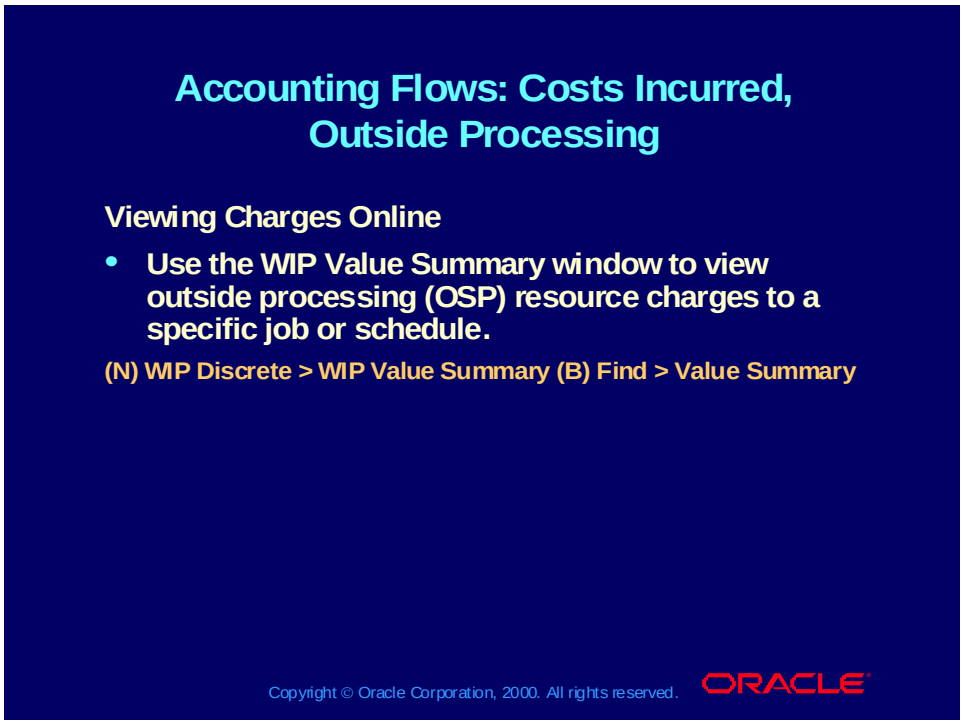

Help: Oracle Manufacturing Applications > Oracle Work in Process > Windows and Navigations > Viewing WIP Value Summaries

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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

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

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

	Work in Process Value					
	Cost Incurred		Cost Relieved		Balance	
Cost Element	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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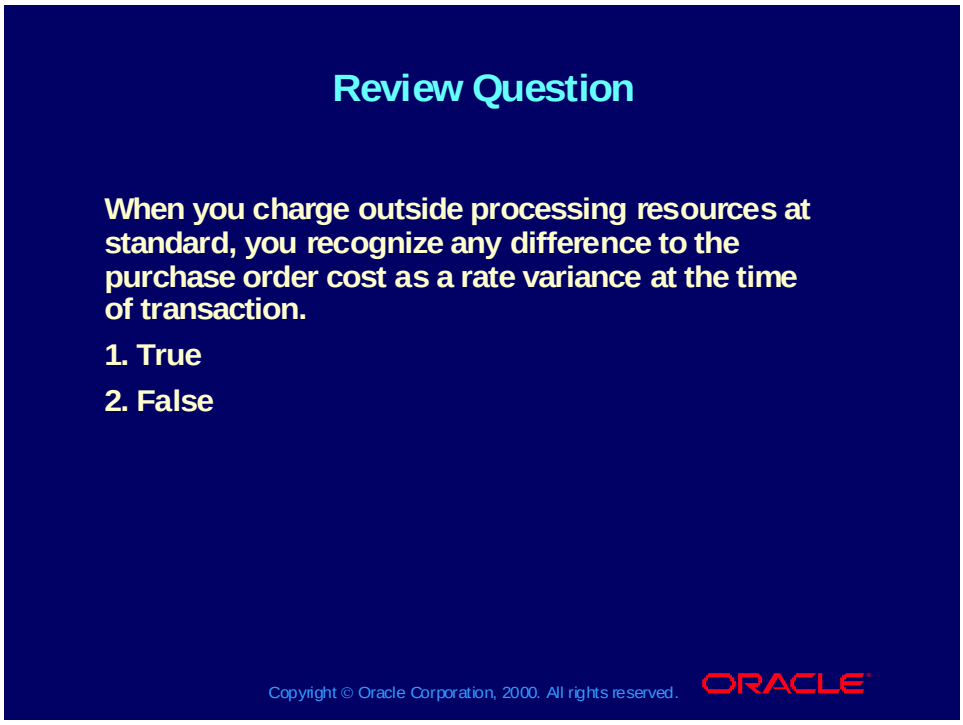

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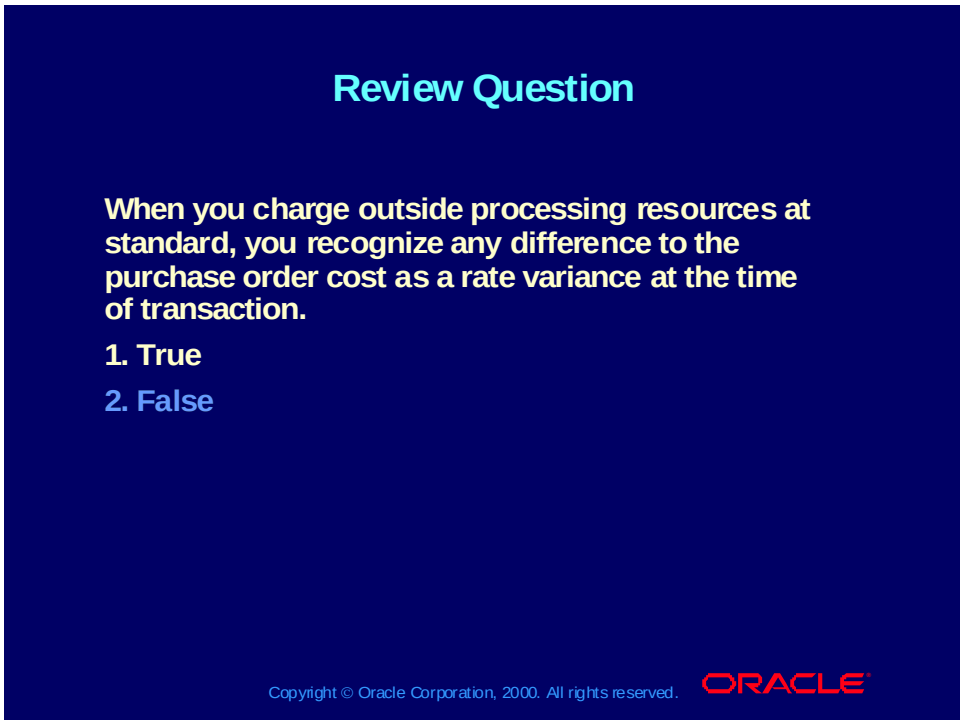

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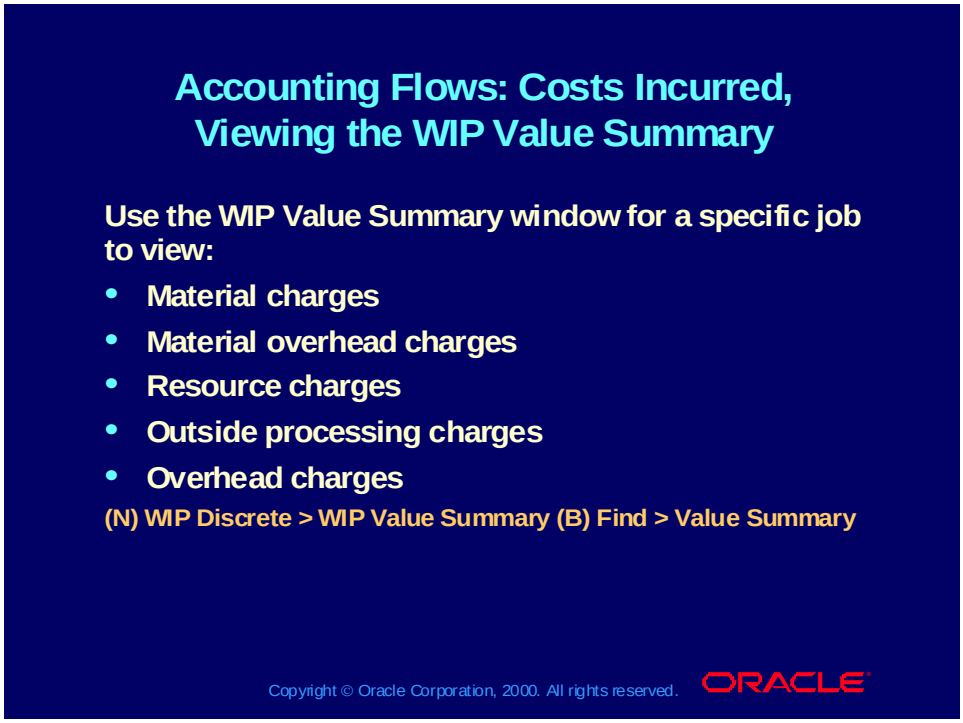
Accounting Flows: Costs Incurred, Viewing the WIP Value Summary



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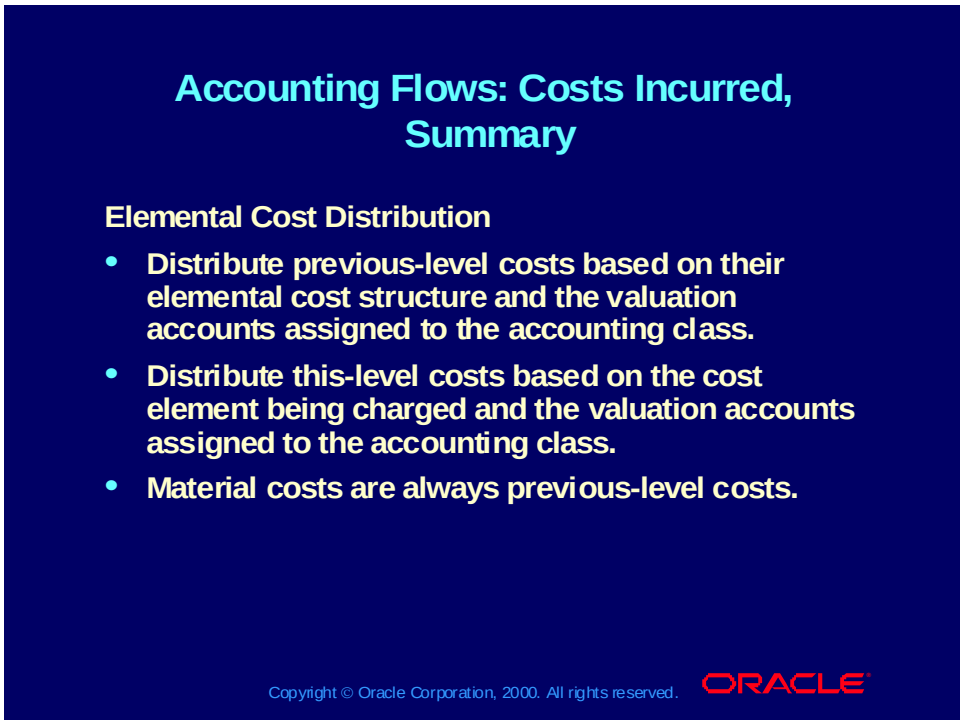

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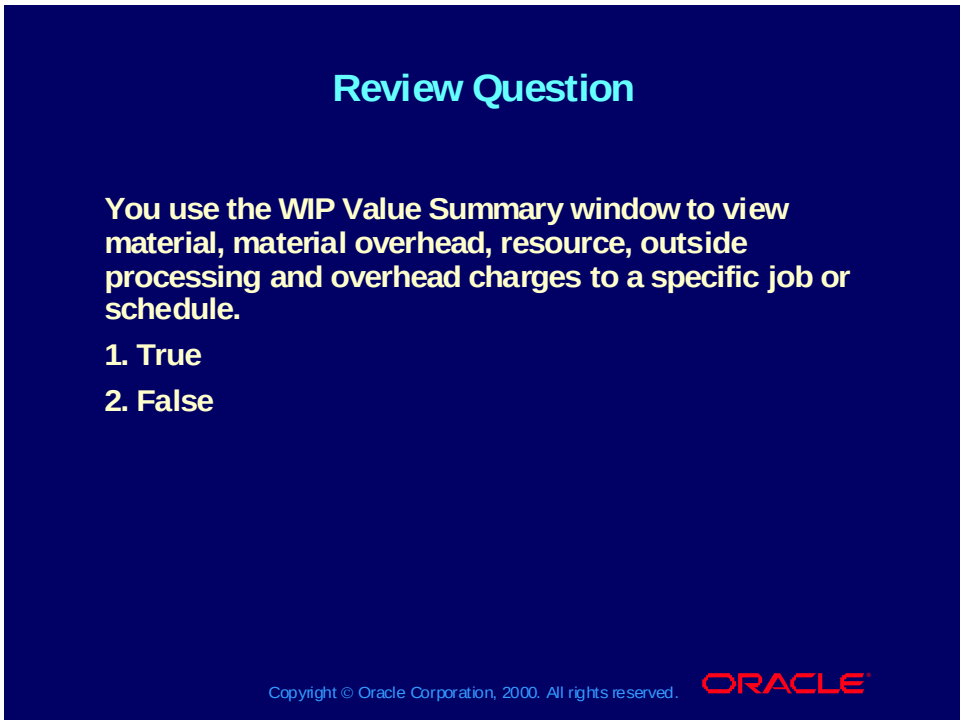

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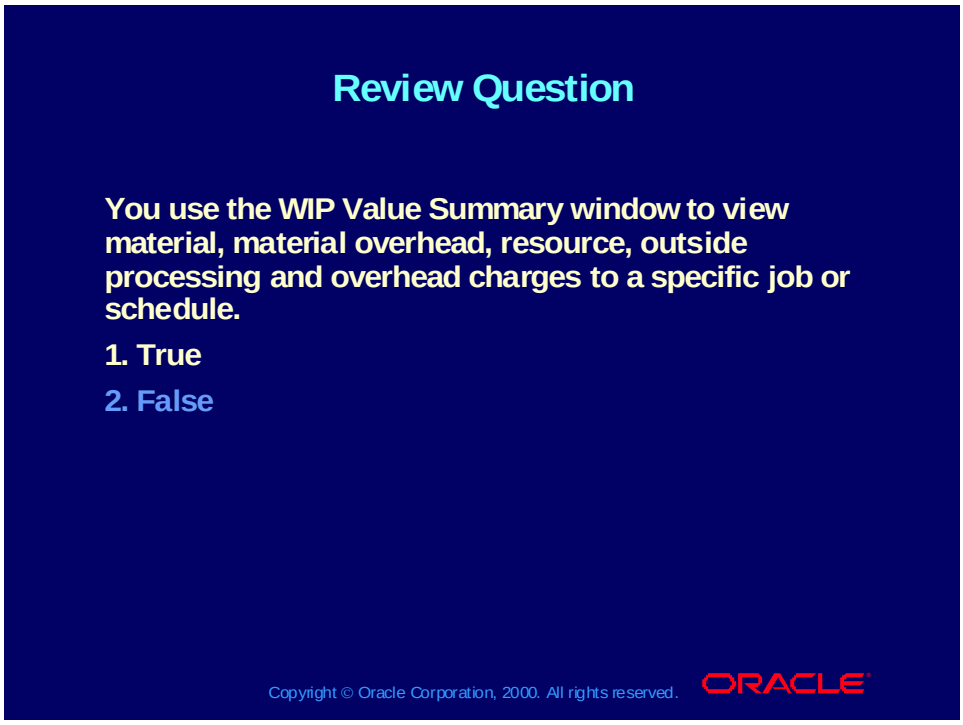

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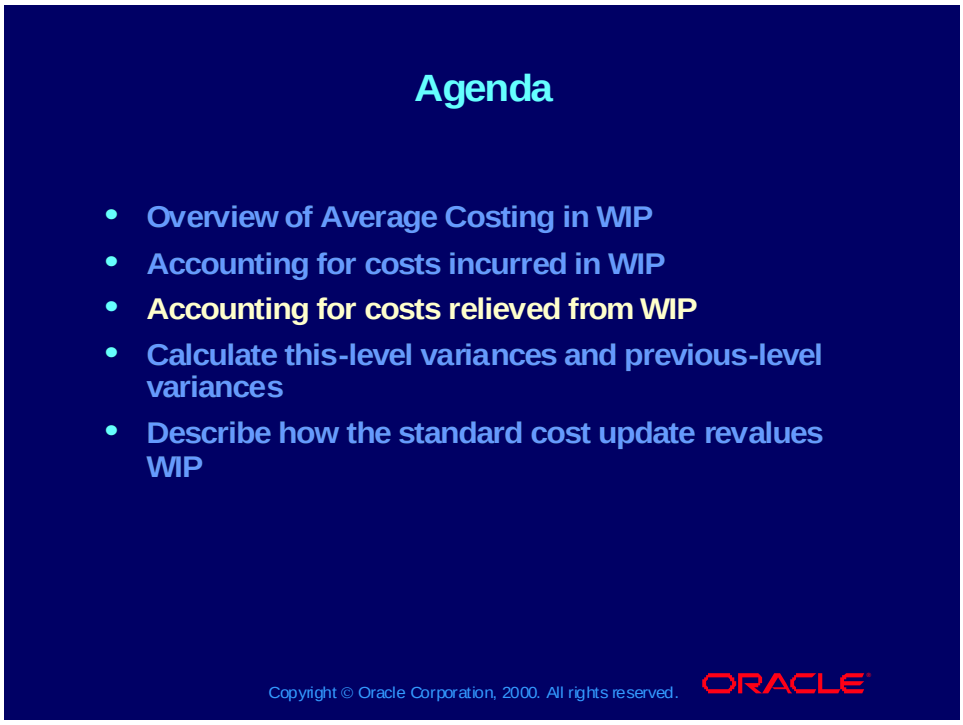

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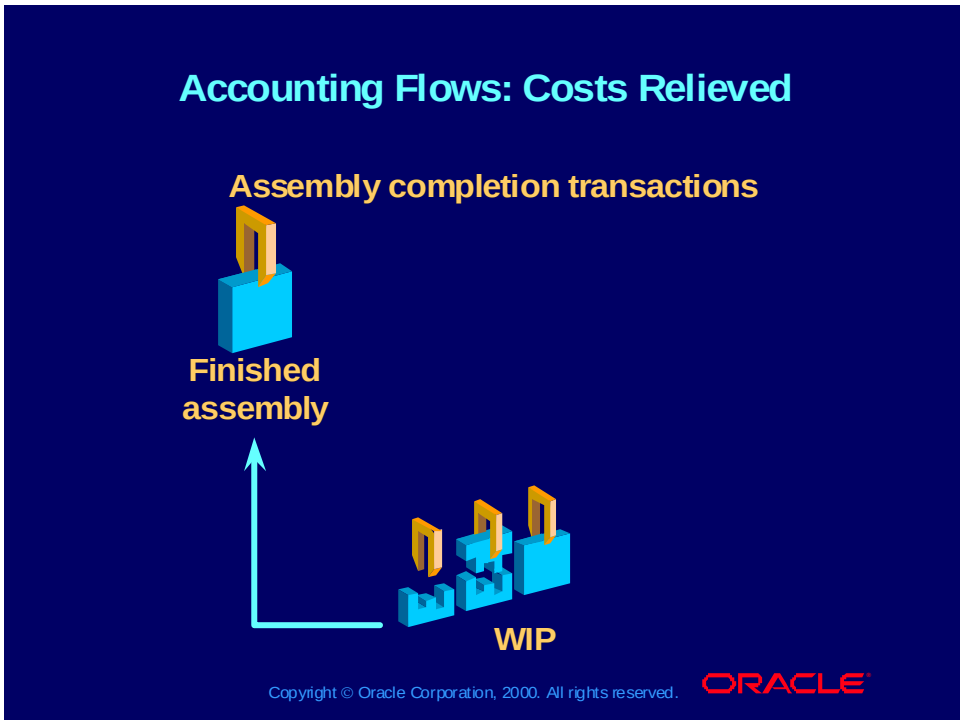
Accounting Flows: Costs Relieved



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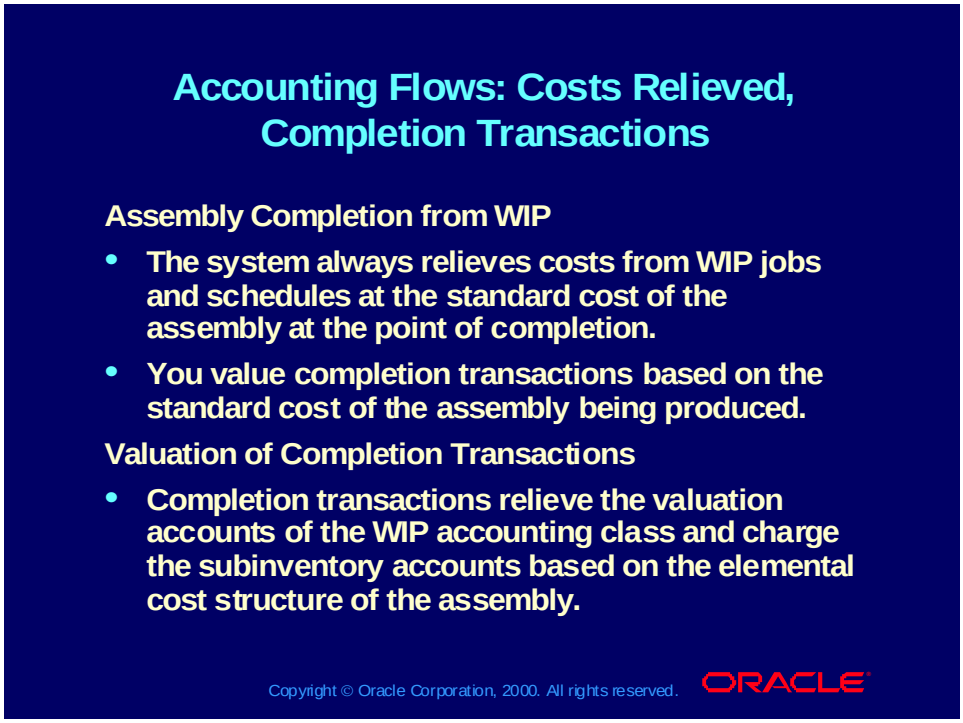

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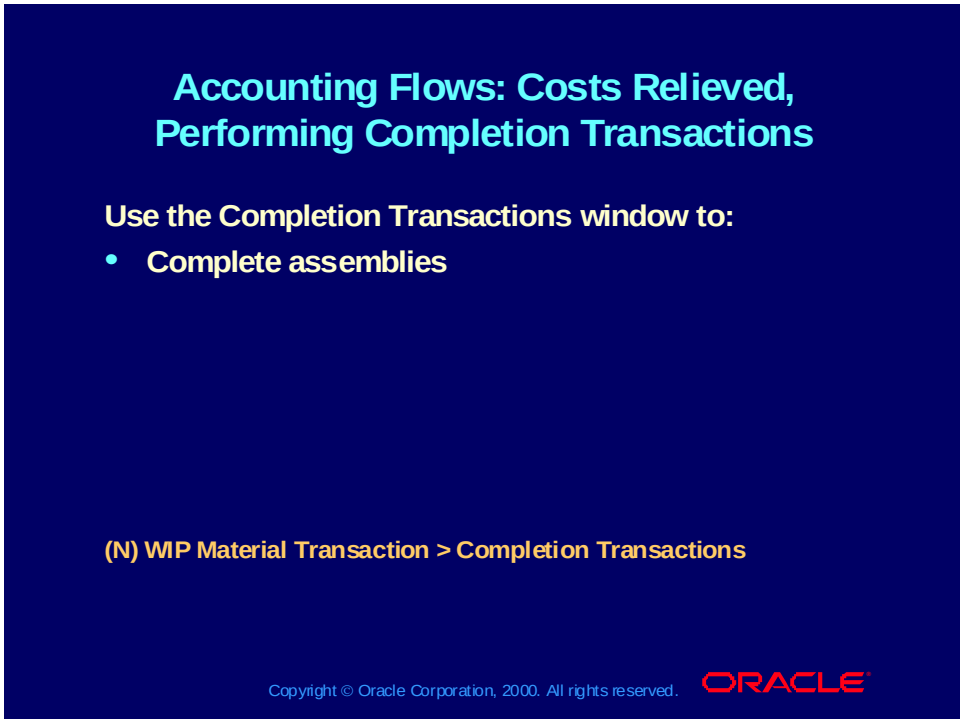
Accounting Flows: Costs Relieved, Performing Completion Transactions



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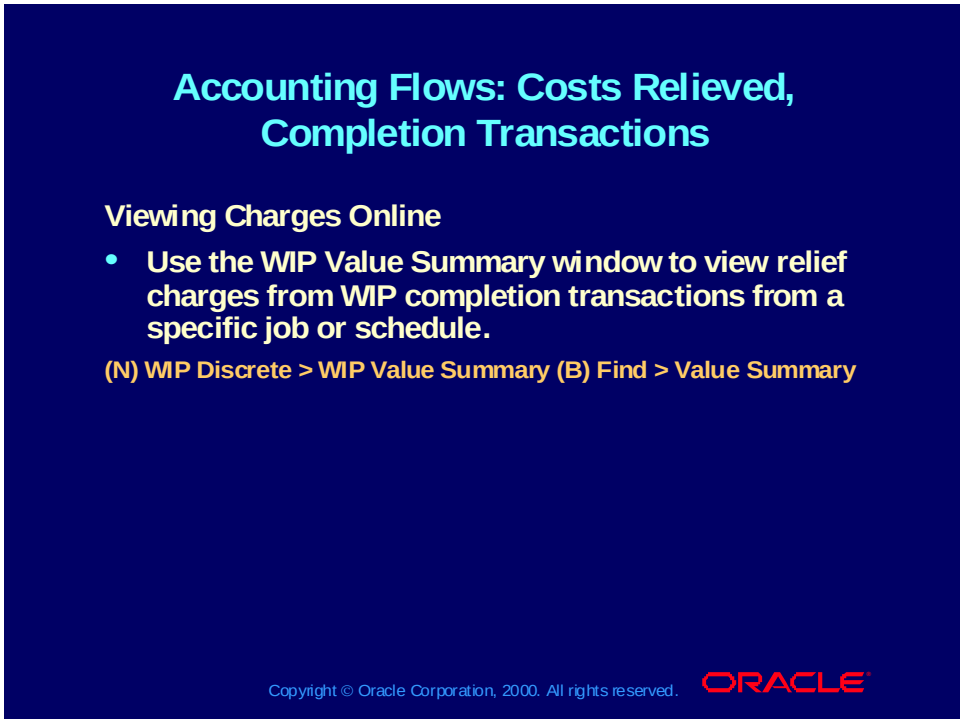
Accounting Flows: Costs Relieved, Completion Transactions



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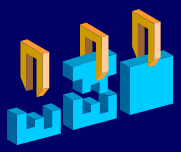
Accounting Flows: Costs Relieved, Overcompletion Transactions

Accounting Flows: Costs Relieved, Overcompletion Transactions

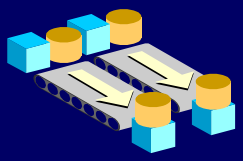
Costing of WIP Overcompletions

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

Costing at standard



Job costing



Period-based costing

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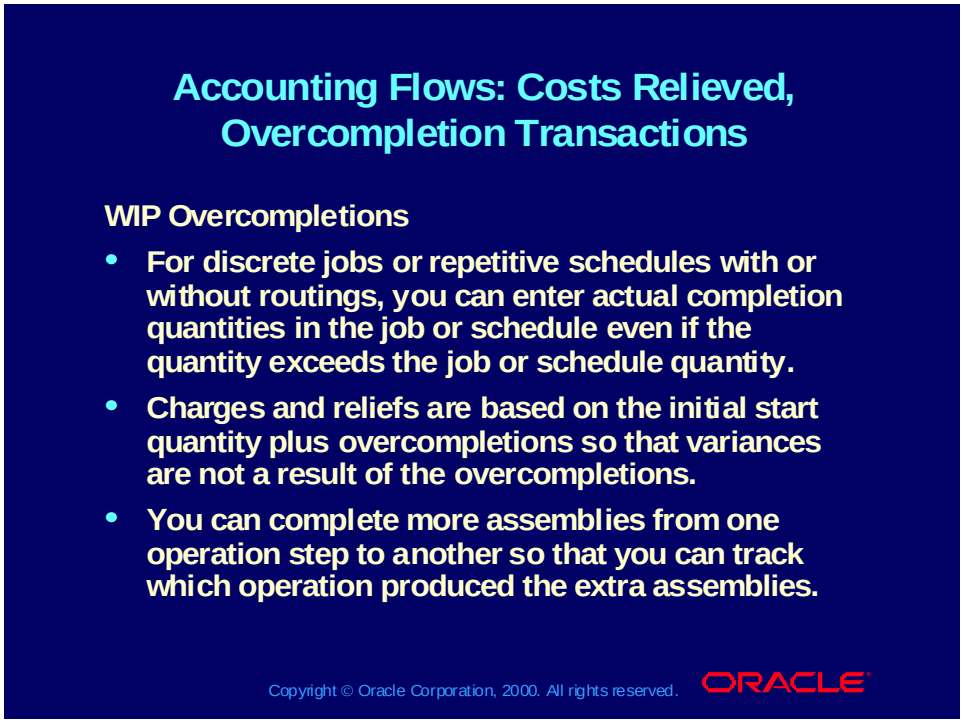

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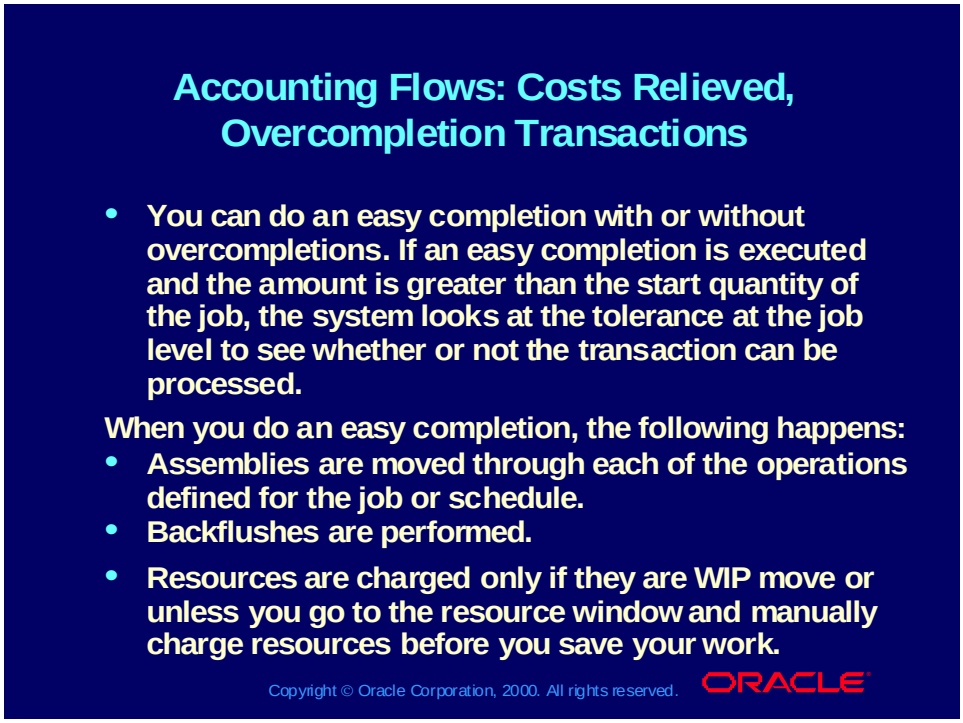
Accounting Flows: Costs Relieved, Overcompletion Transactions



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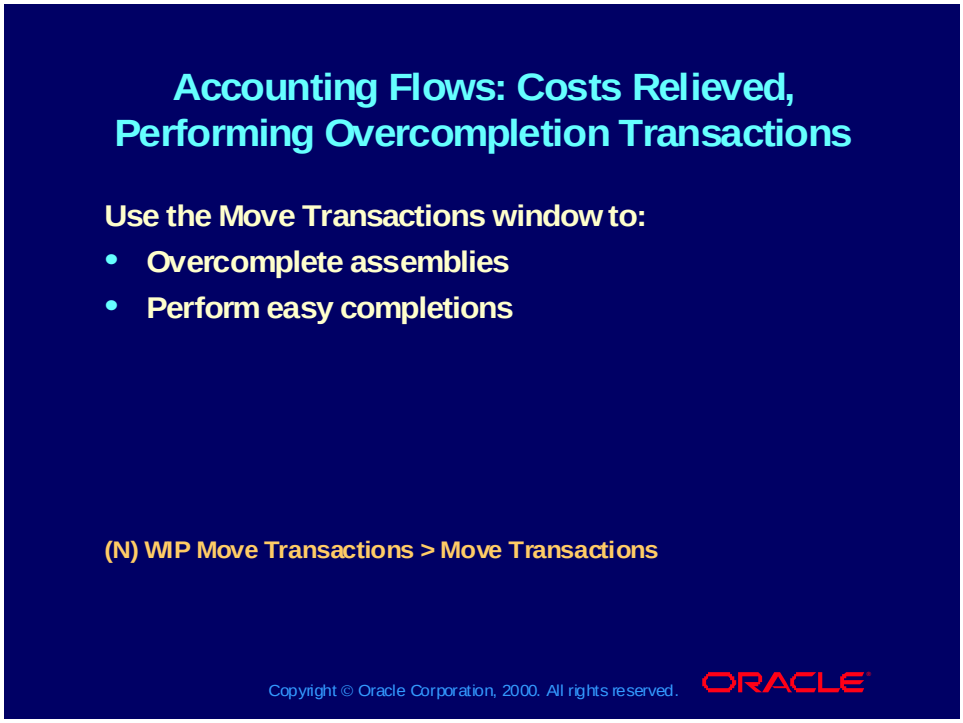
Accounting Flows: Costs Relieved, Performing Overcompletion Transactions



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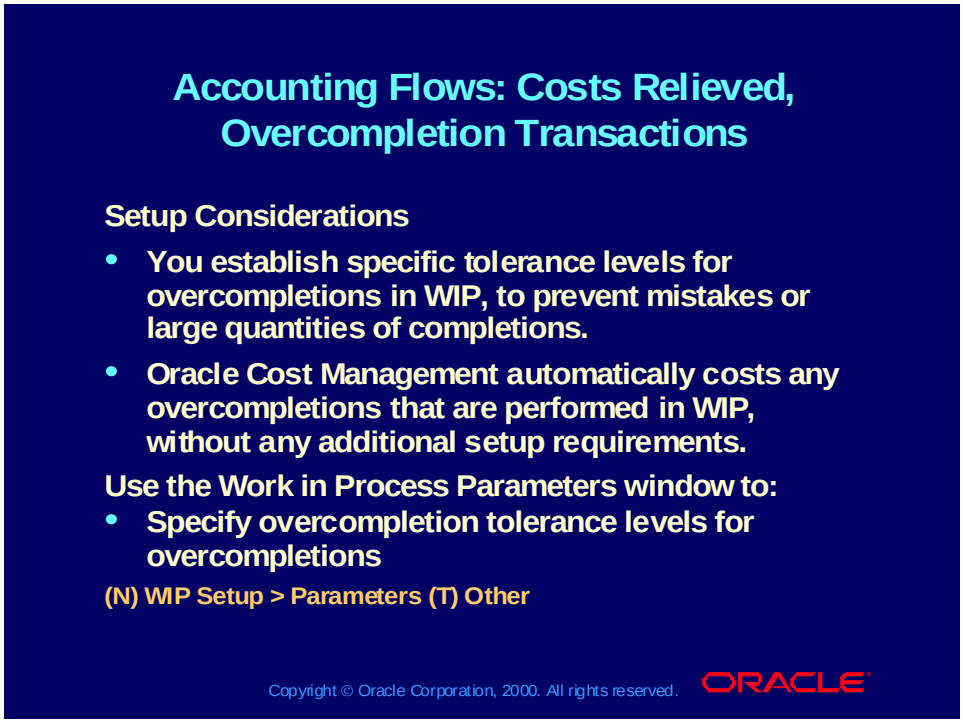
Accounting Flows: Costs Relieved, Overcompletion Transactions



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Oracle Work in Process > Setting Up > Defining WIP Parameters

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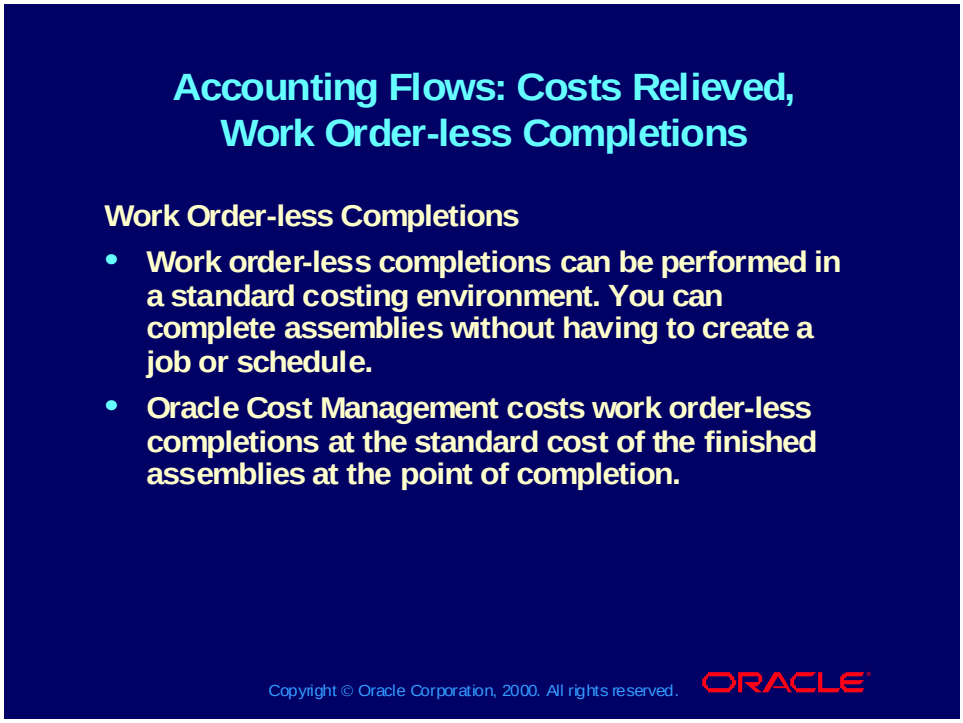

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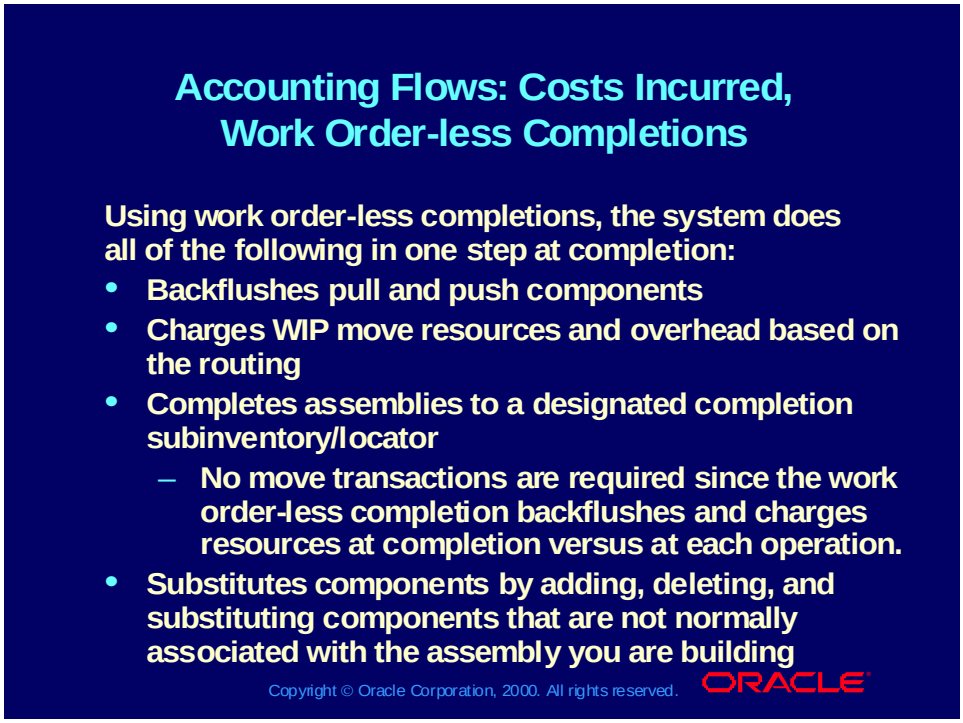

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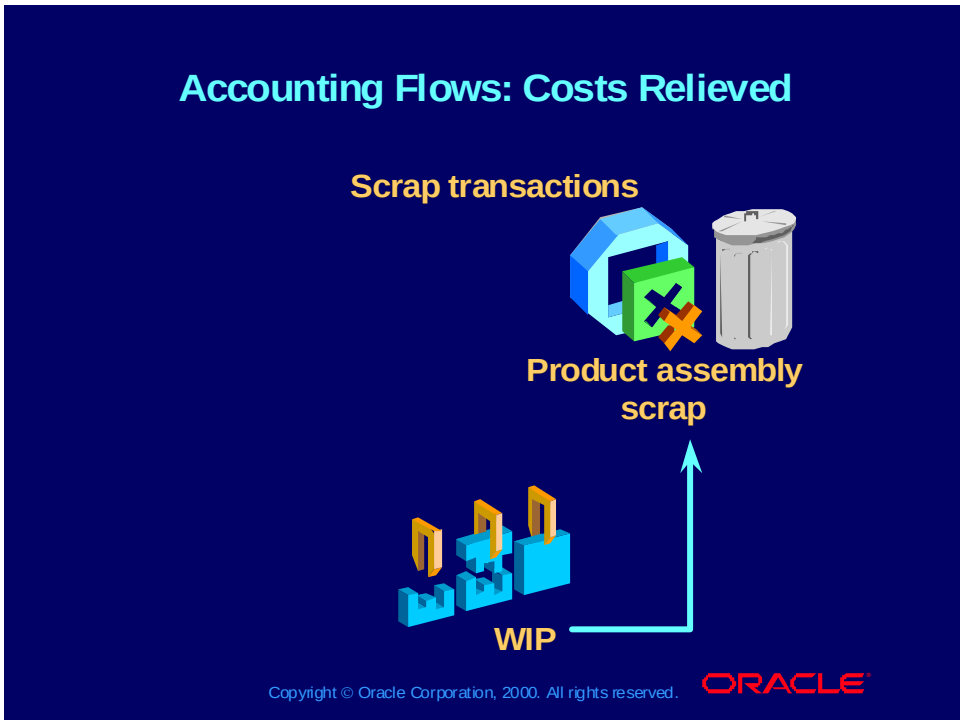
Accounting Flows: Costs Relieved



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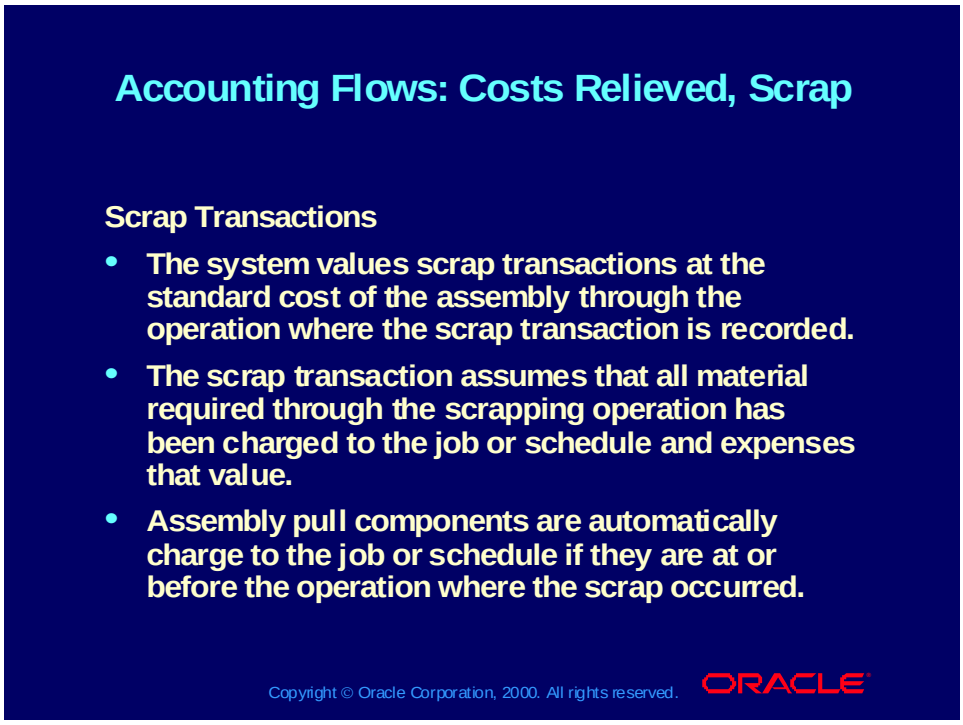

Note

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.

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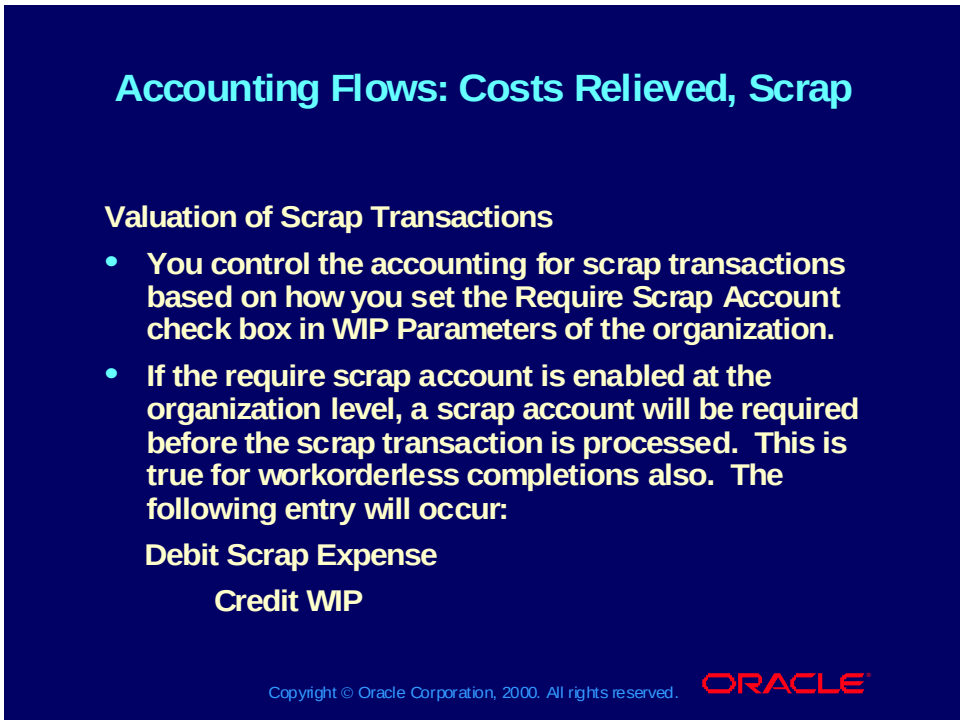

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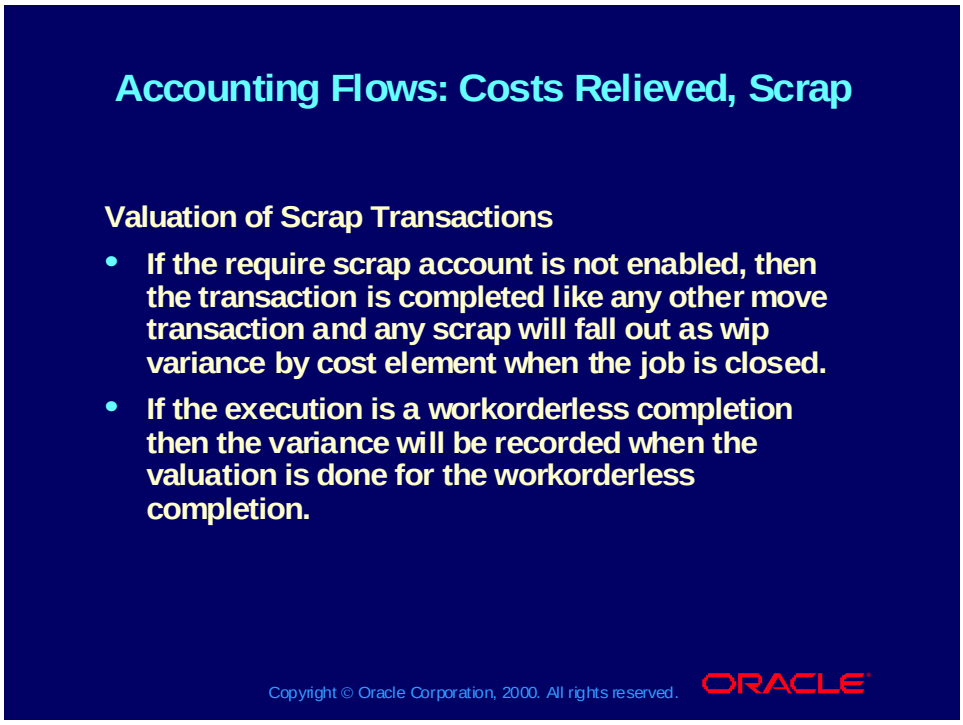

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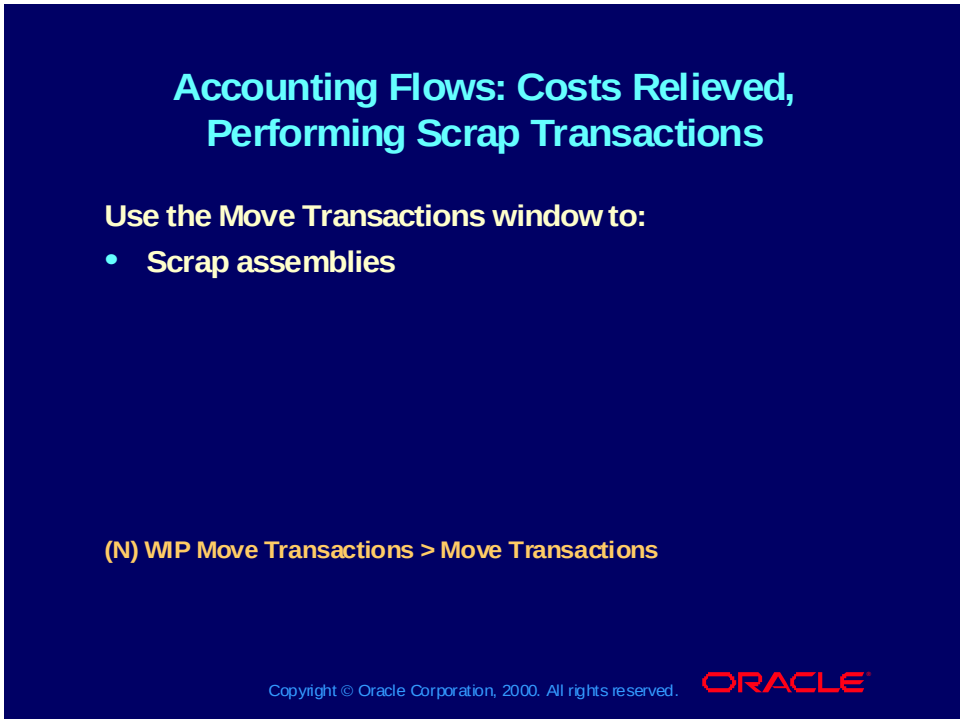
Accounting Flows: Costs Relieved, Performing Scrap Transactions



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

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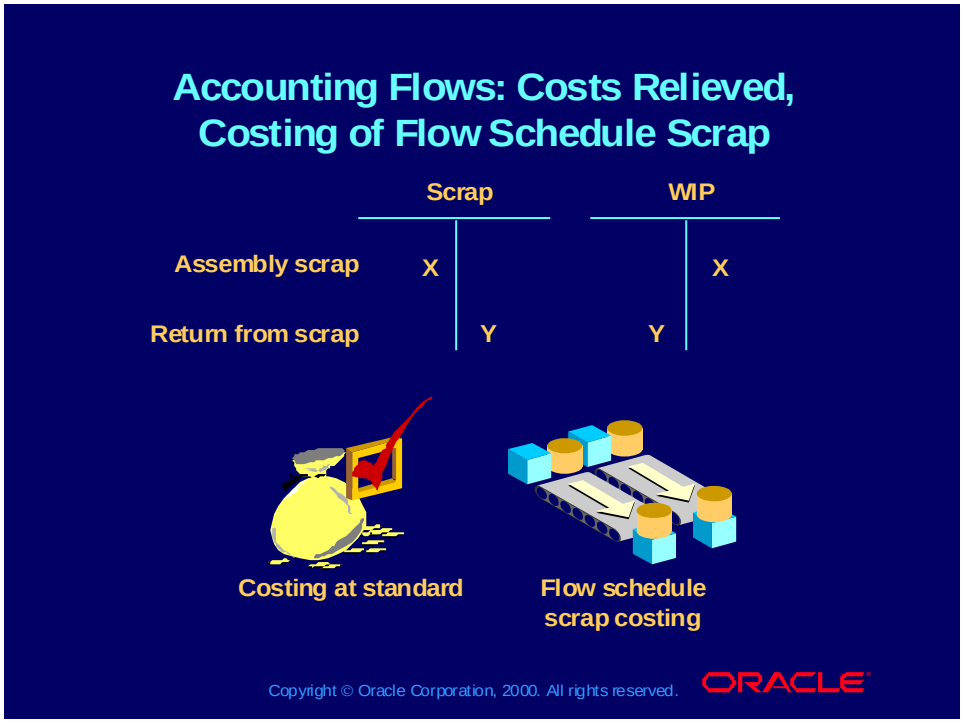
Accounting Flows: Costs Relieved, Costing of Flow Schedule Scrap



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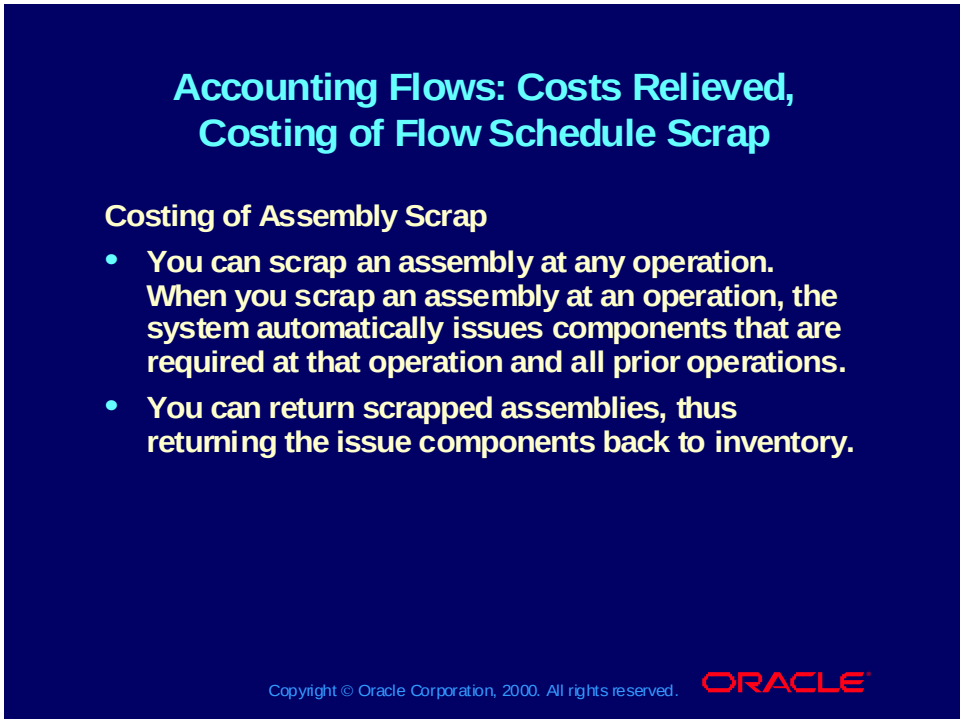

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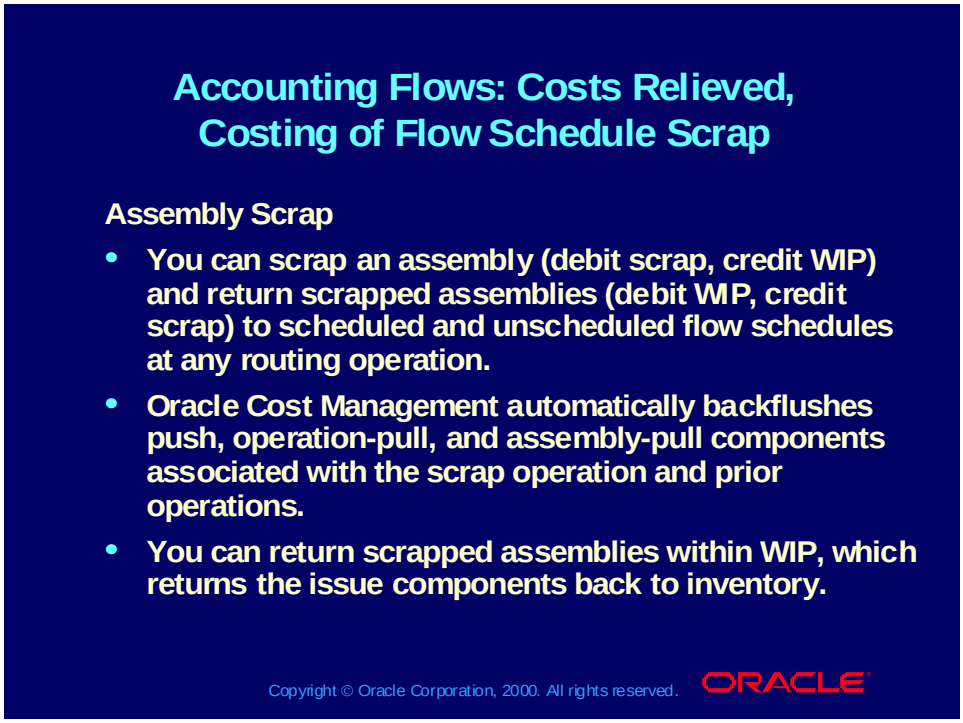

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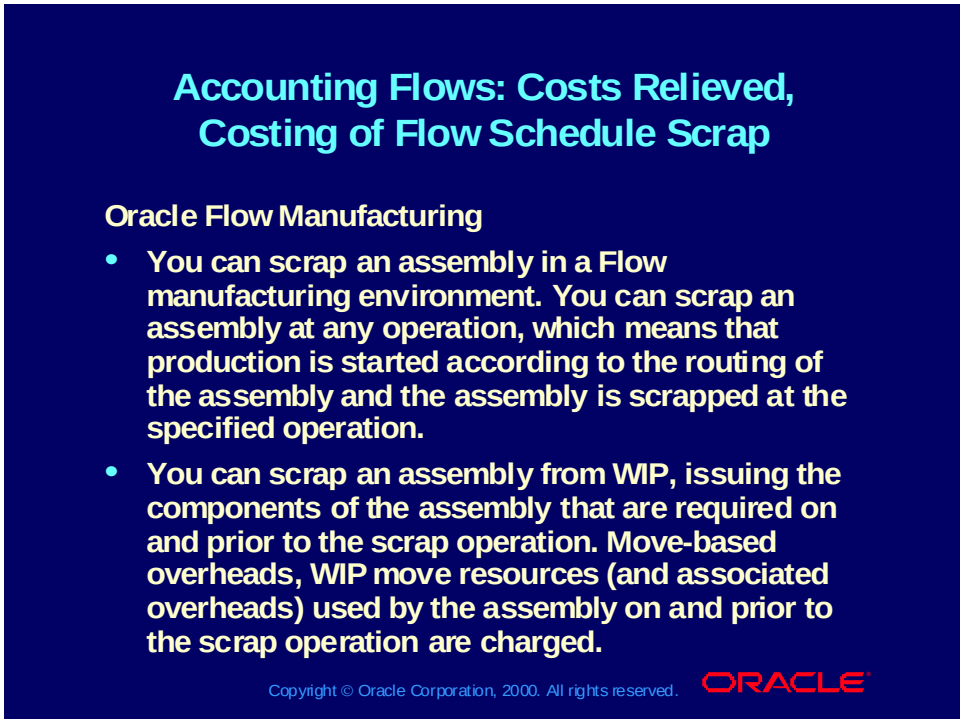

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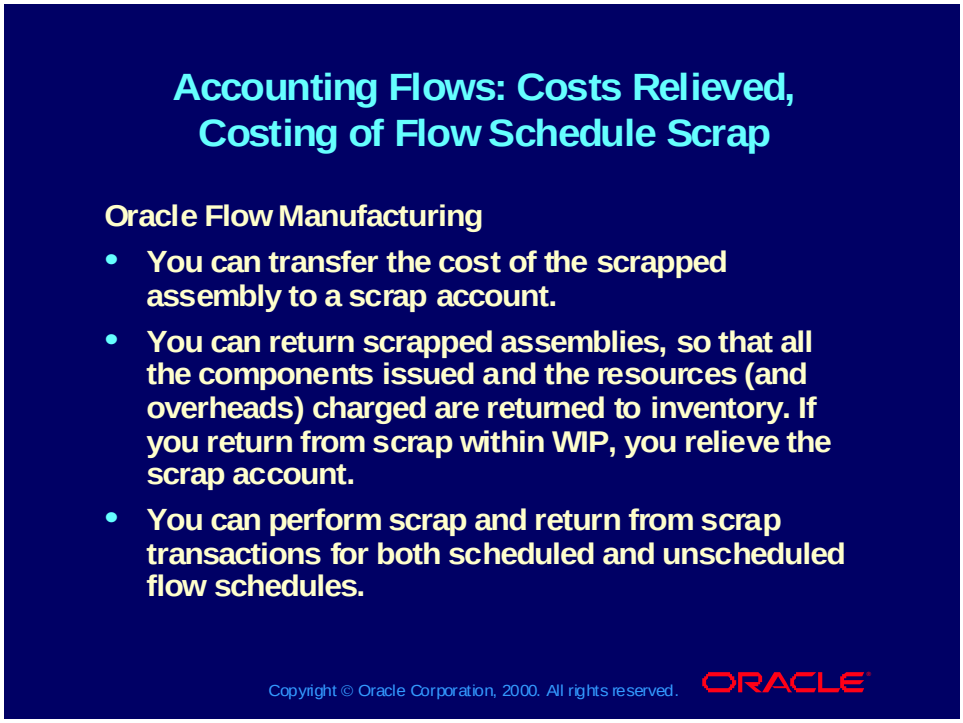

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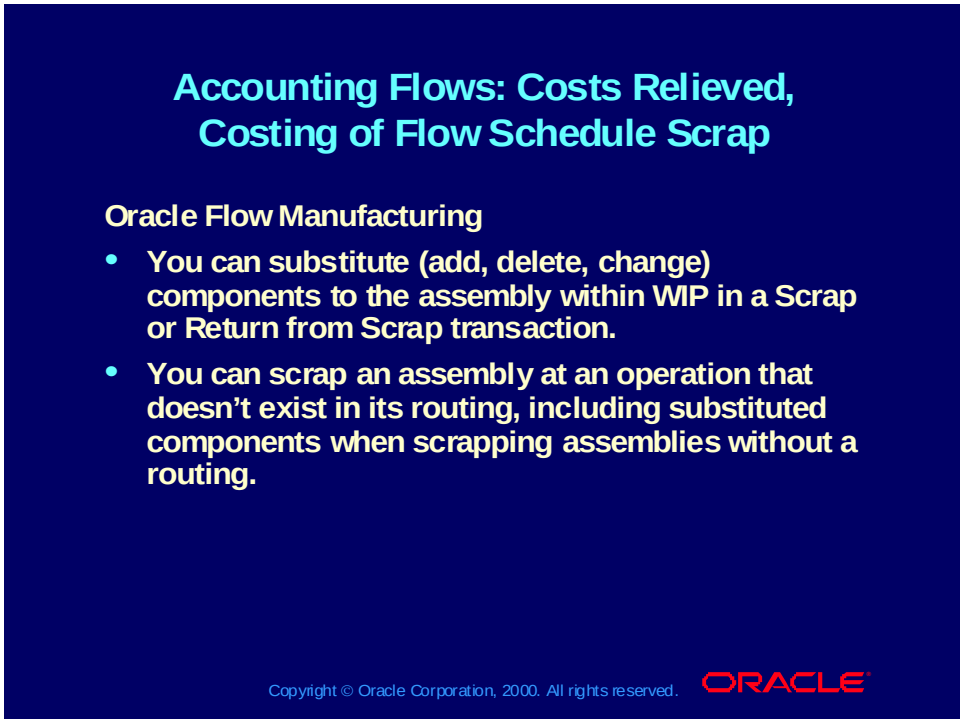

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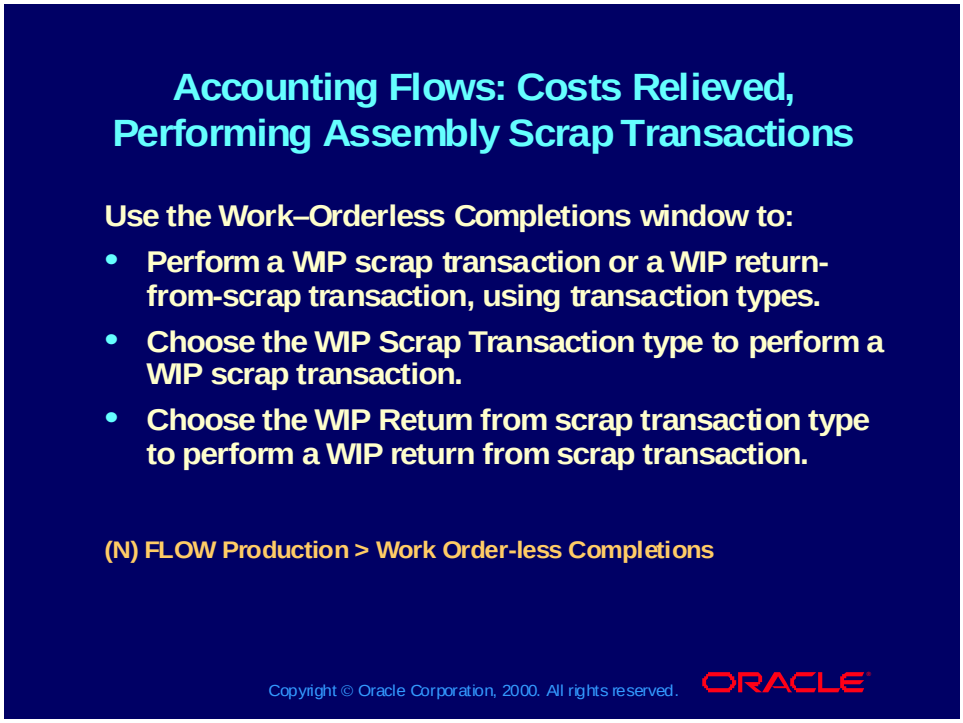
Accounting Flows: Costs Relieved, Performing Assembly Scrap Transactions



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

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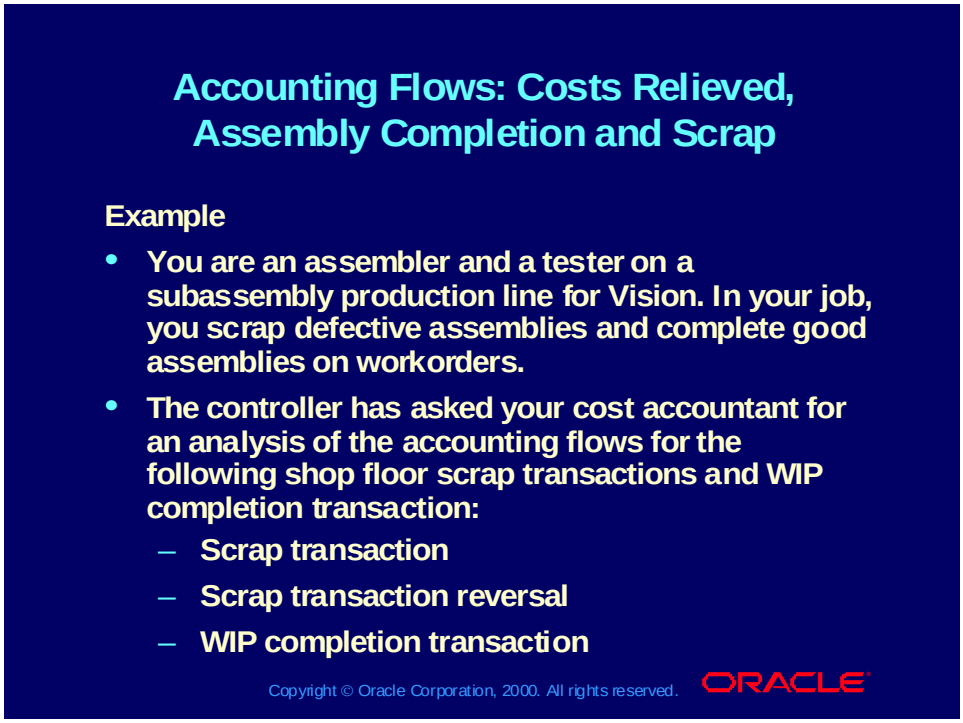

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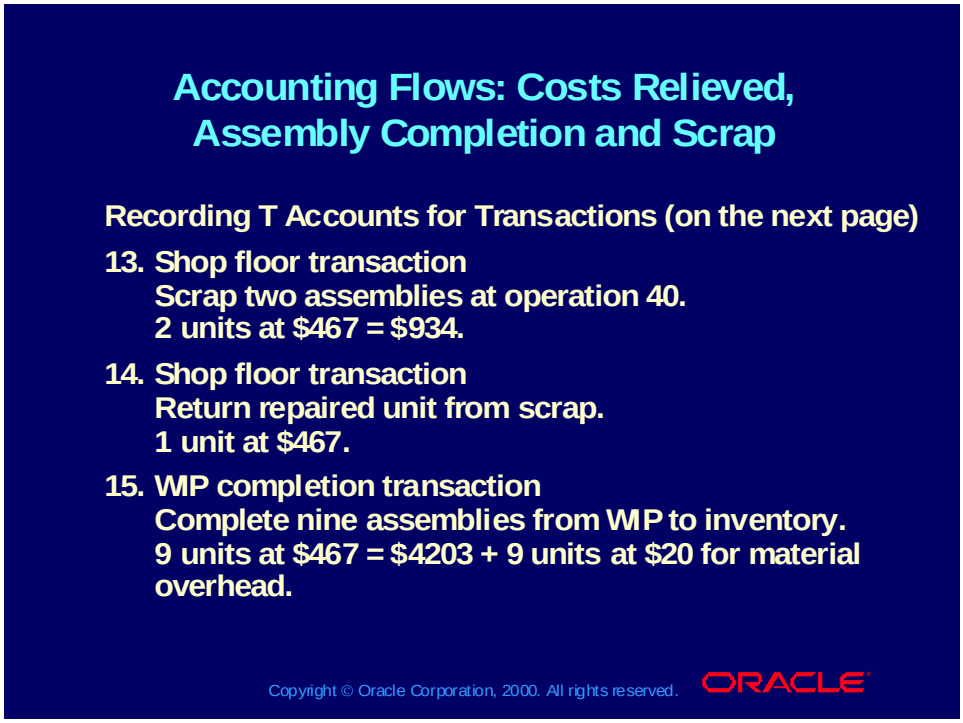

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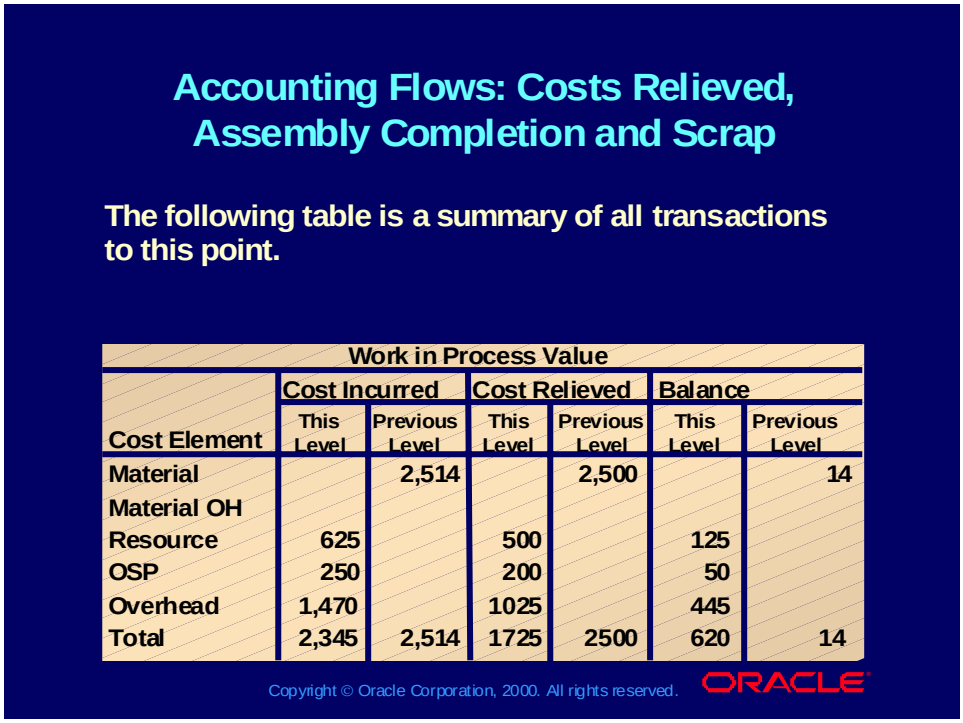

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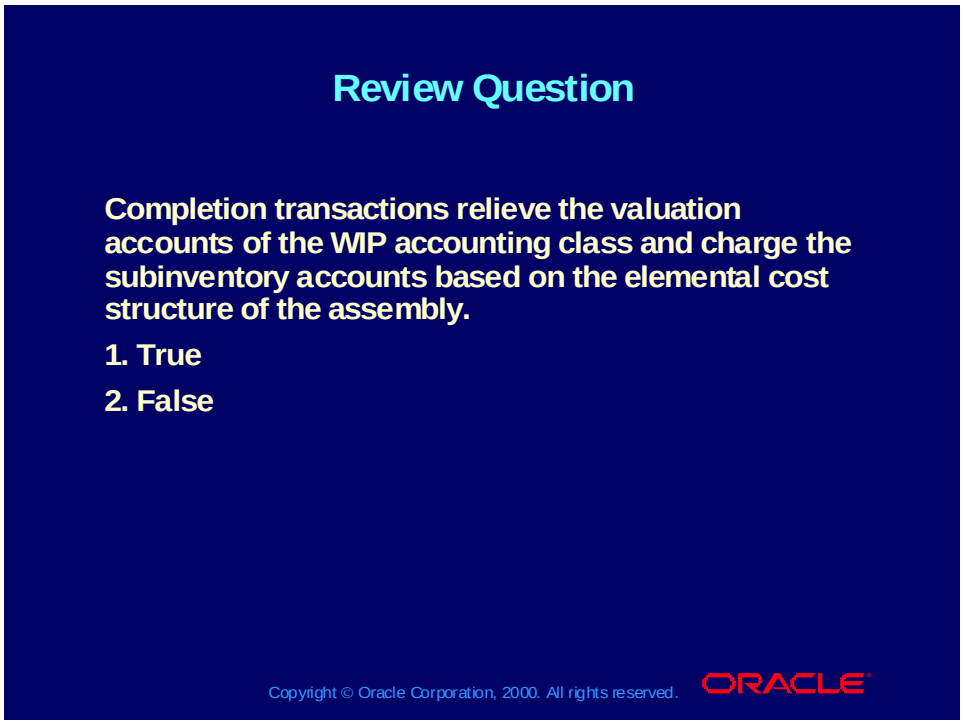

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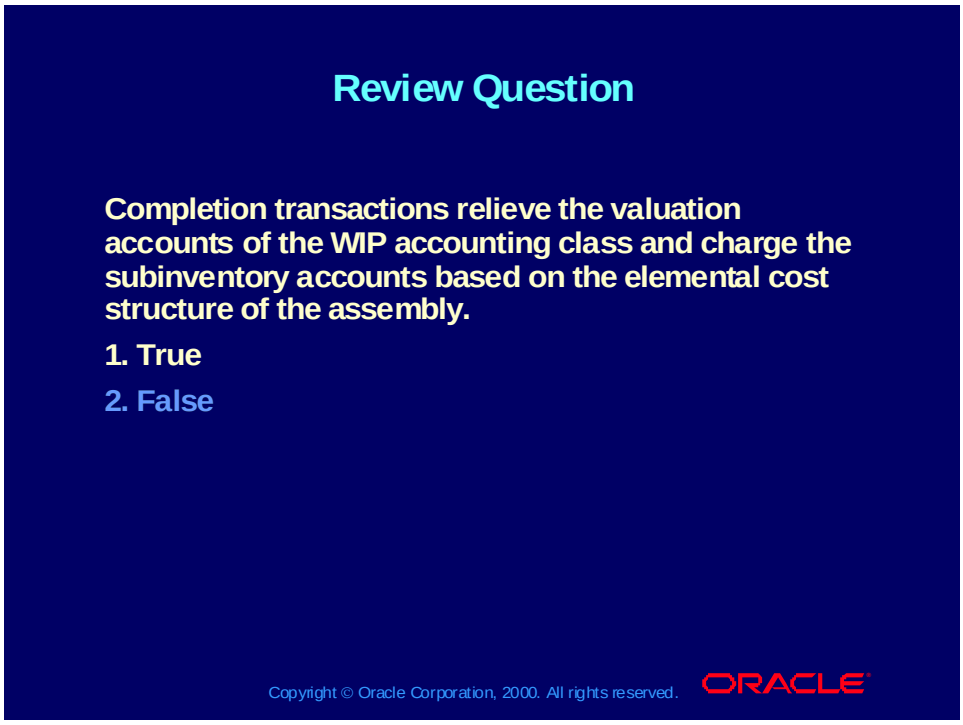

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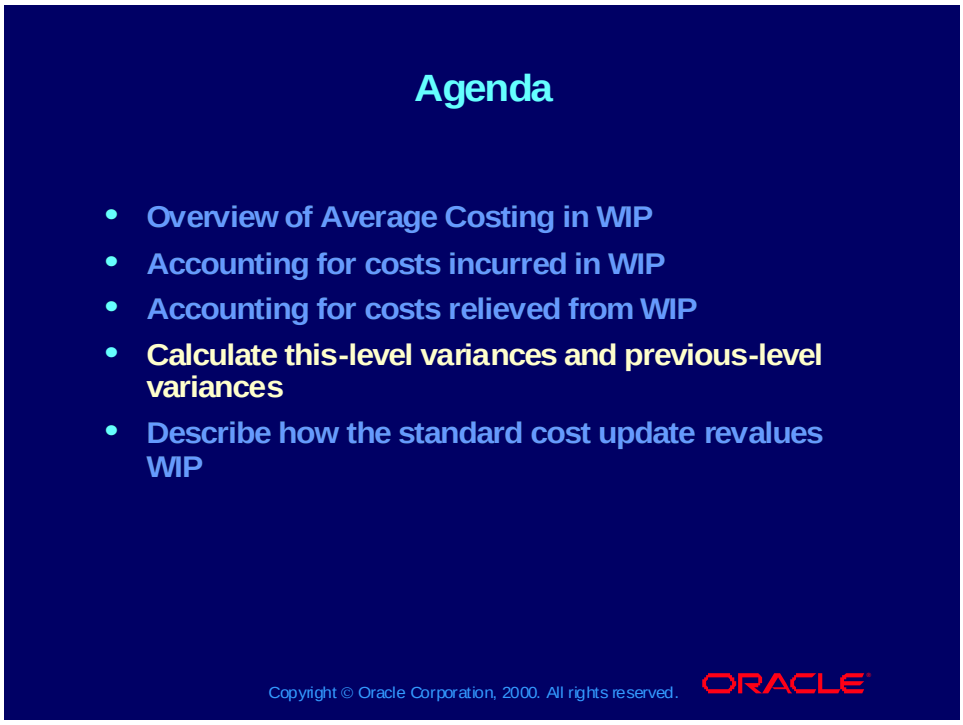

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Accounting Flows: Variances

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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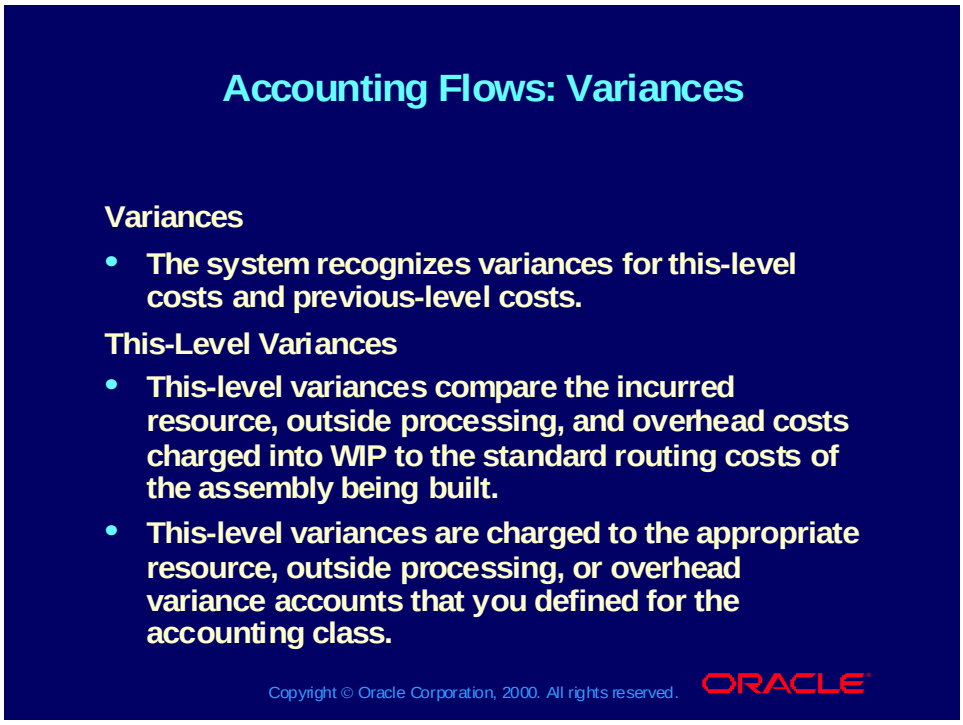

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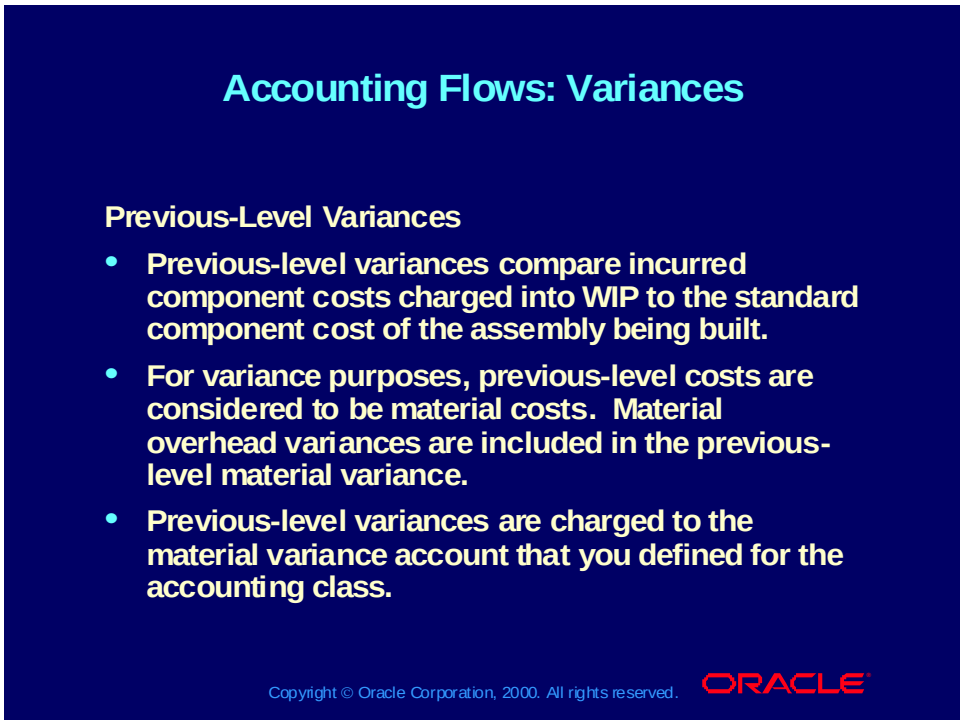

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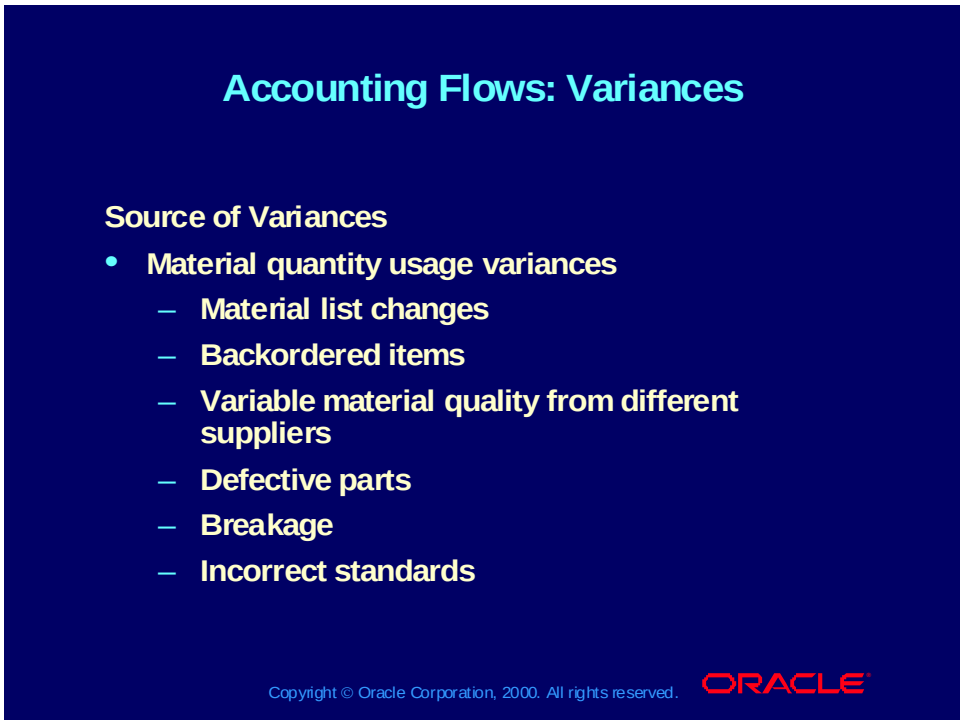

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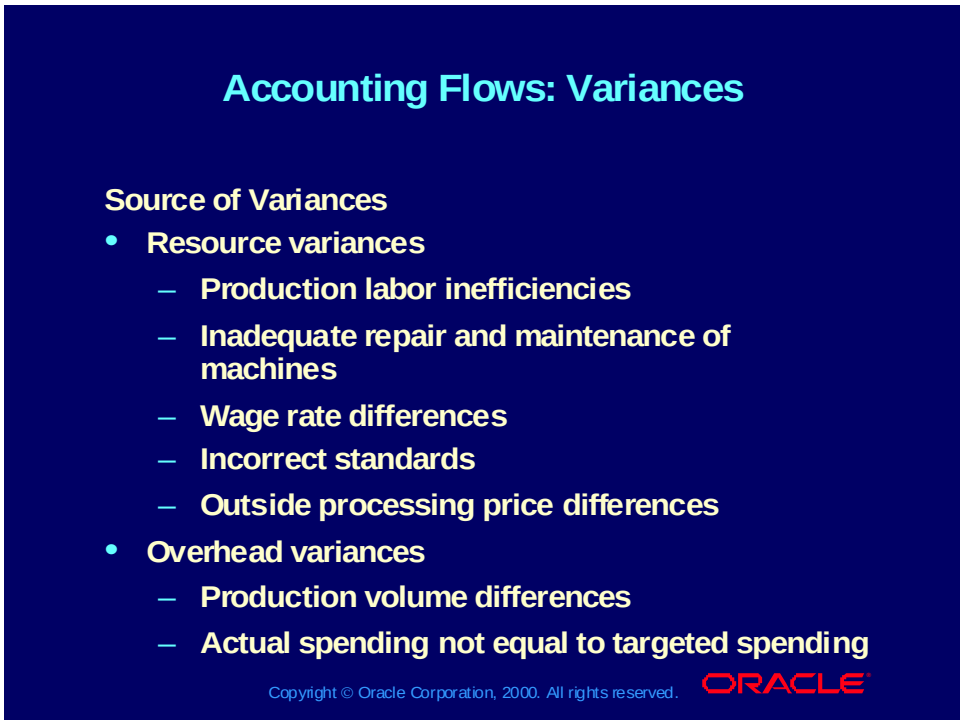

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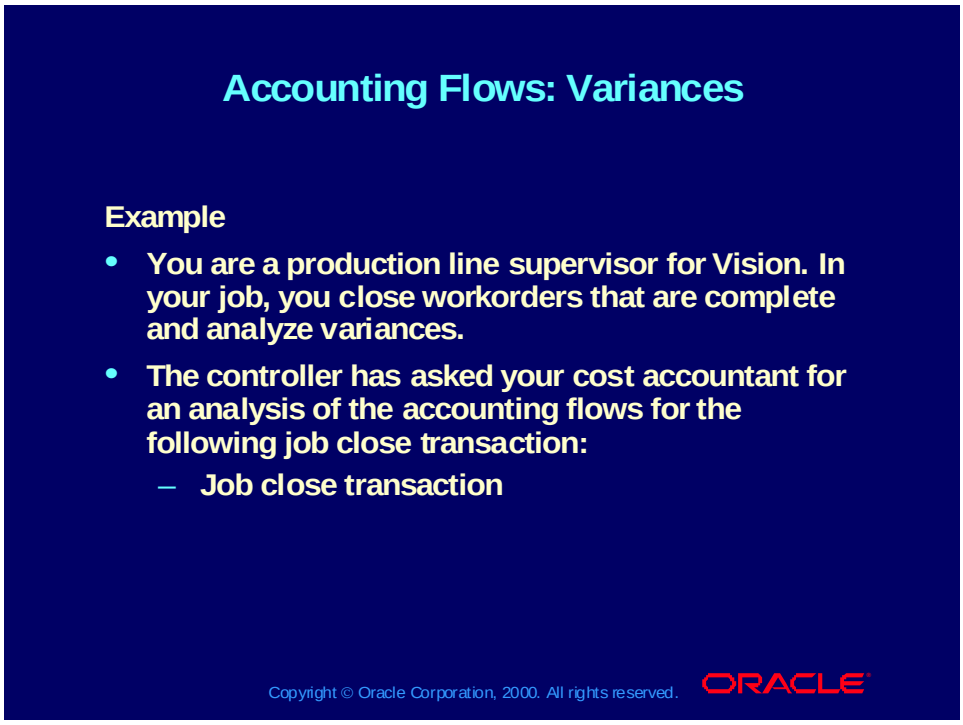

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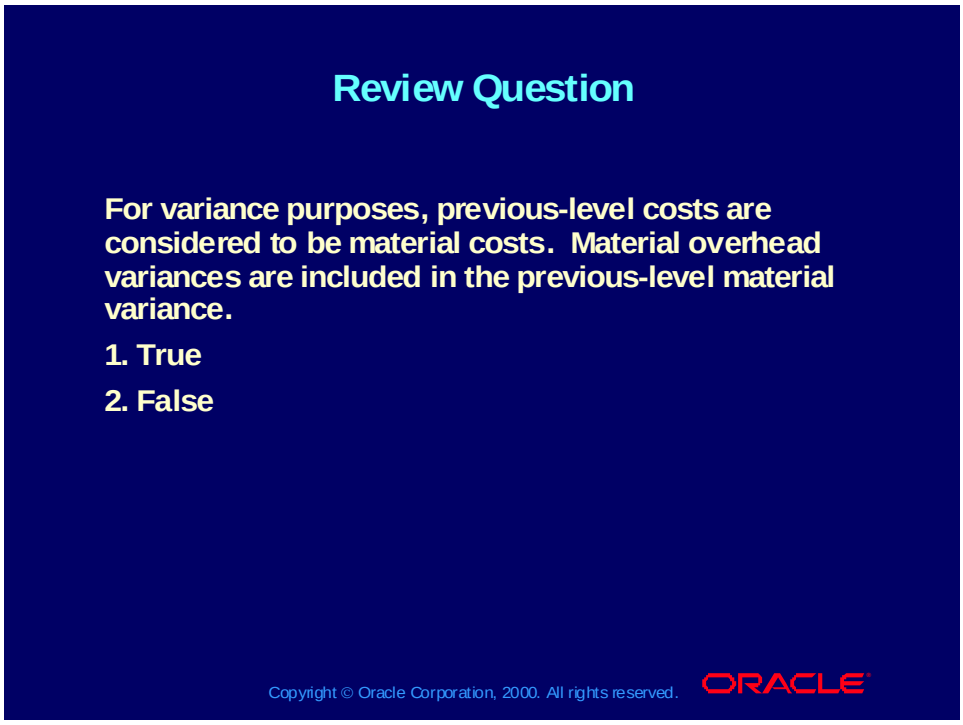

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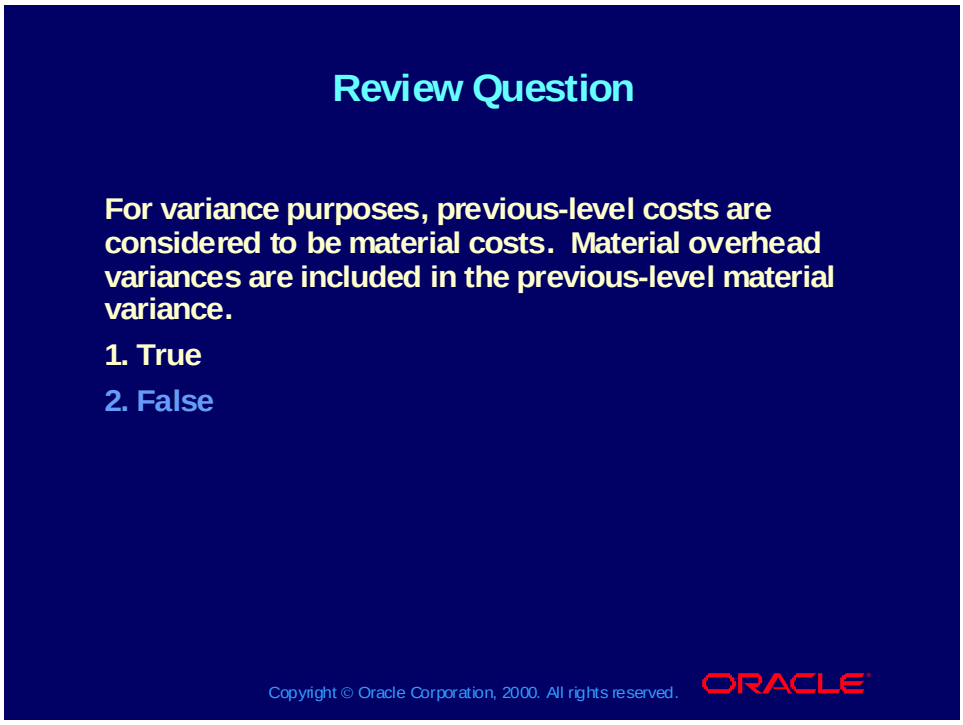

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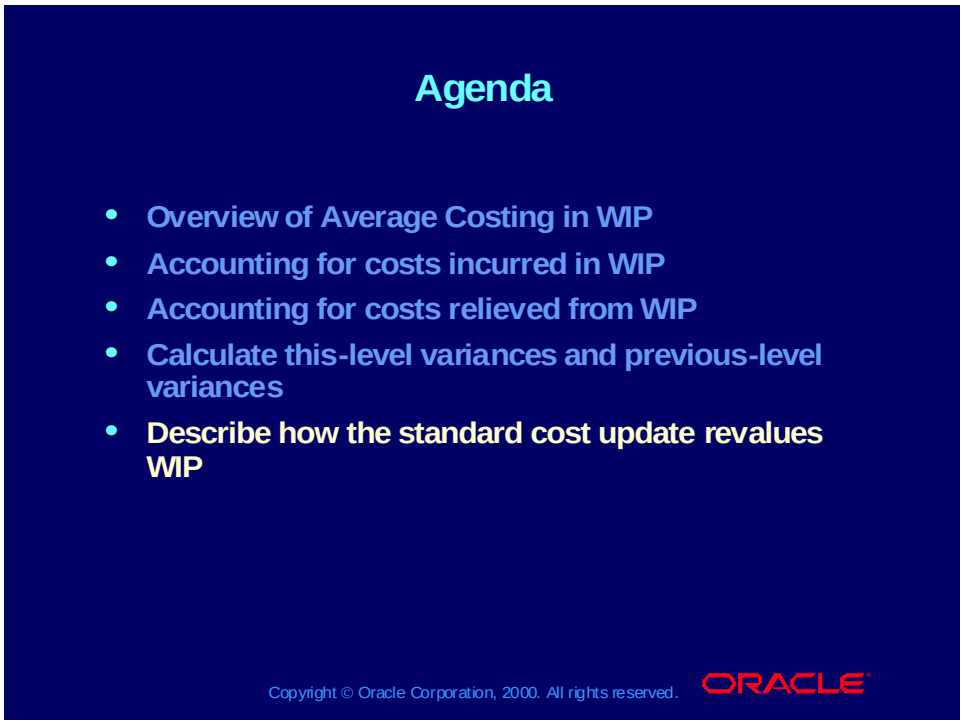

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Standard Cost Update

Standard cost update

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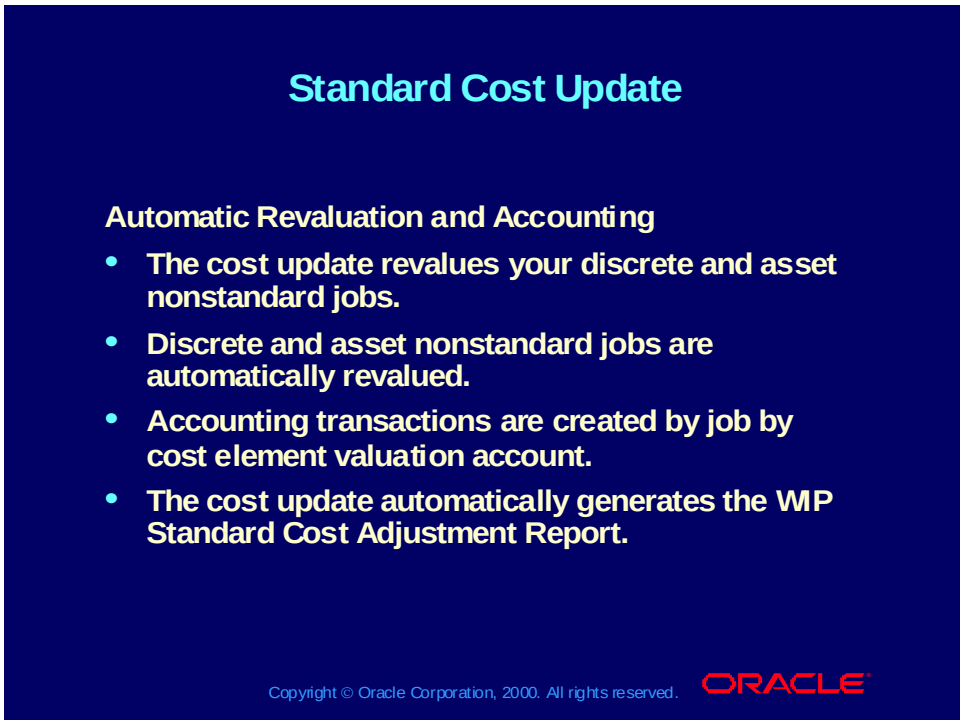

Note

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.

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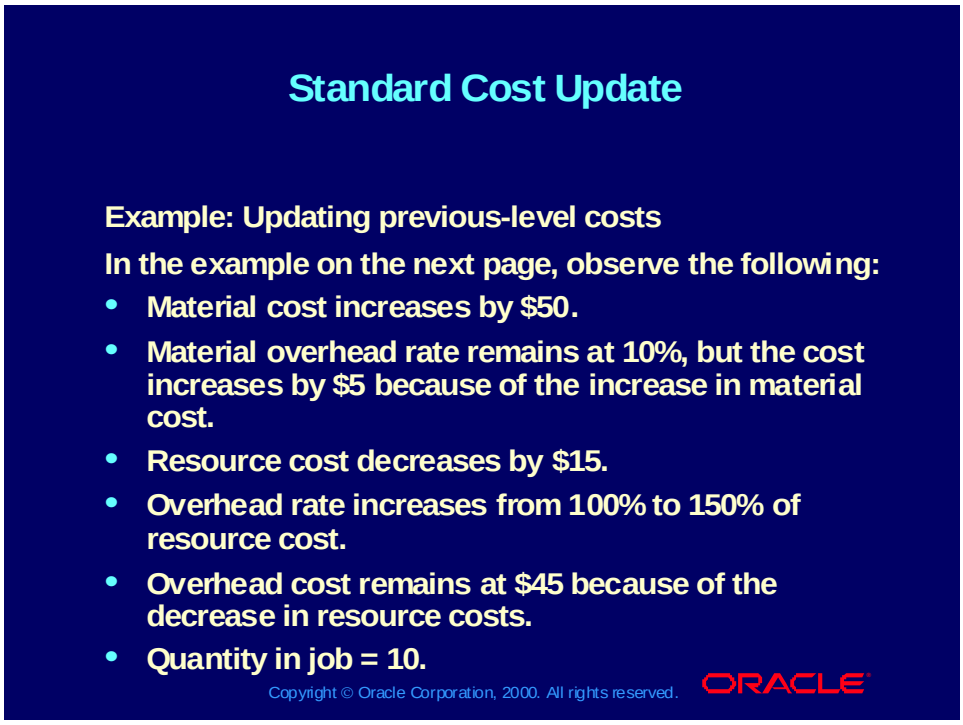

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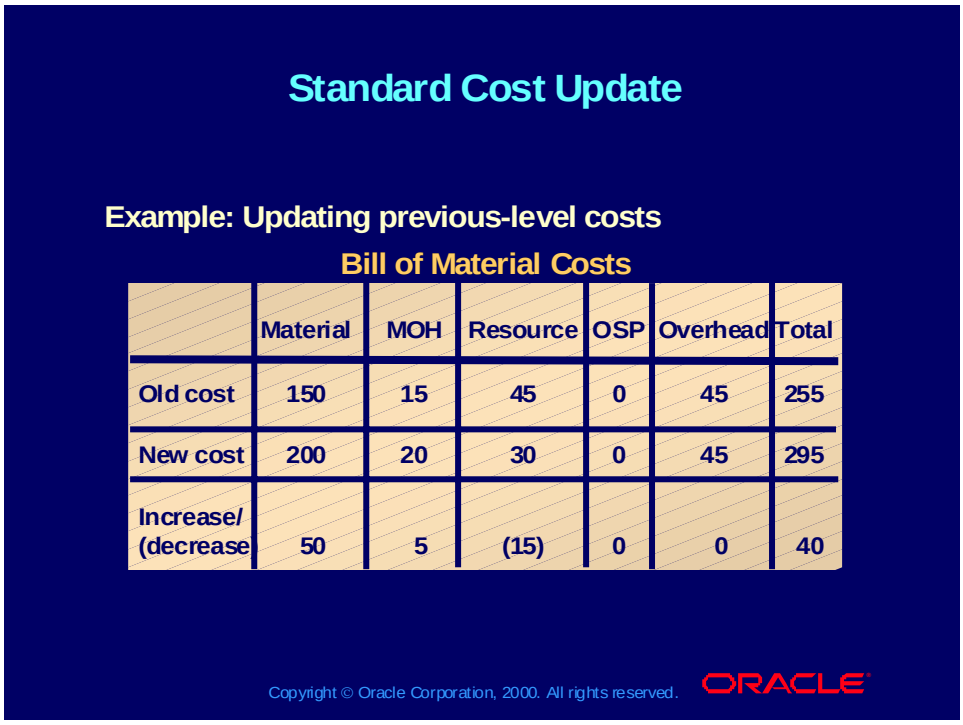

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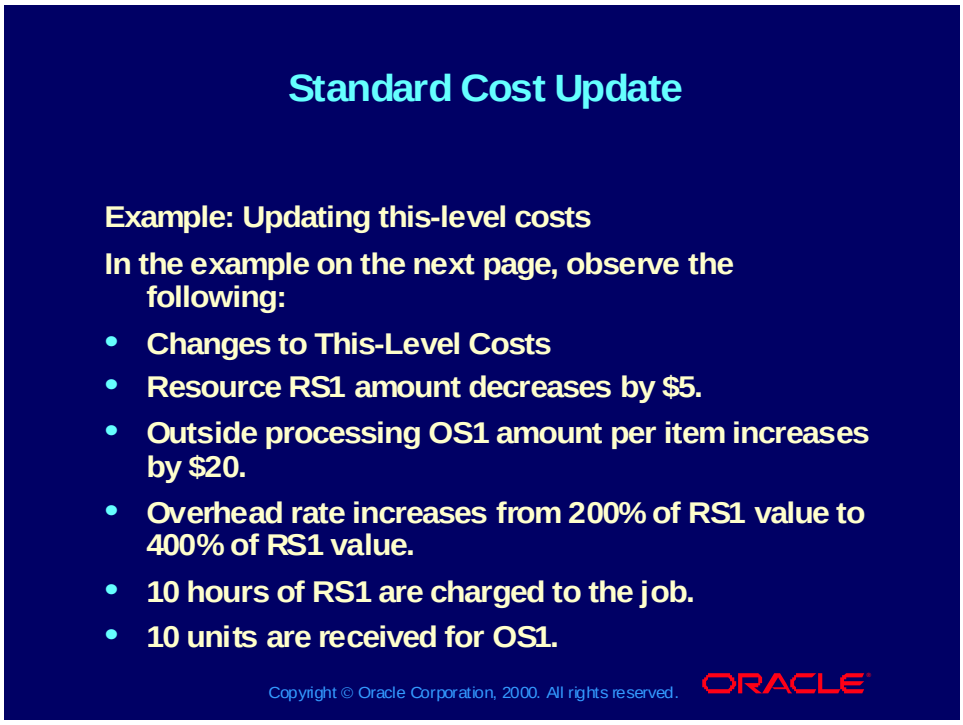

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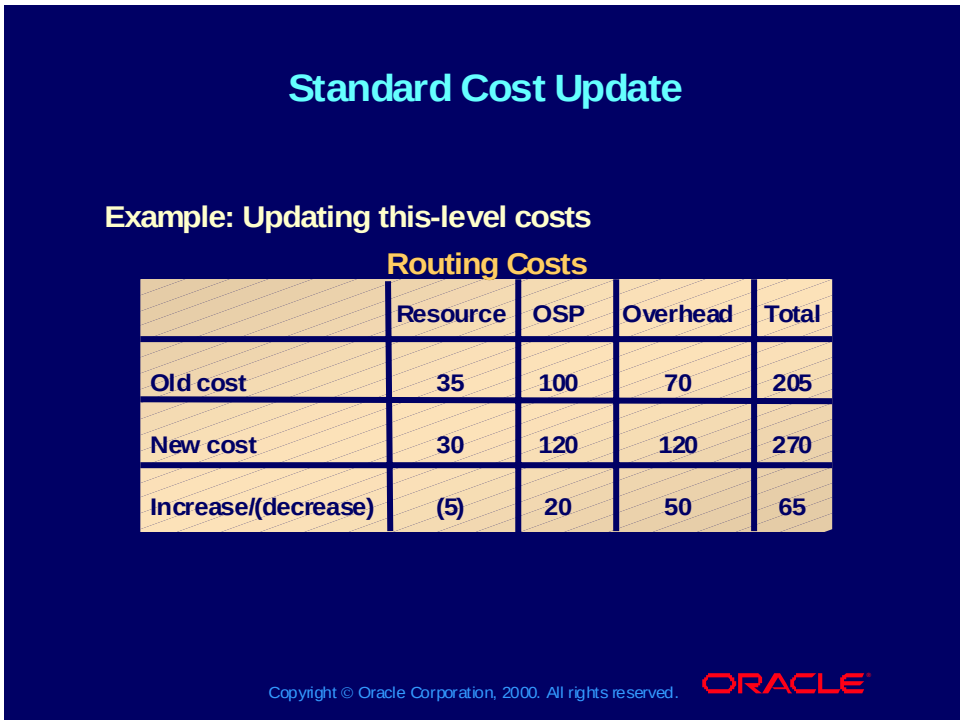

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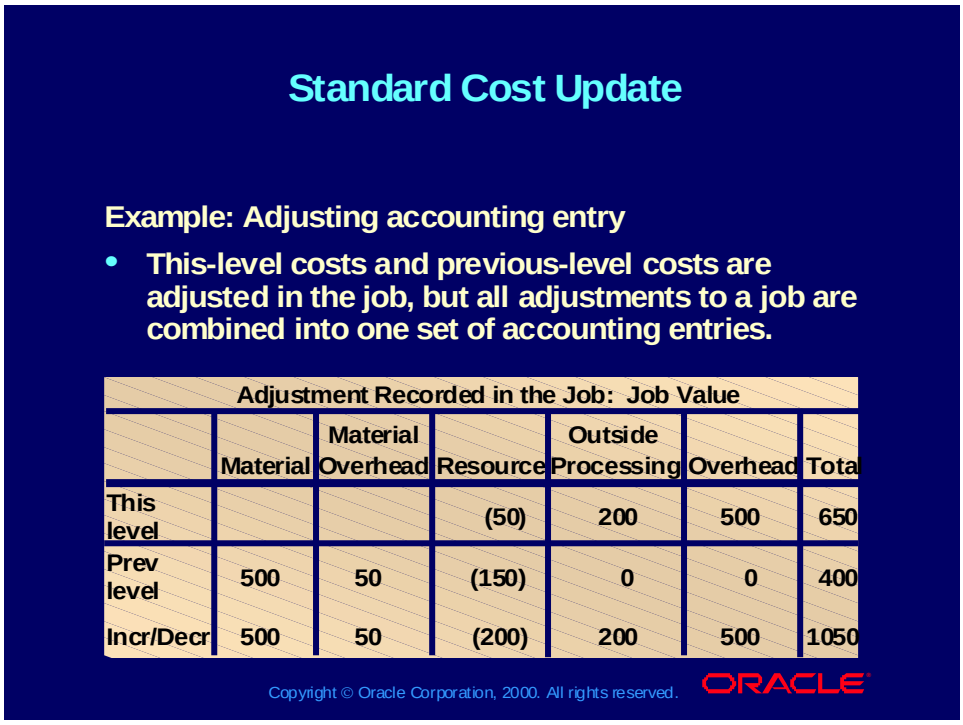

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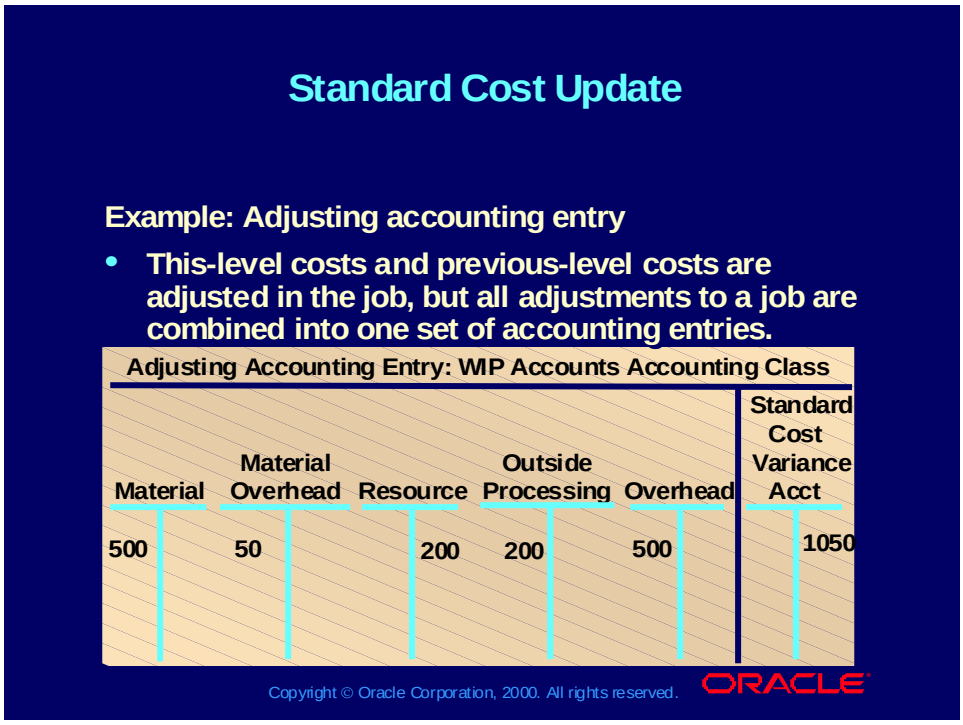

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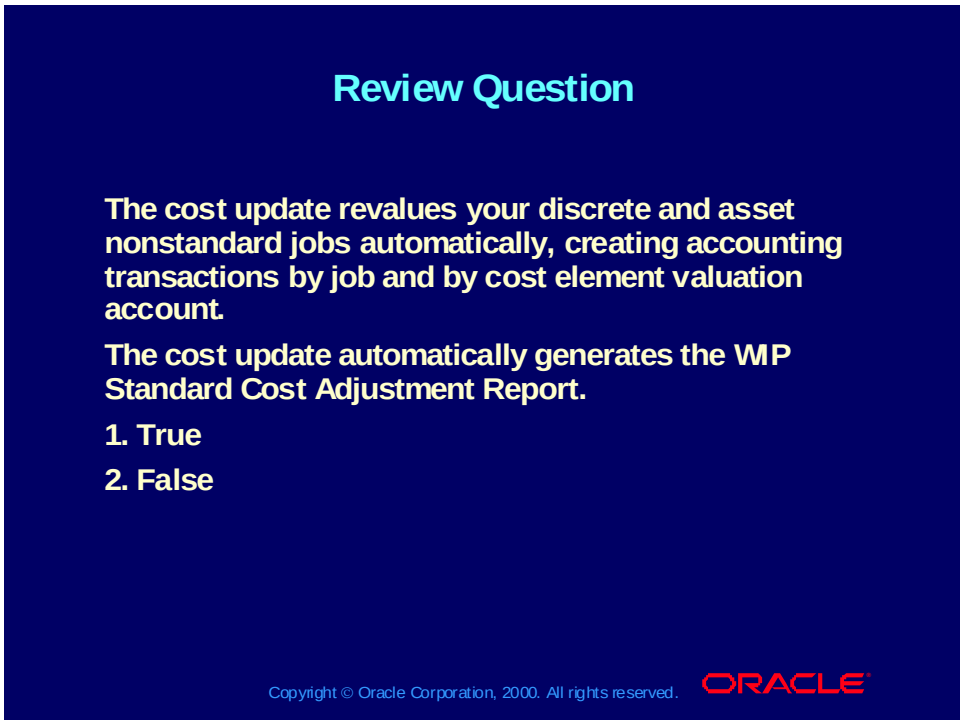

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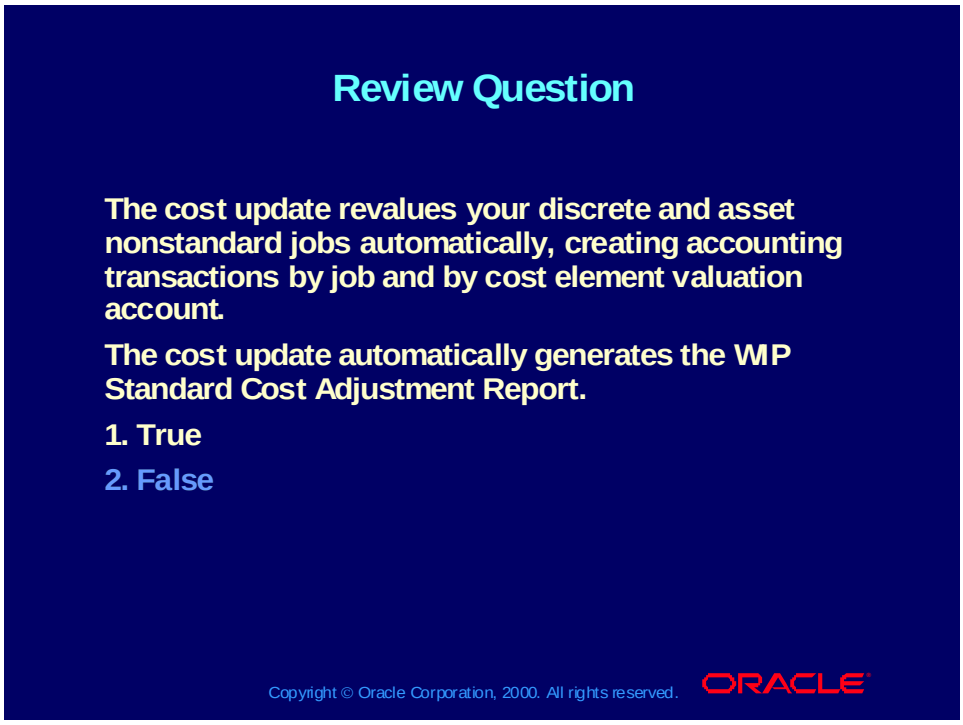

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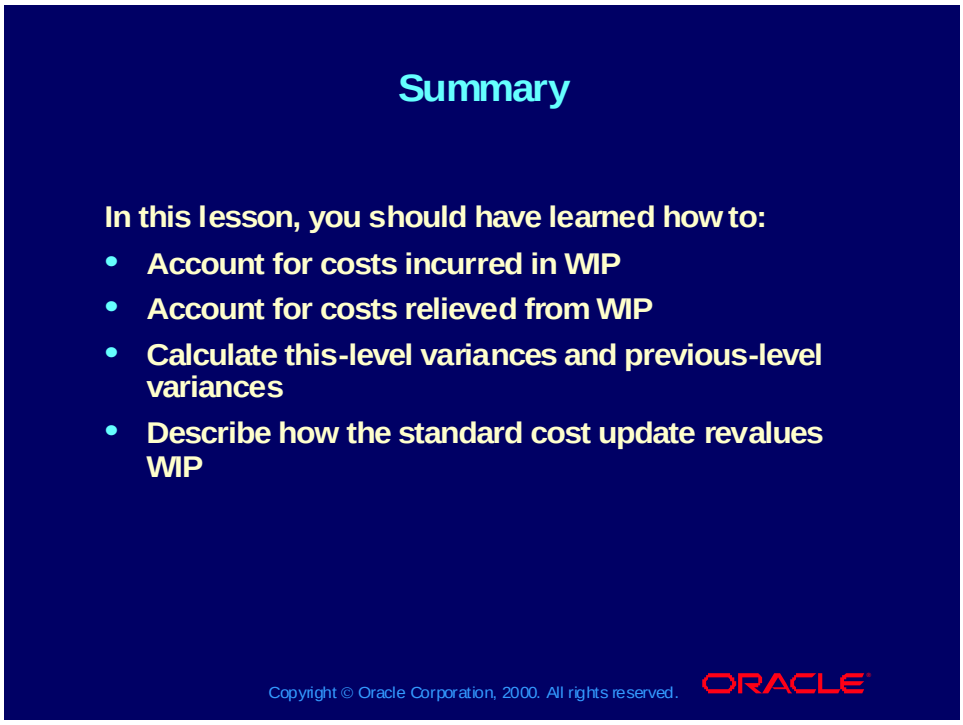

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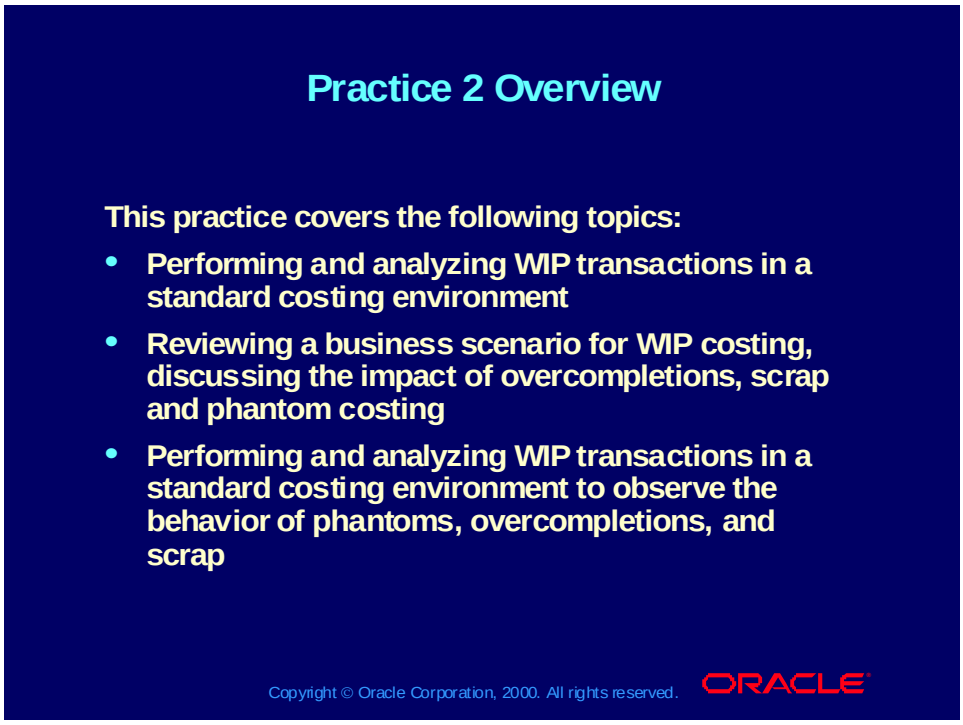

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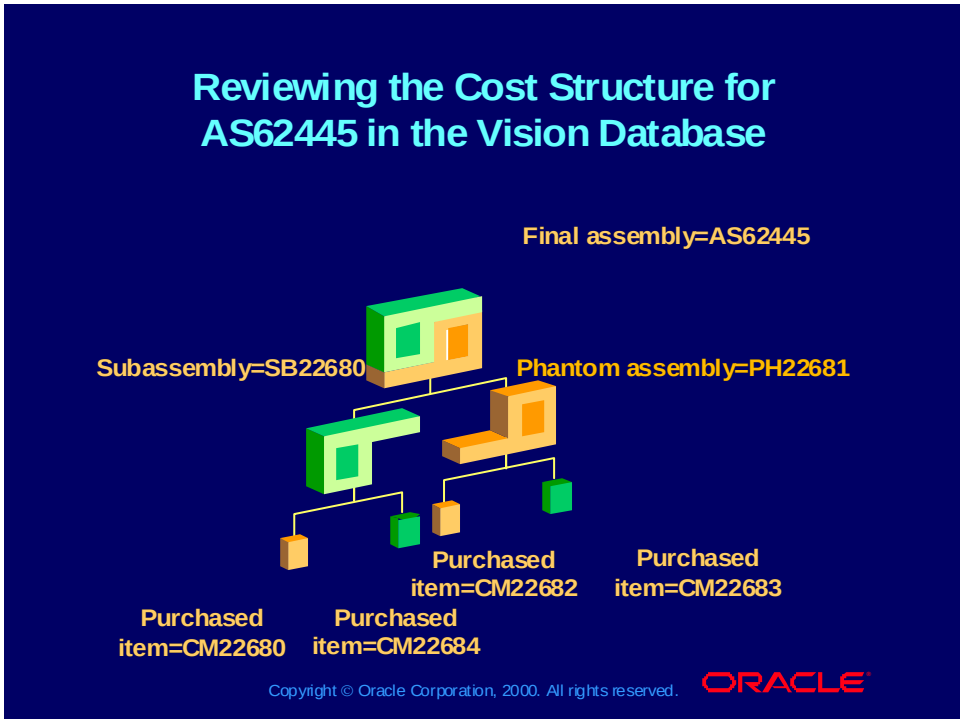
Reviewing the Cost Structure for AS62445 in the Vision Database



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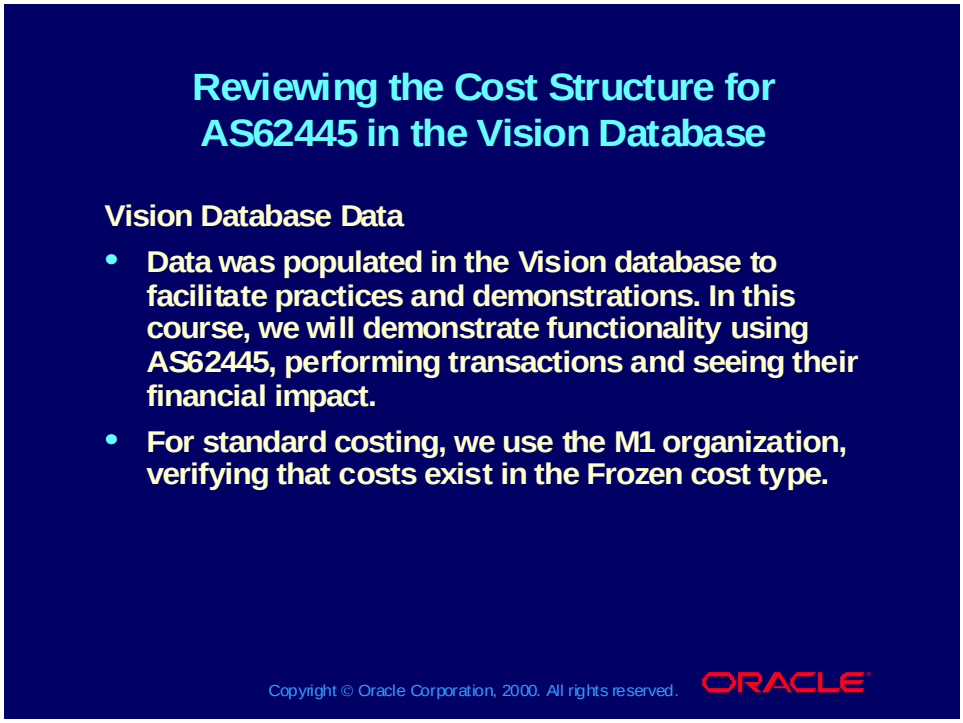

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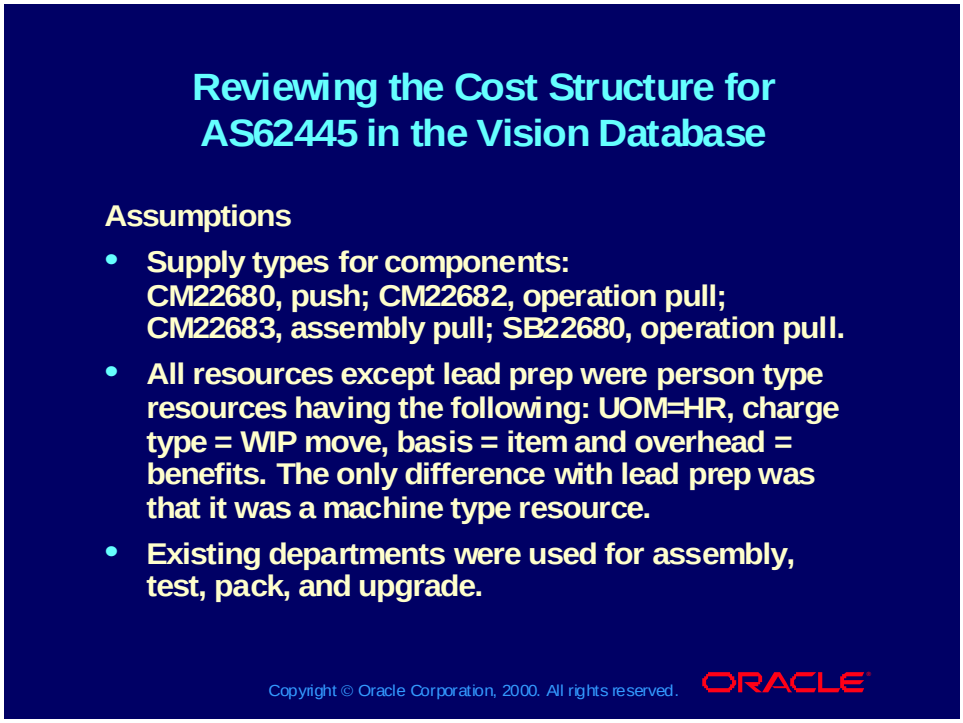

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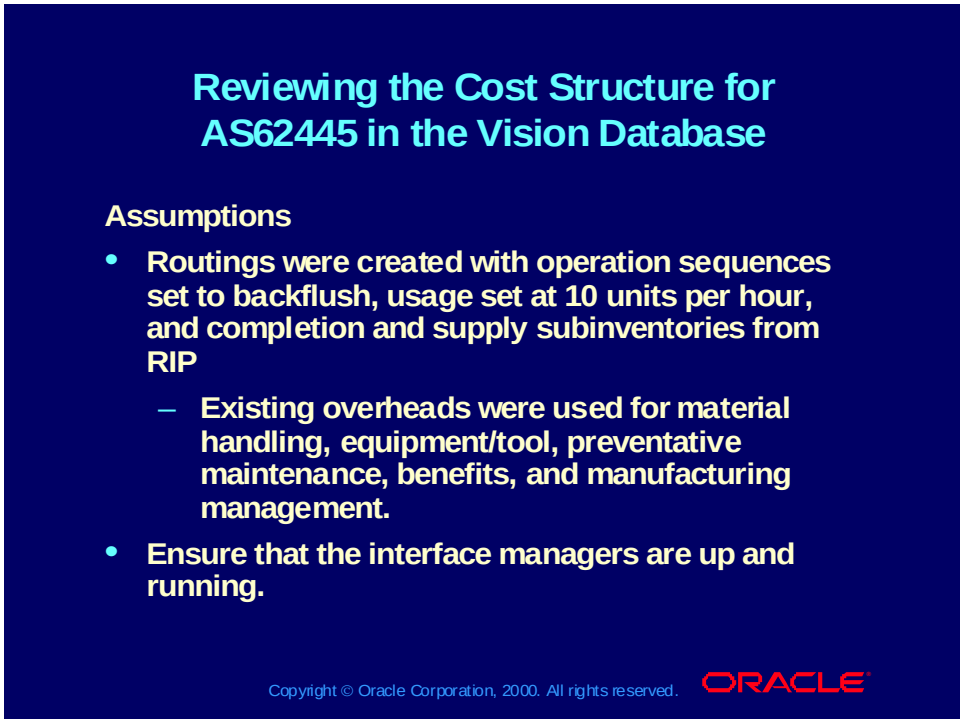

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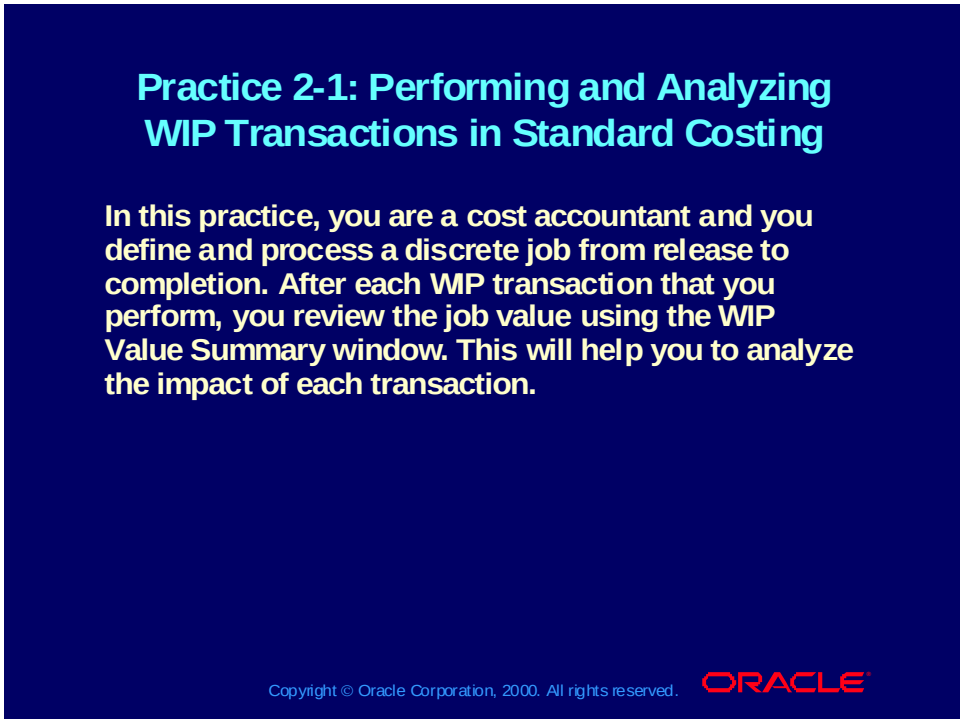
Practice 2-1: Performing and Analyzing WIP Transactions in Standard Costing



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 addtional 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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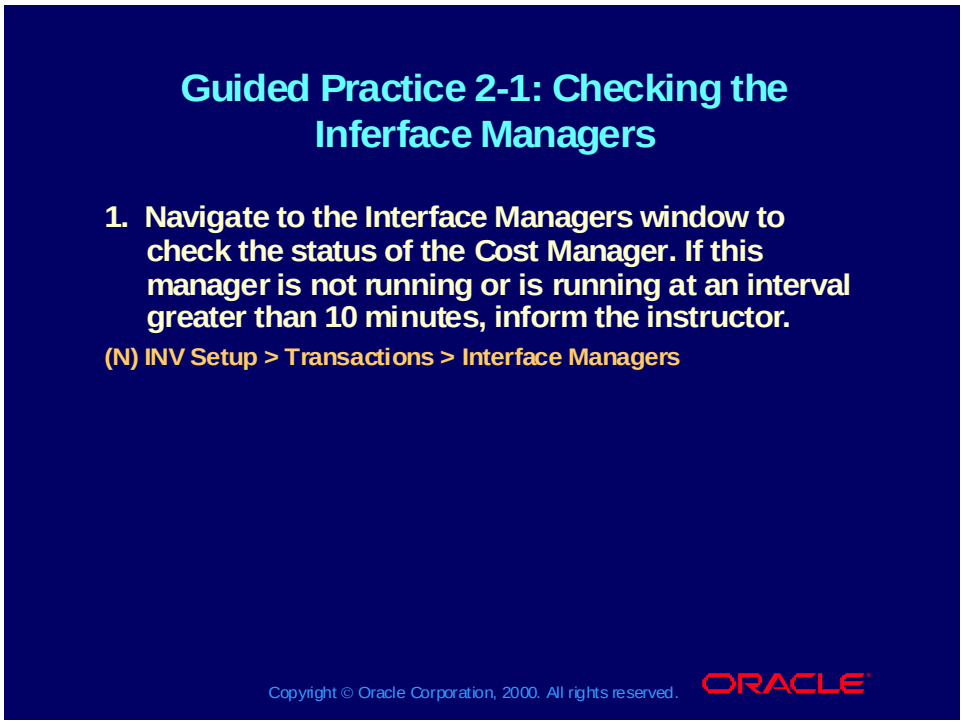

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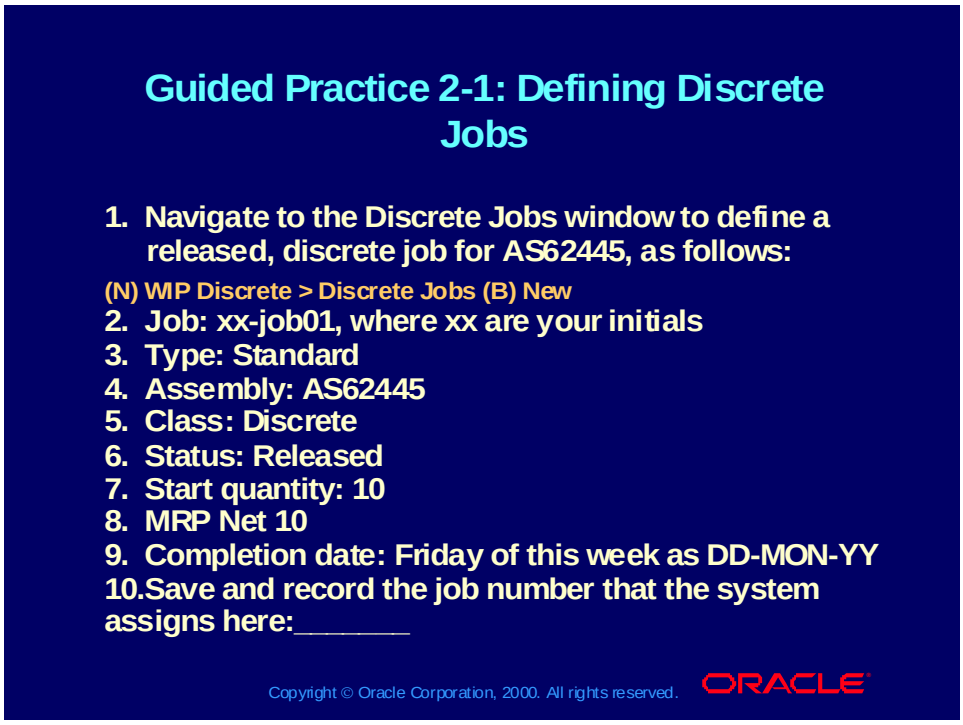

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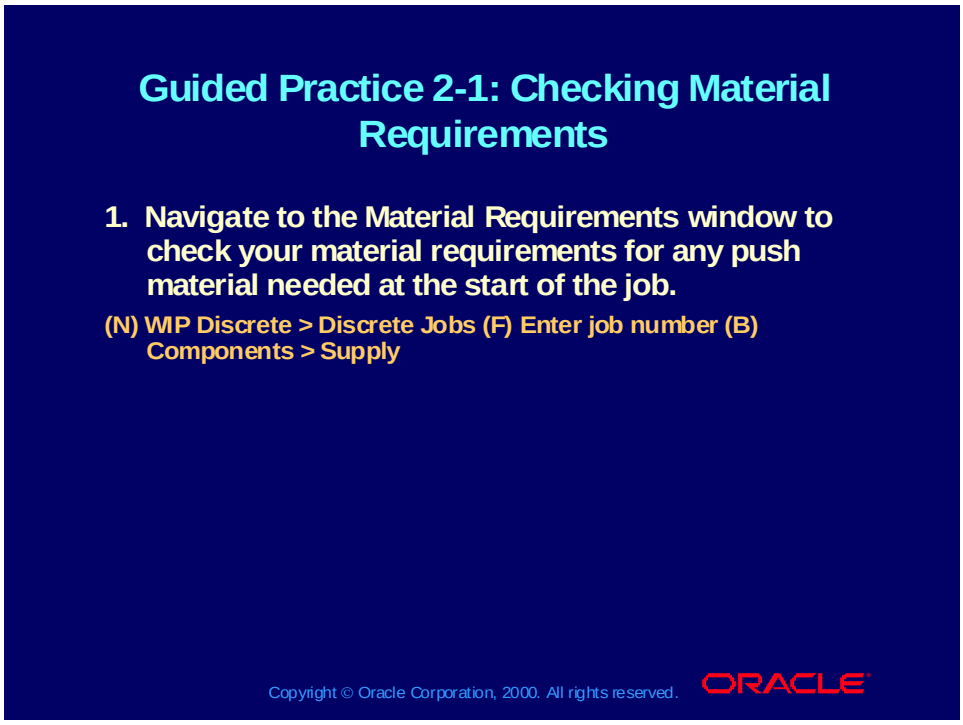

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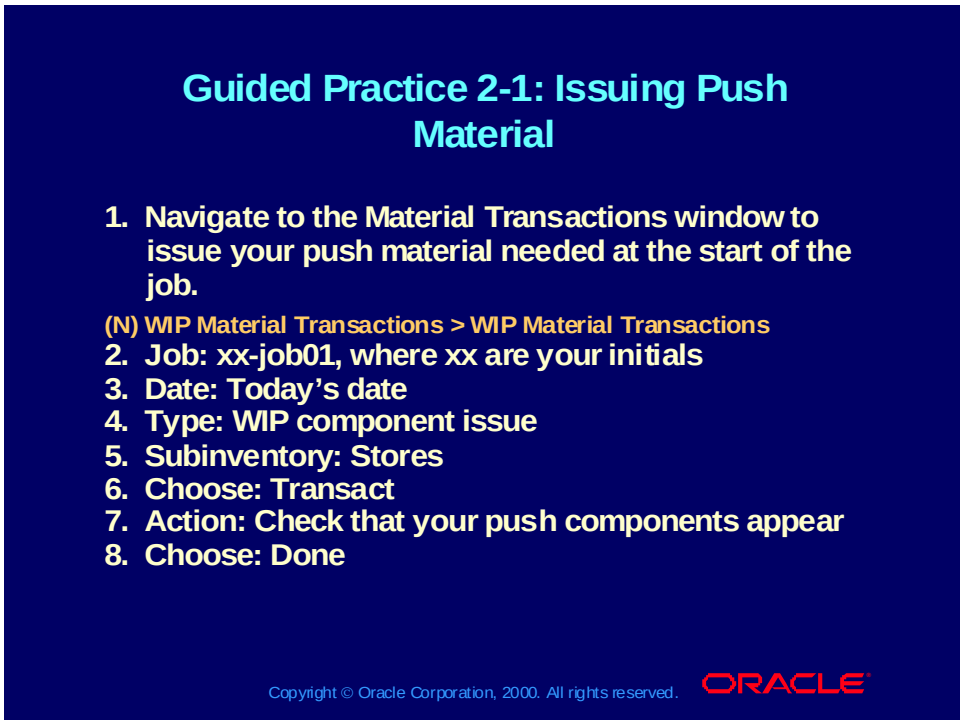

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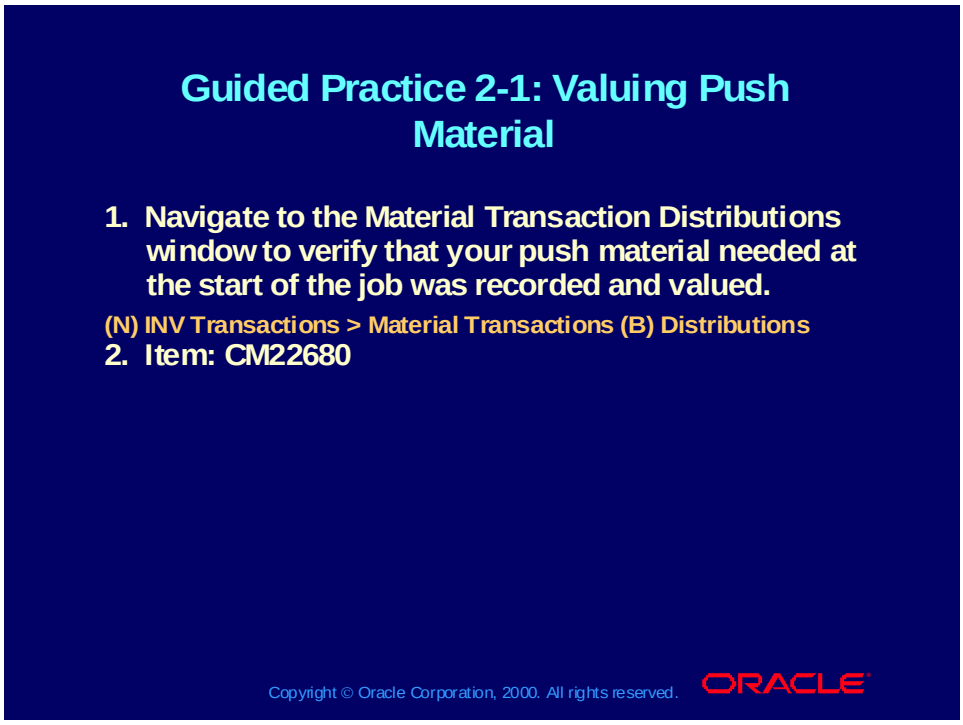

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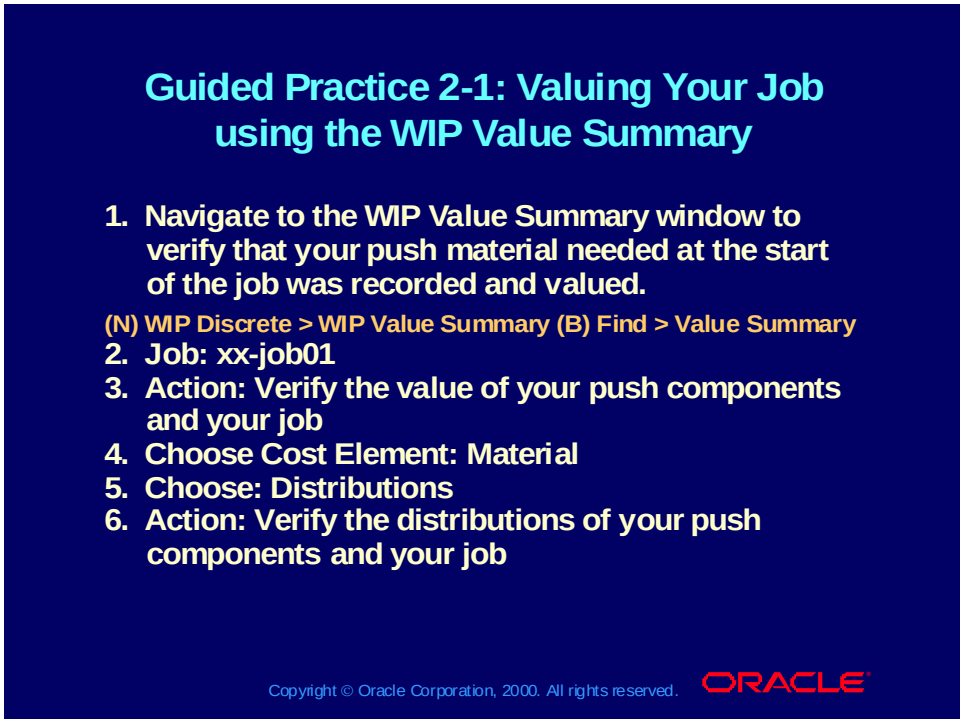
Guided Practice 2-1: Valuing Your Job using the WIP Value Summary



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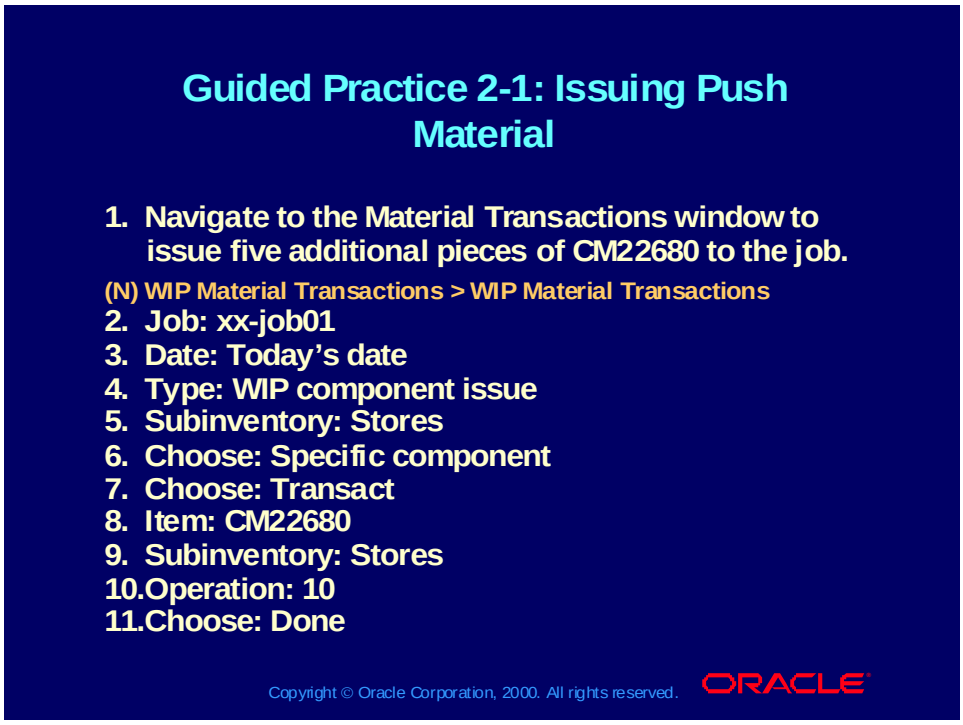

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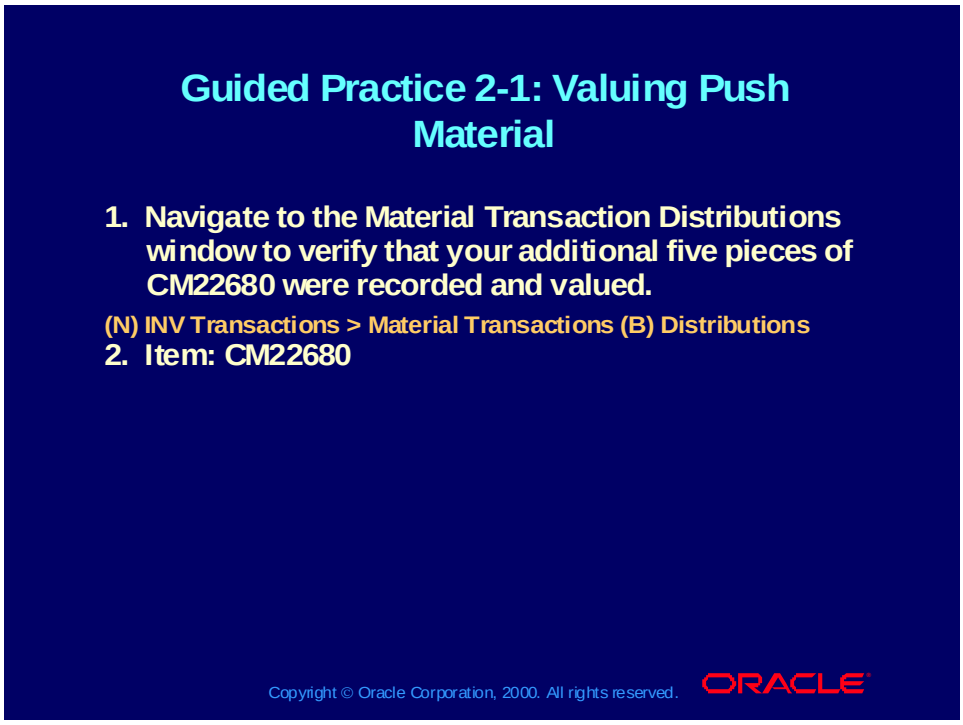

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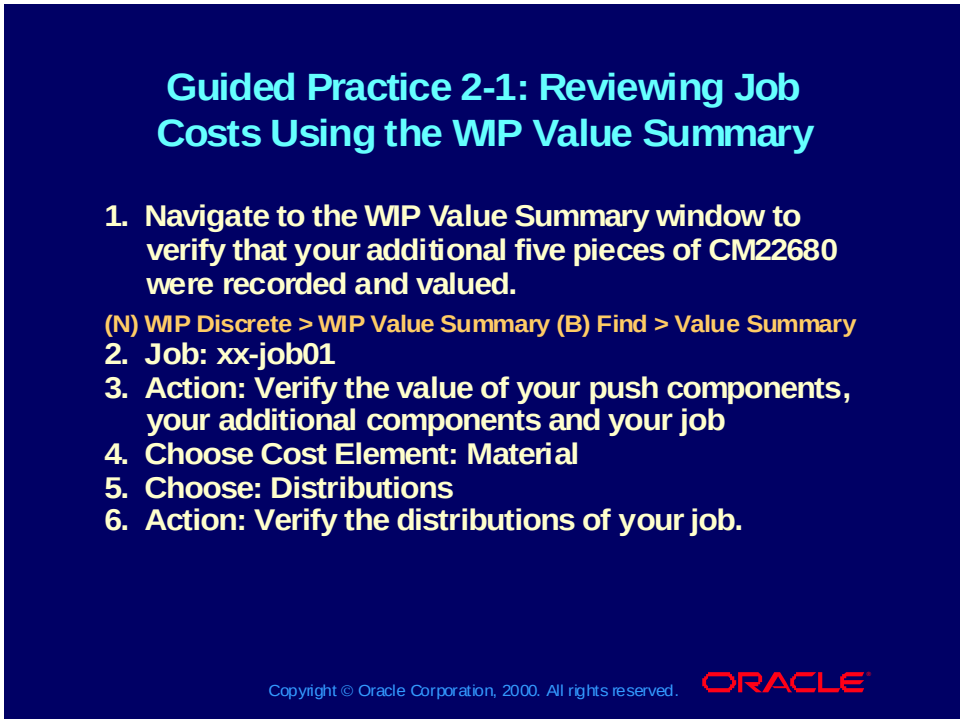
Guided Practice 2-1: Reviewing Job Costs Using the WIP Value Summary



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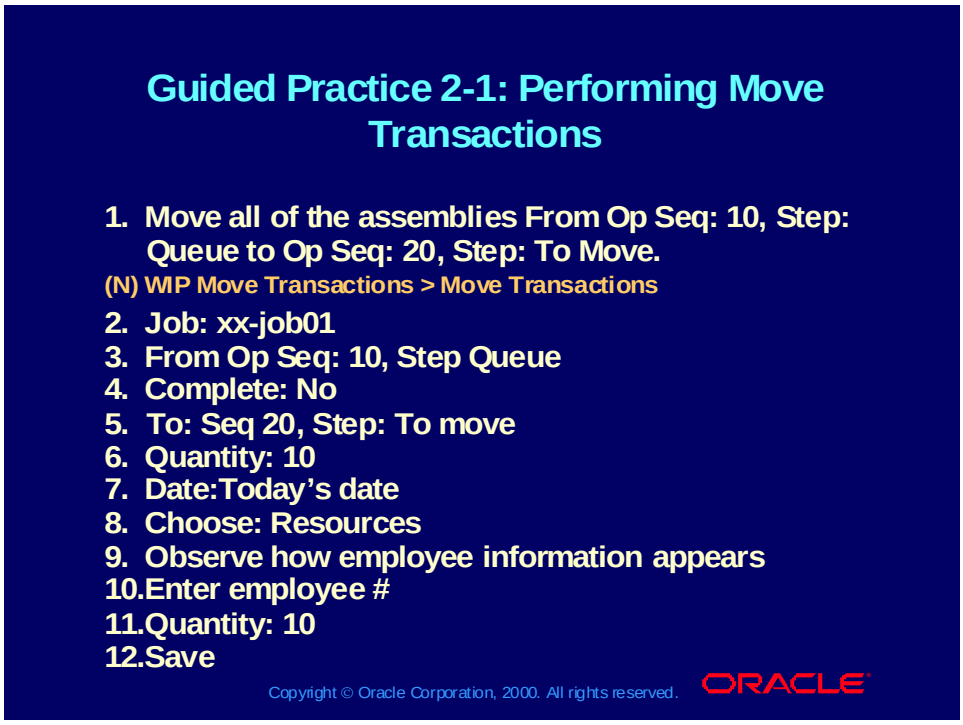

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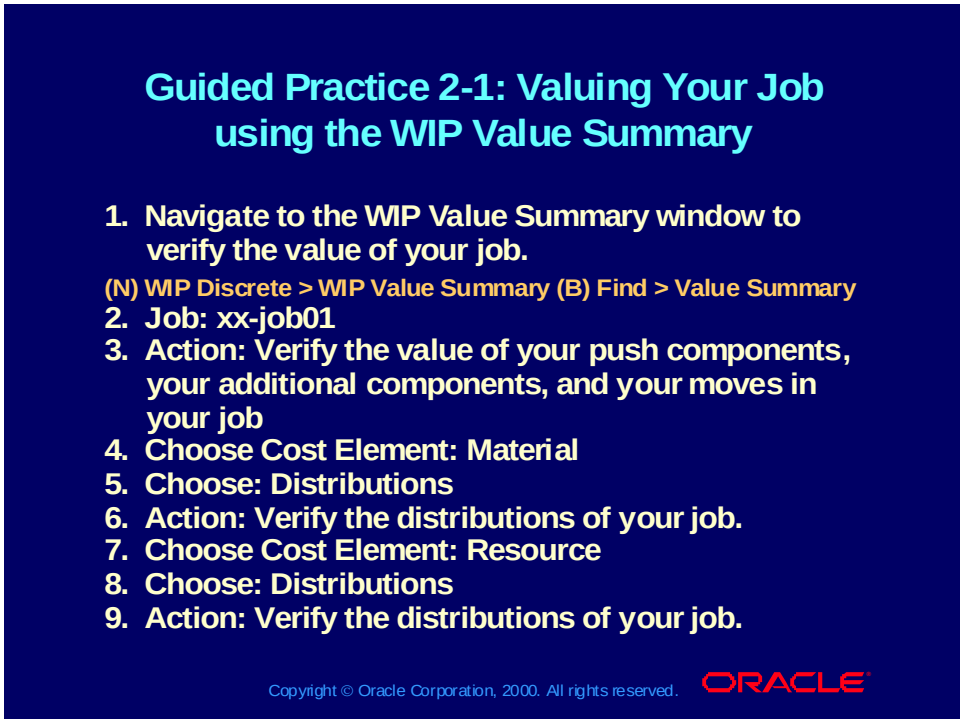
Guided Practice 2-1: Valuing Your Job using the WIP Value Summary



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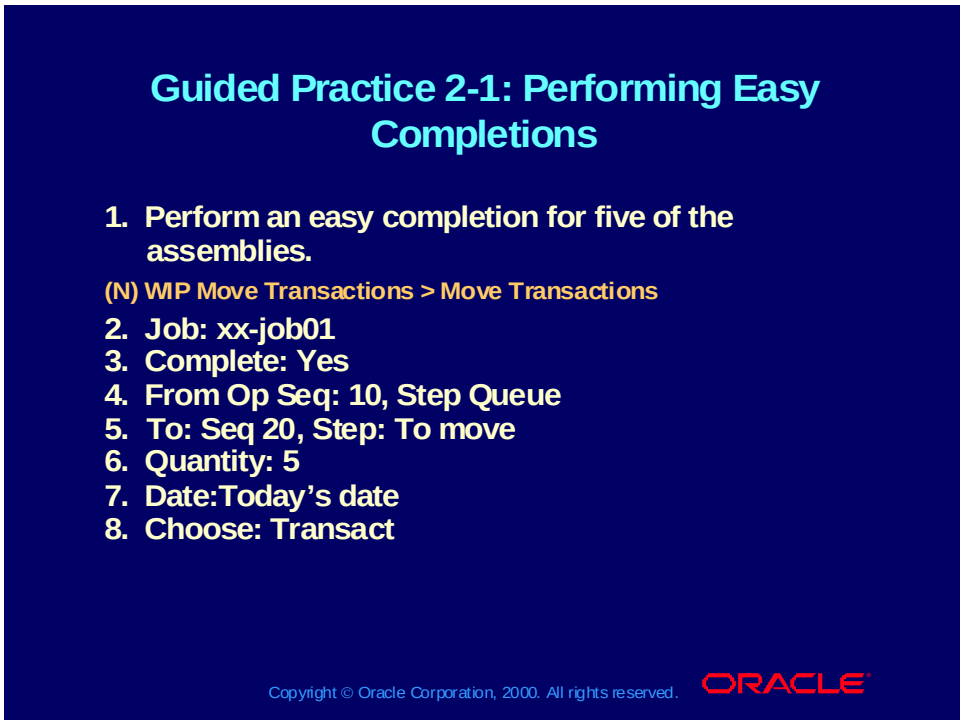

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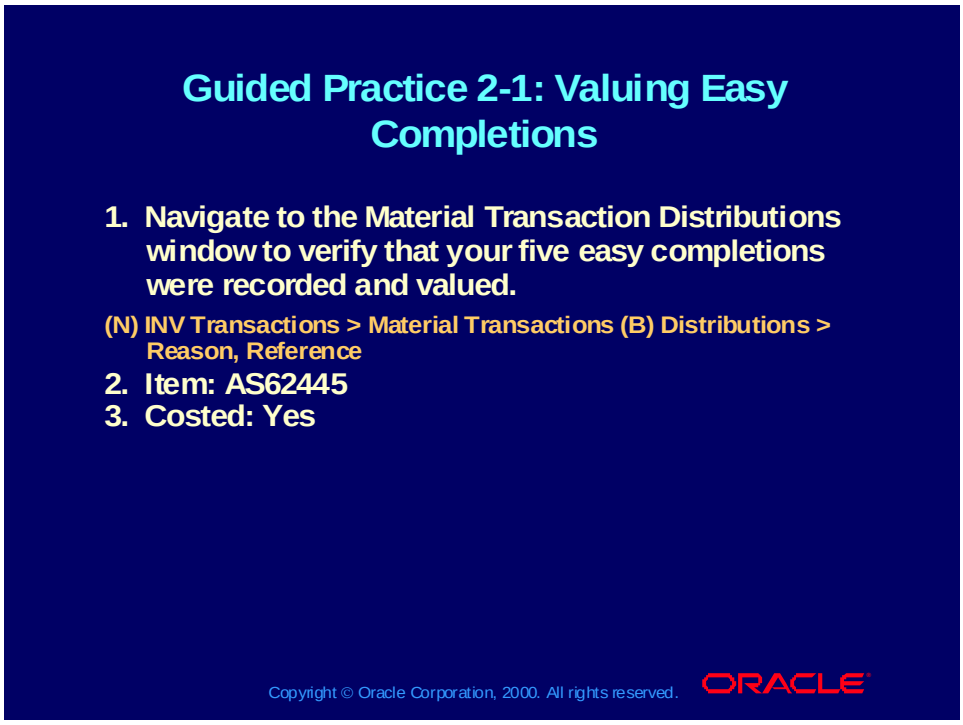

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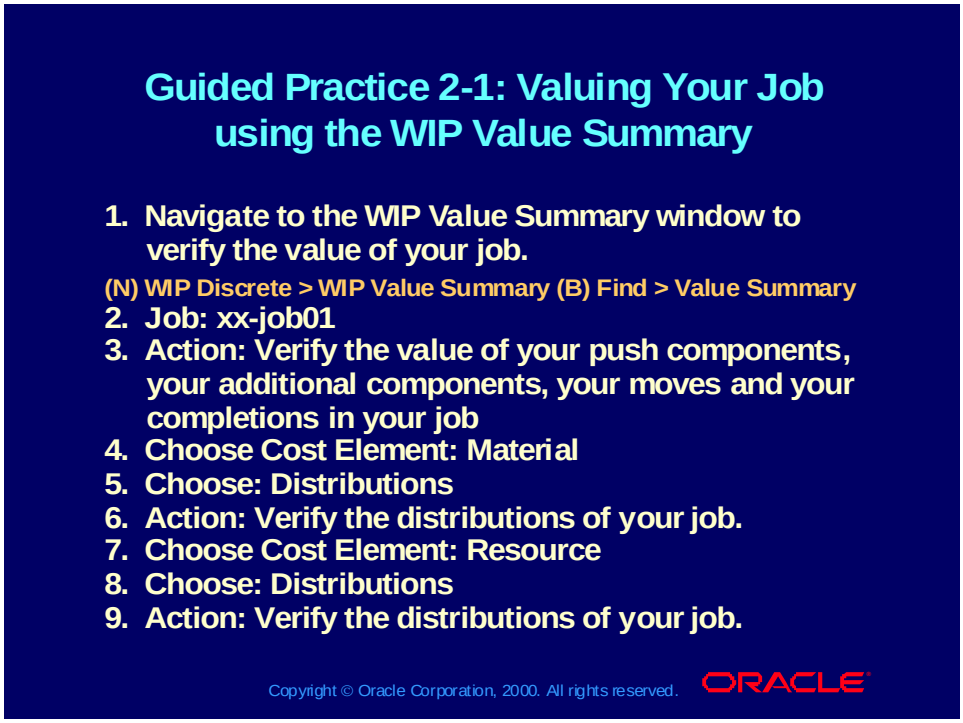
Guided Practice 2-1: Valuing Your Job using the WIP Value Summary



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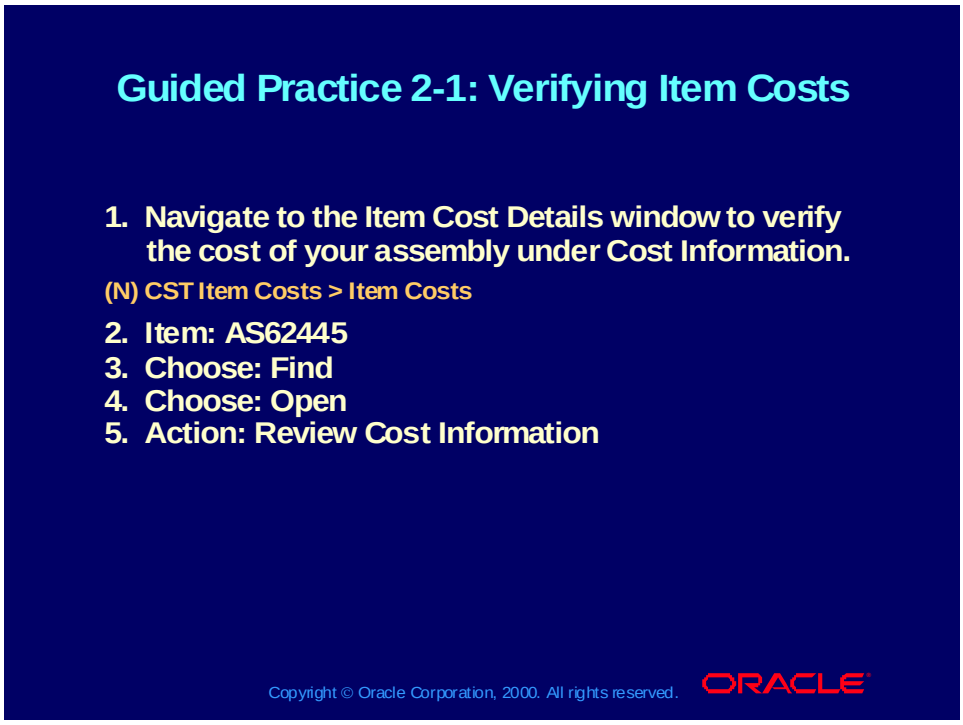

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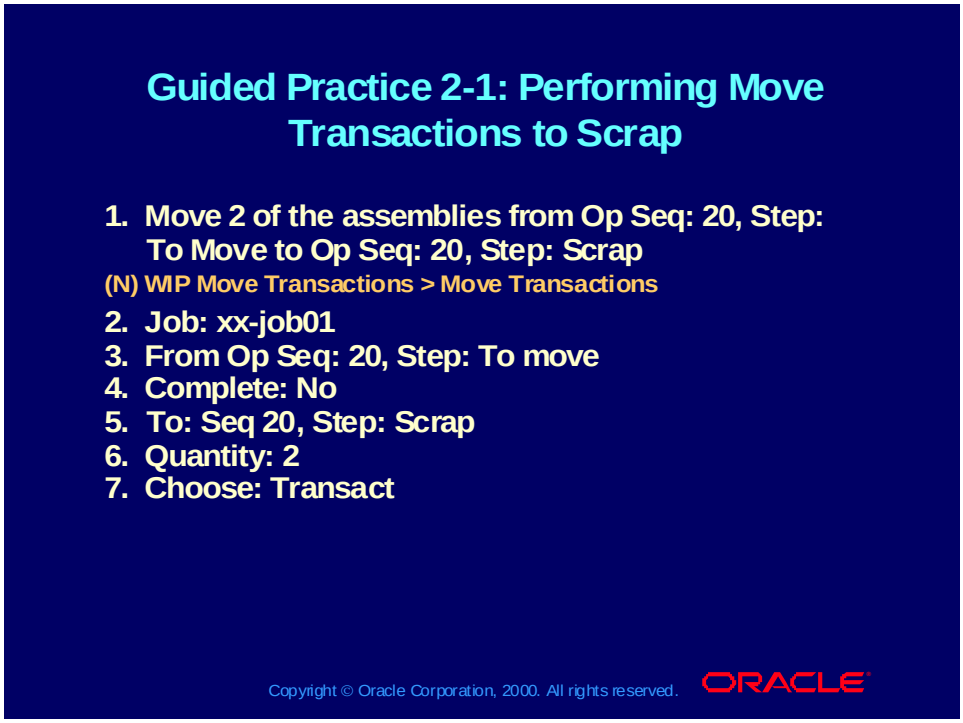
Guided Practice 2-1: Performing Move Transactions to Scrap



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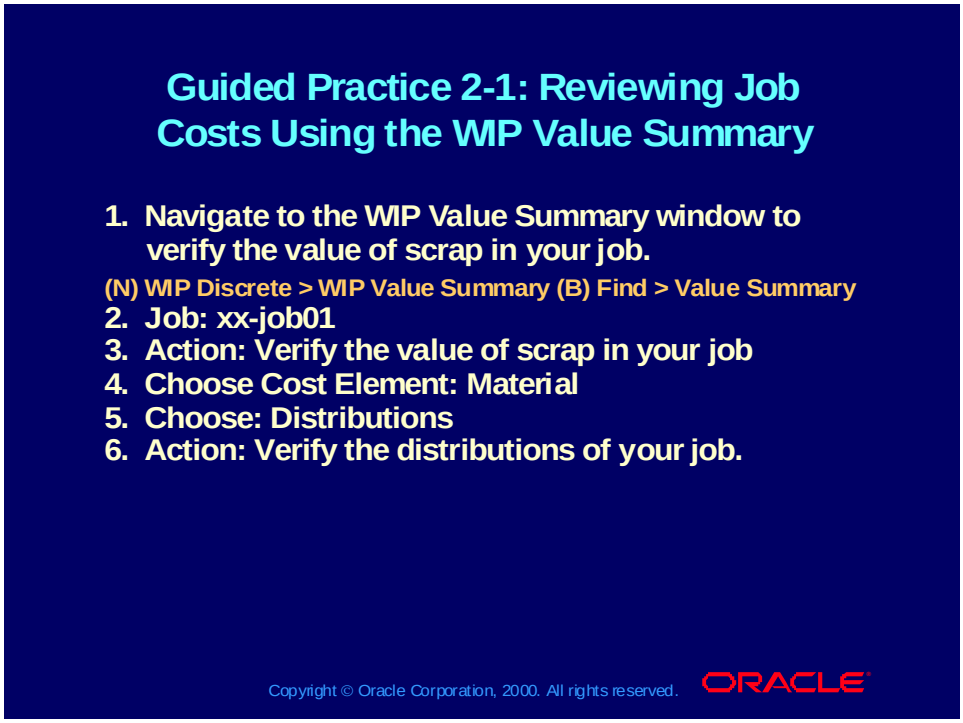
Guided Practice 2-1: Reviewing Job Costs Using the WIP Value Summary



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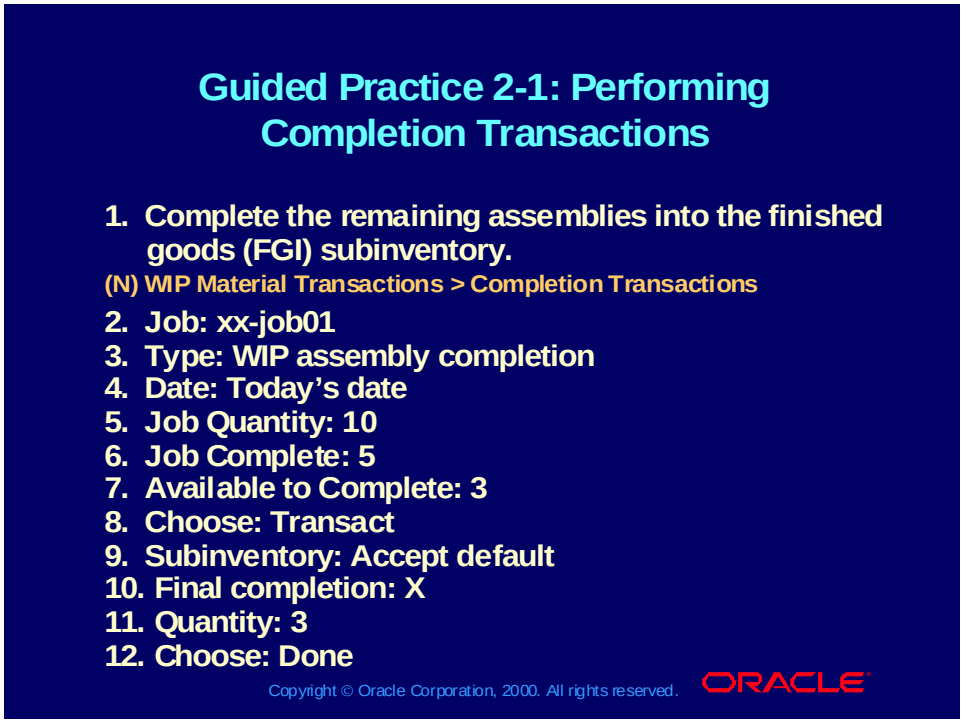
Guided Practice 2-1: Performing Completion Transactions



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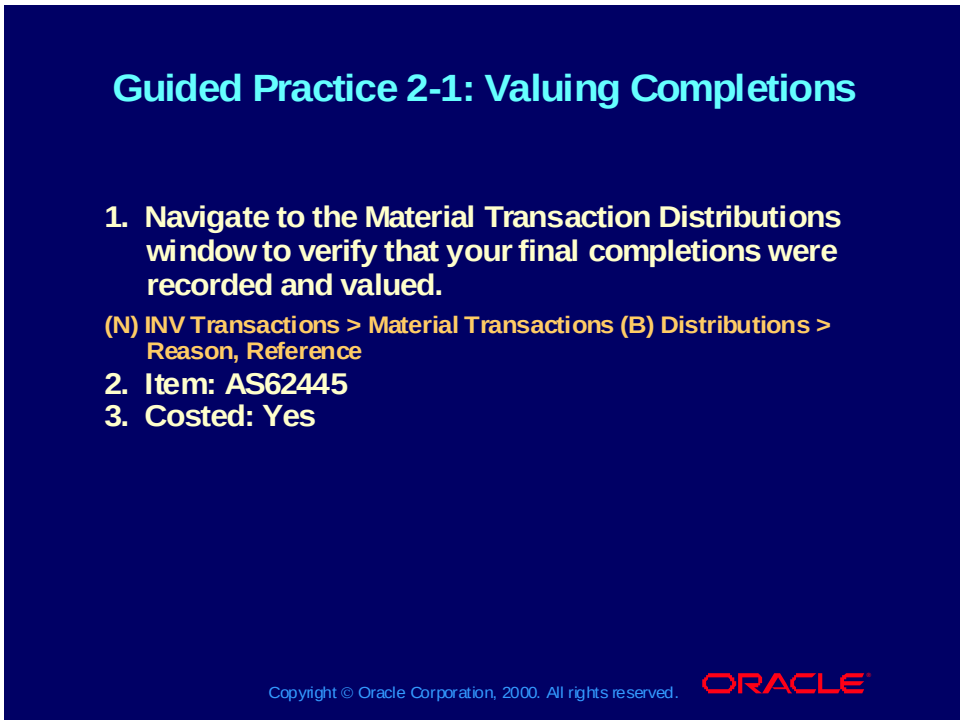

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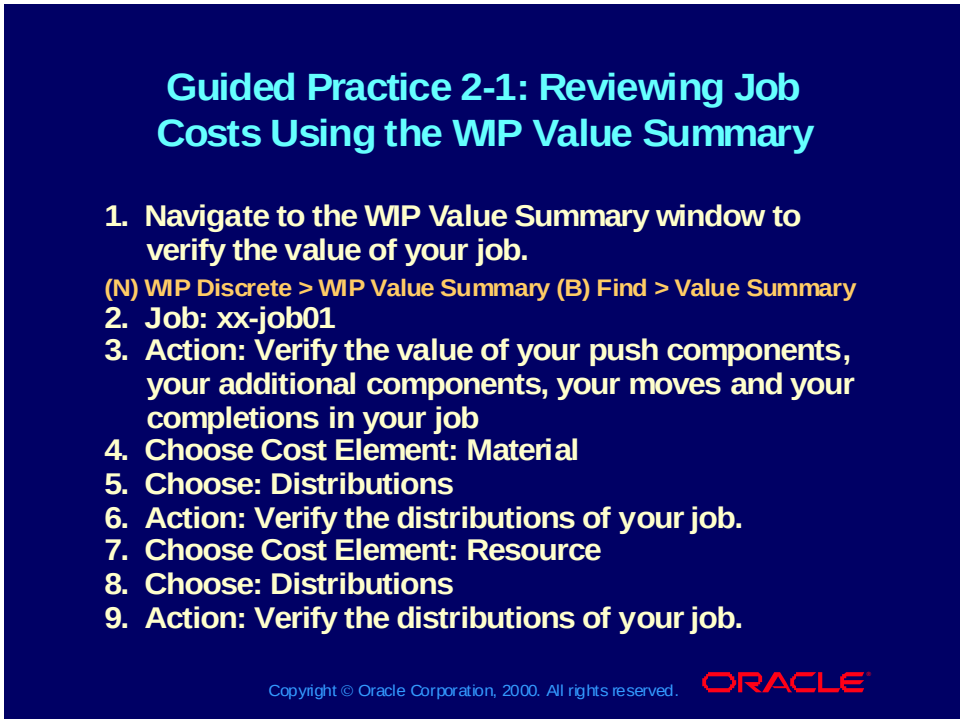
Guided Practice 2-1: Reviewing Job Costs Using the WIP Value Summary



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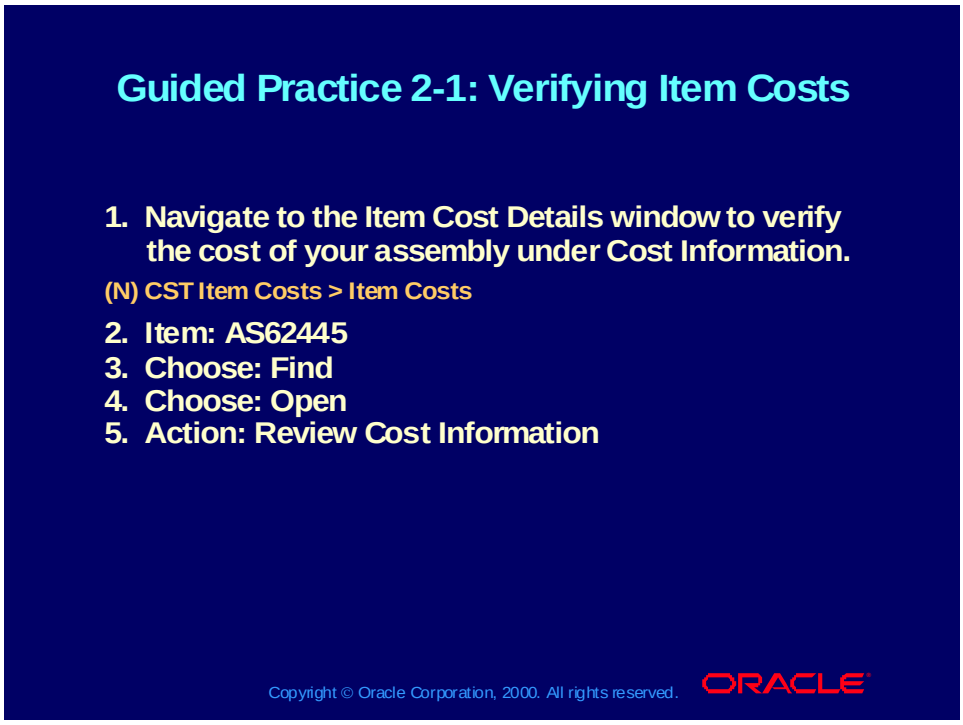

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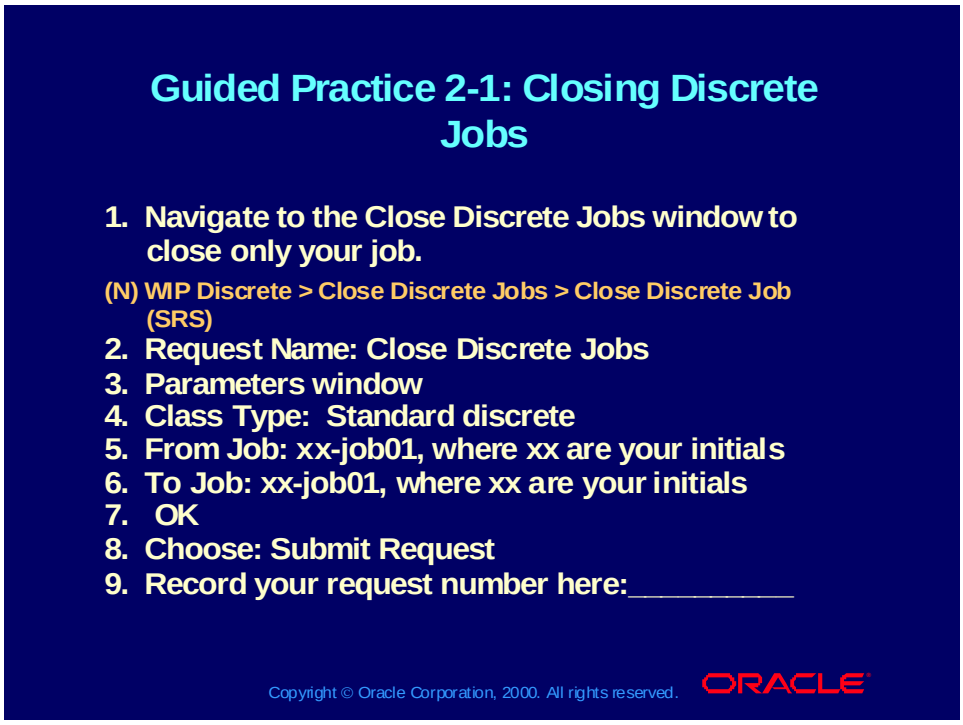

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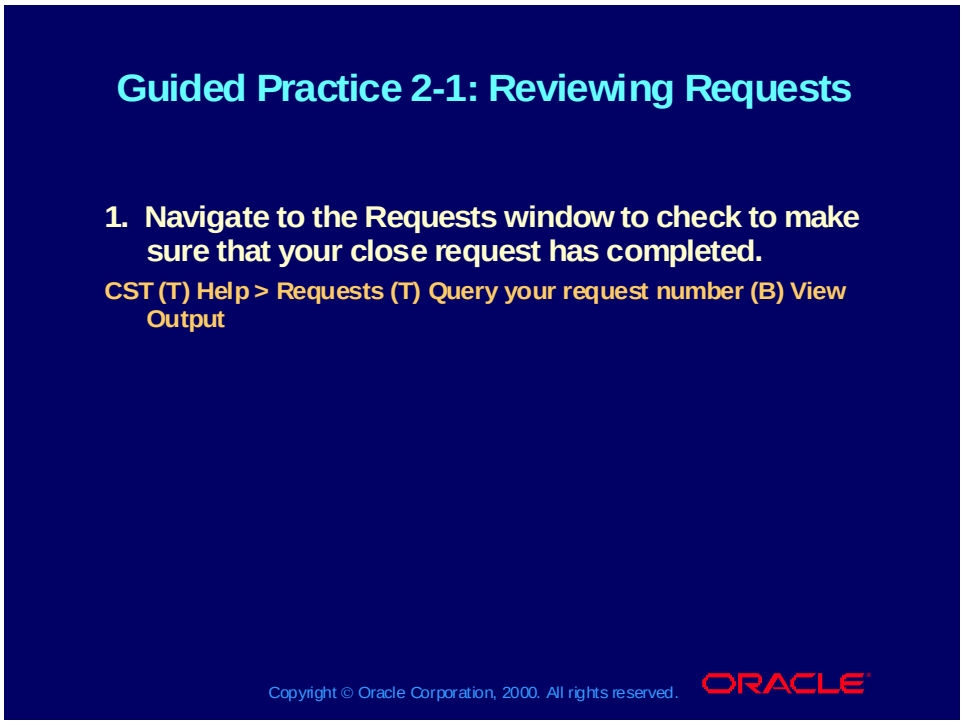

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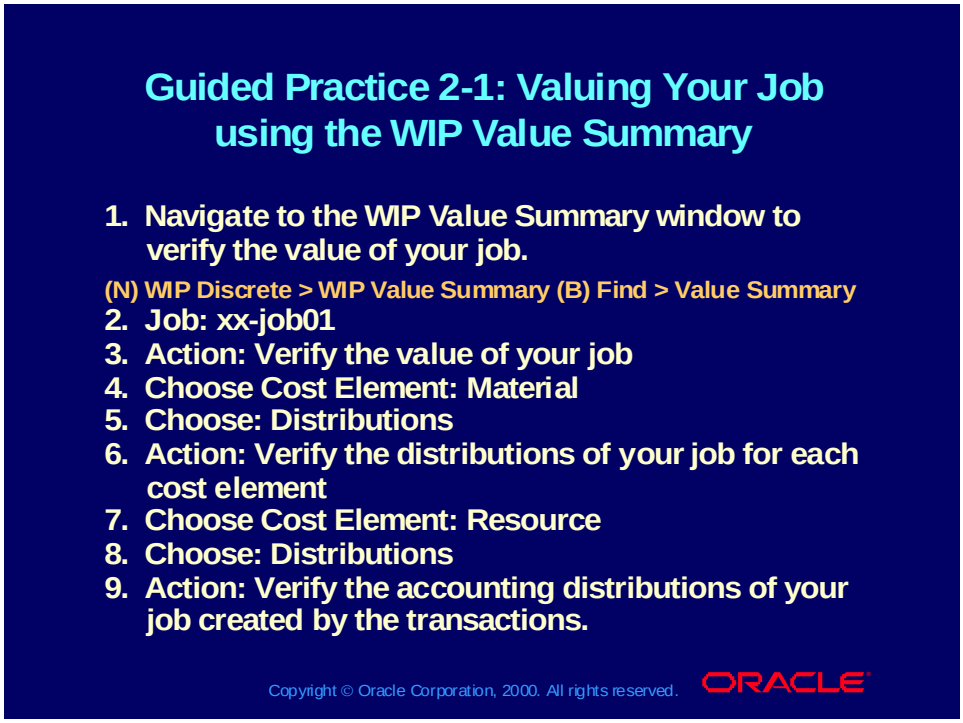
Guided Practice 2-1: Valuing Your Job using the WIP Value Summary



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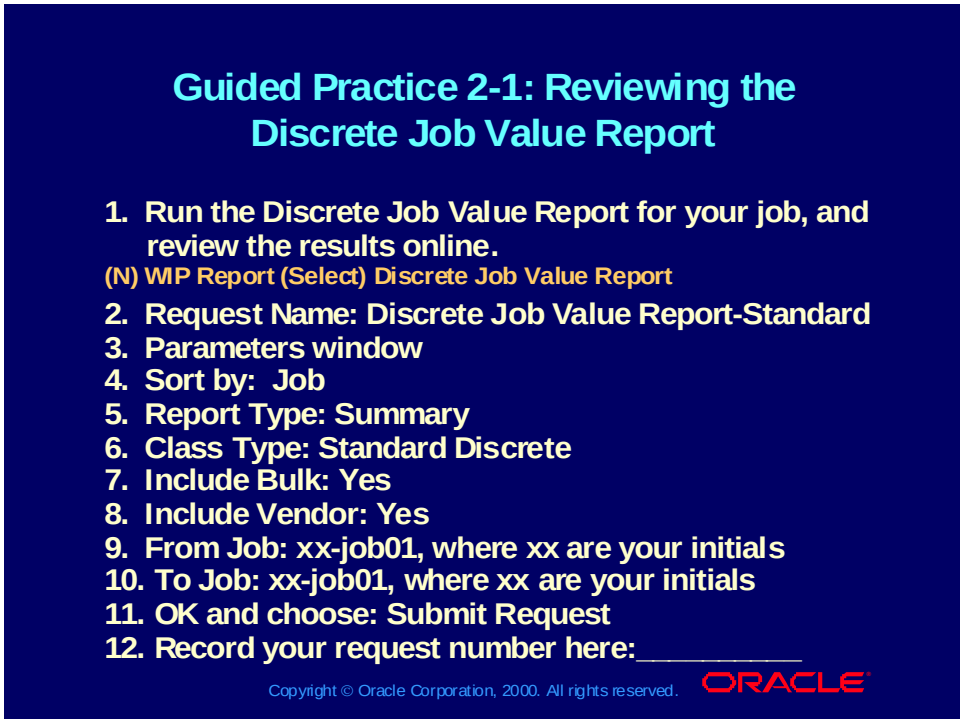
Guided Practice 2-1: Reviewing the Discrete Job Value Report



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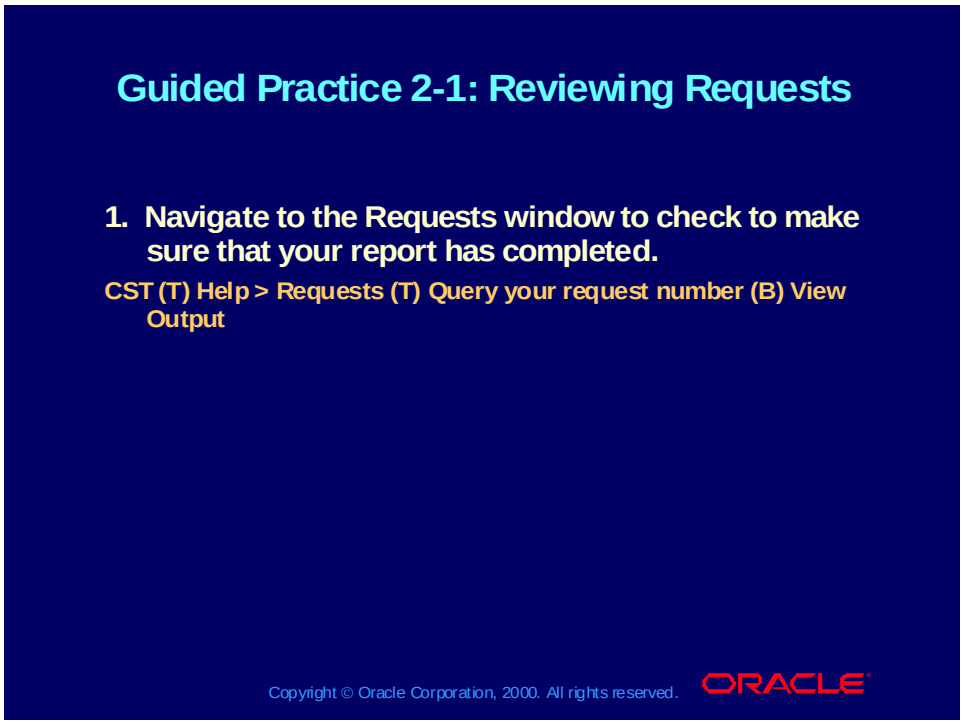

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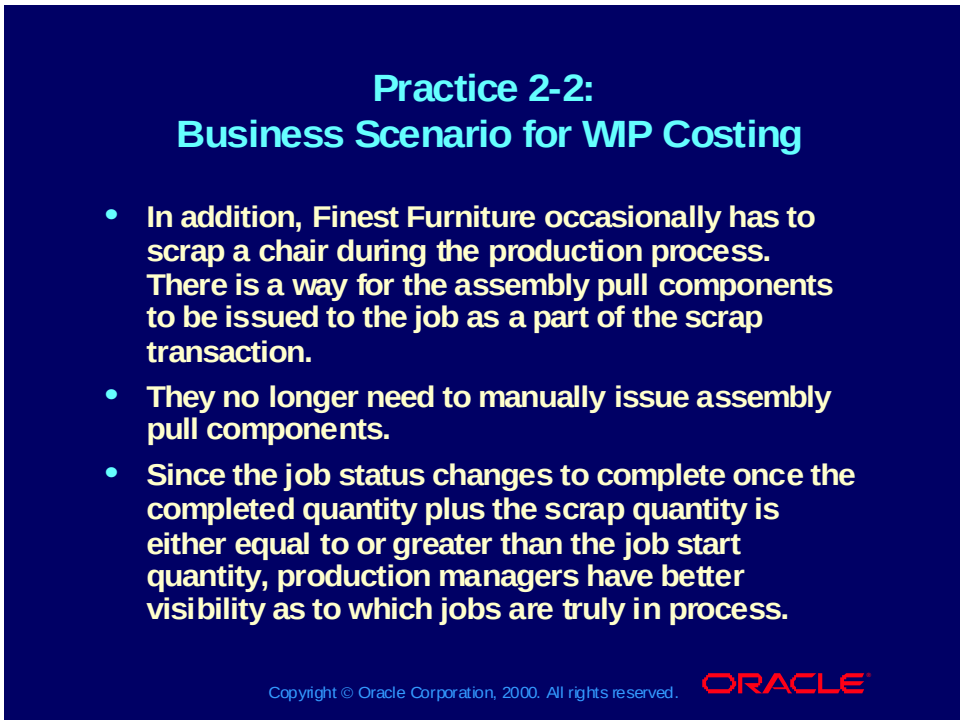

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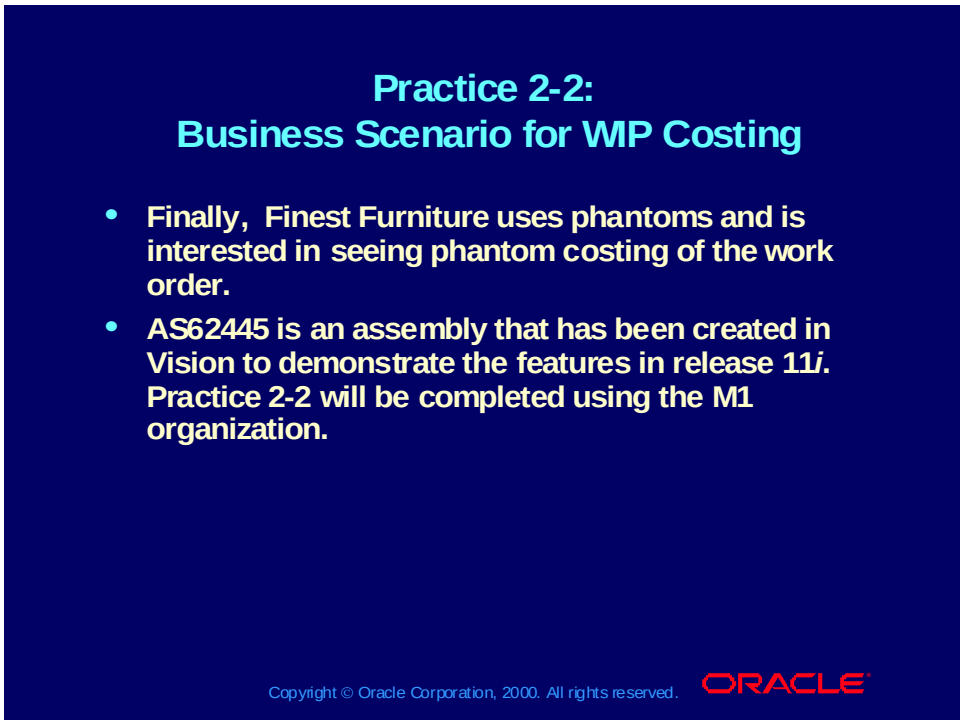

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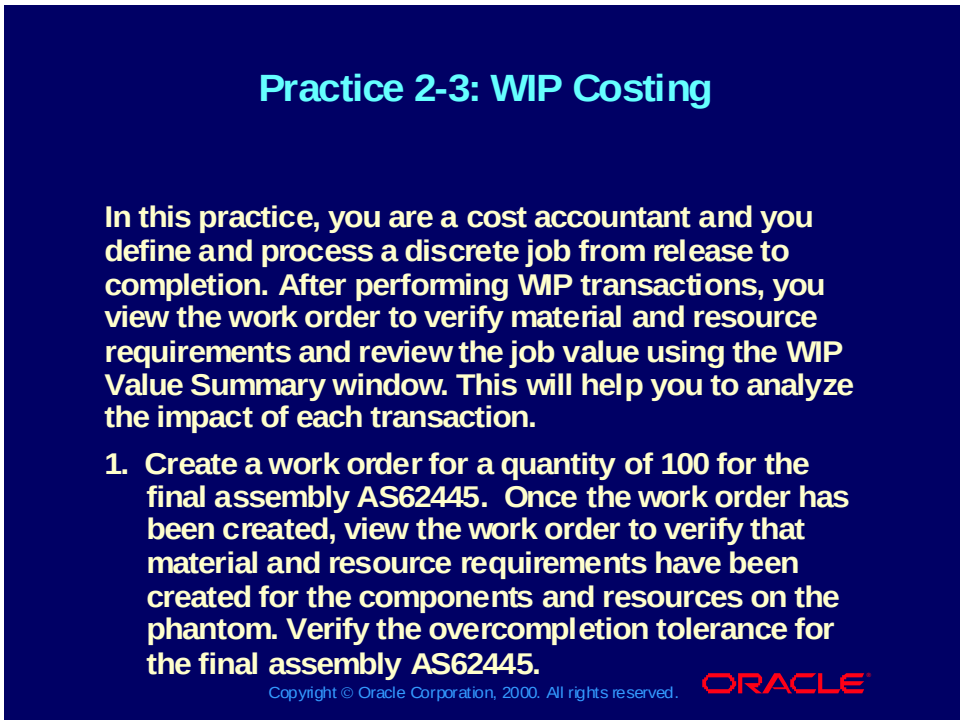

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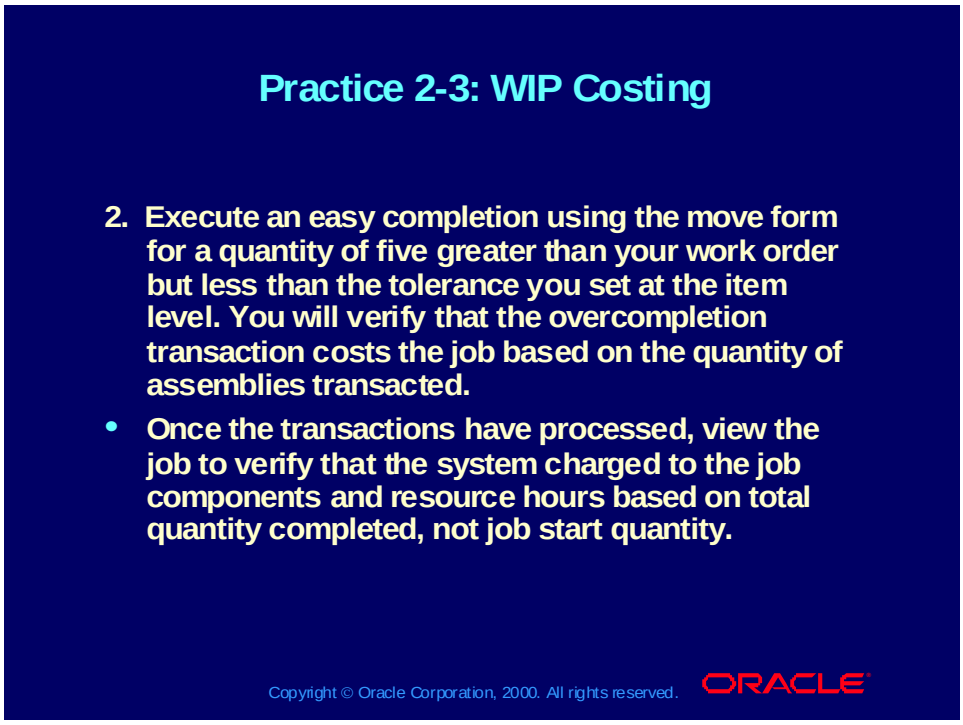

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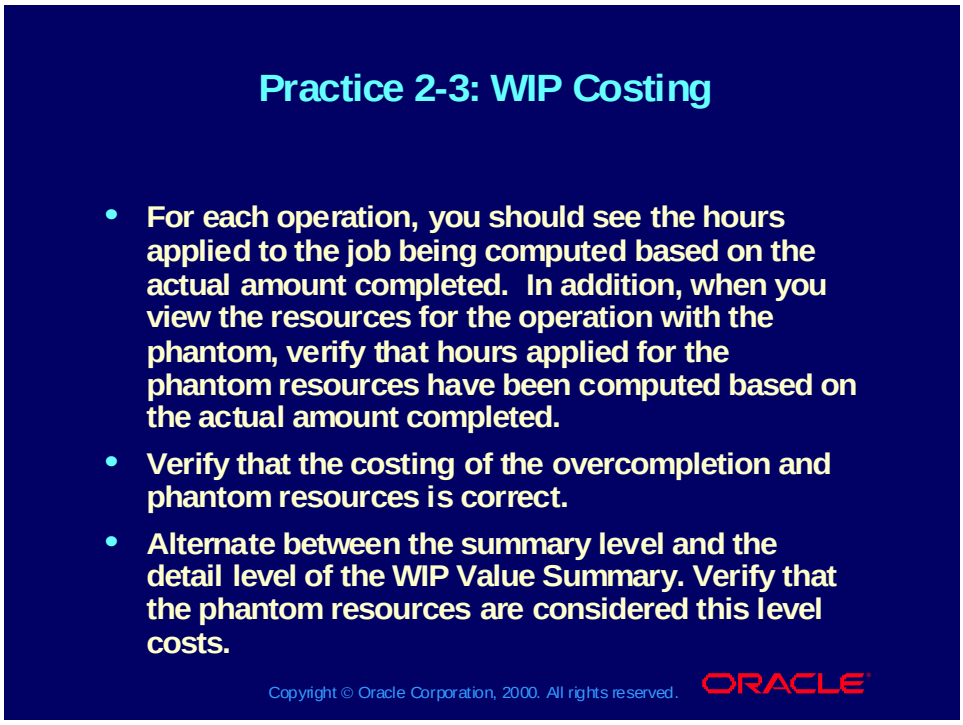

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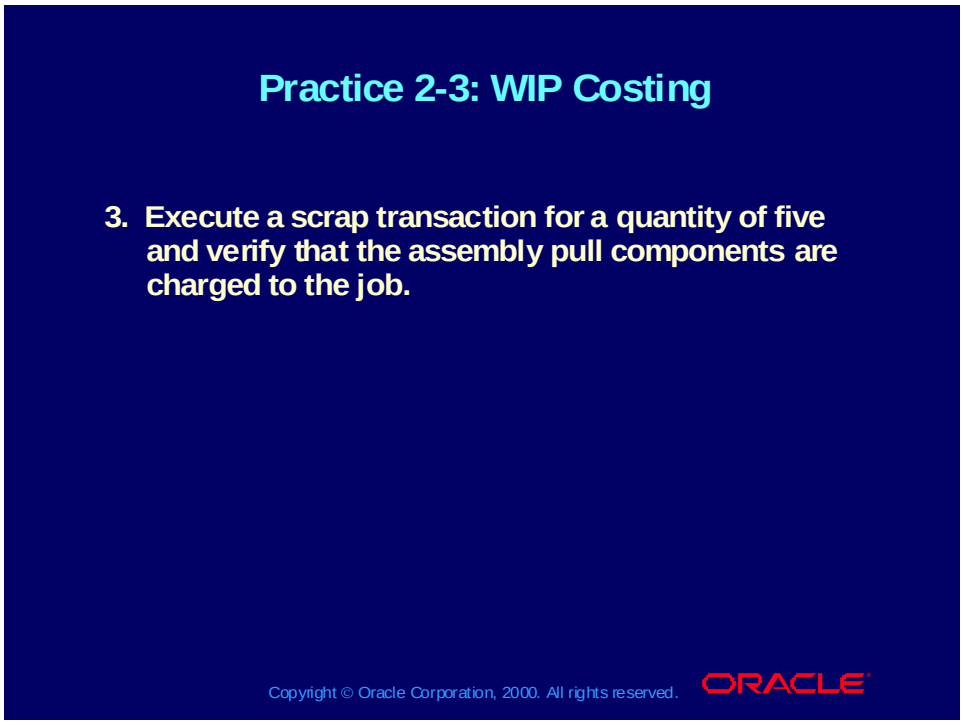

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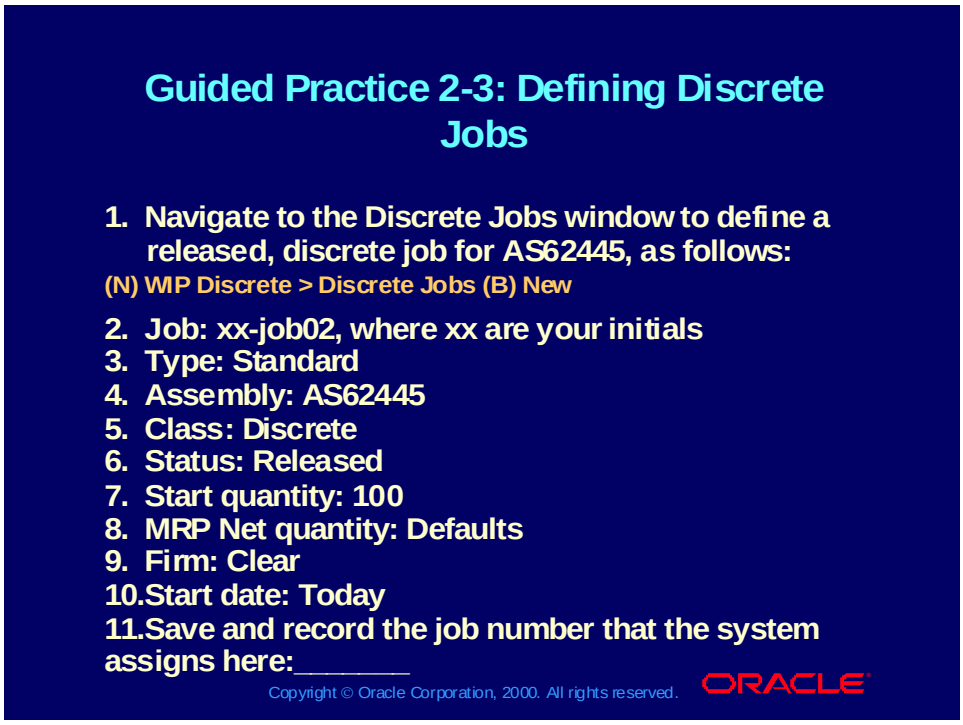

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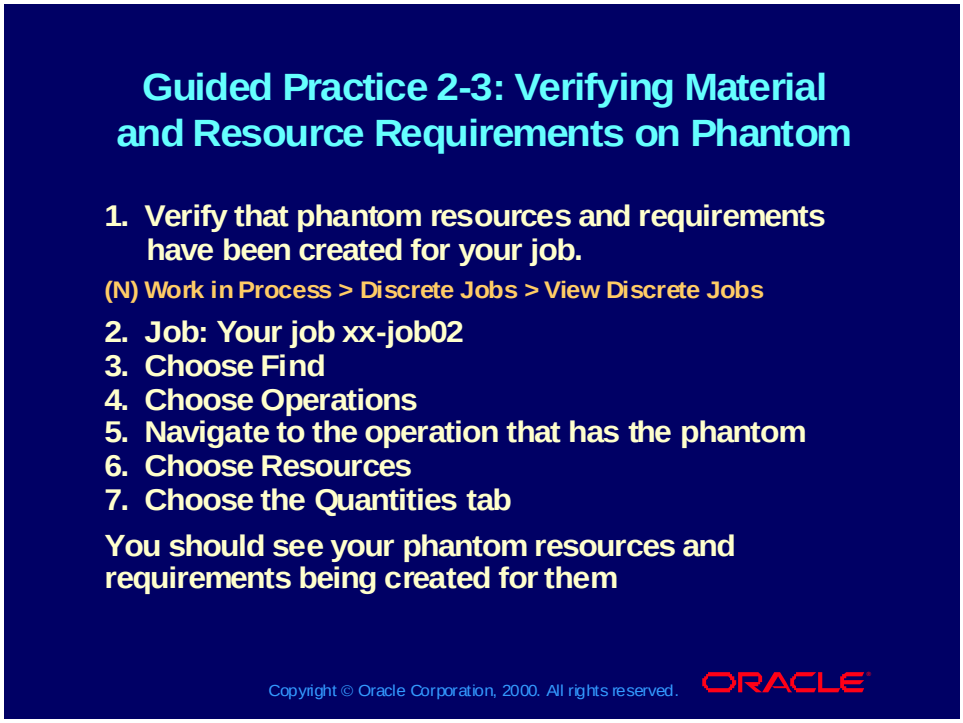
Guided Practice 2-3: Verifying Material and Resource Requirements on Phantom



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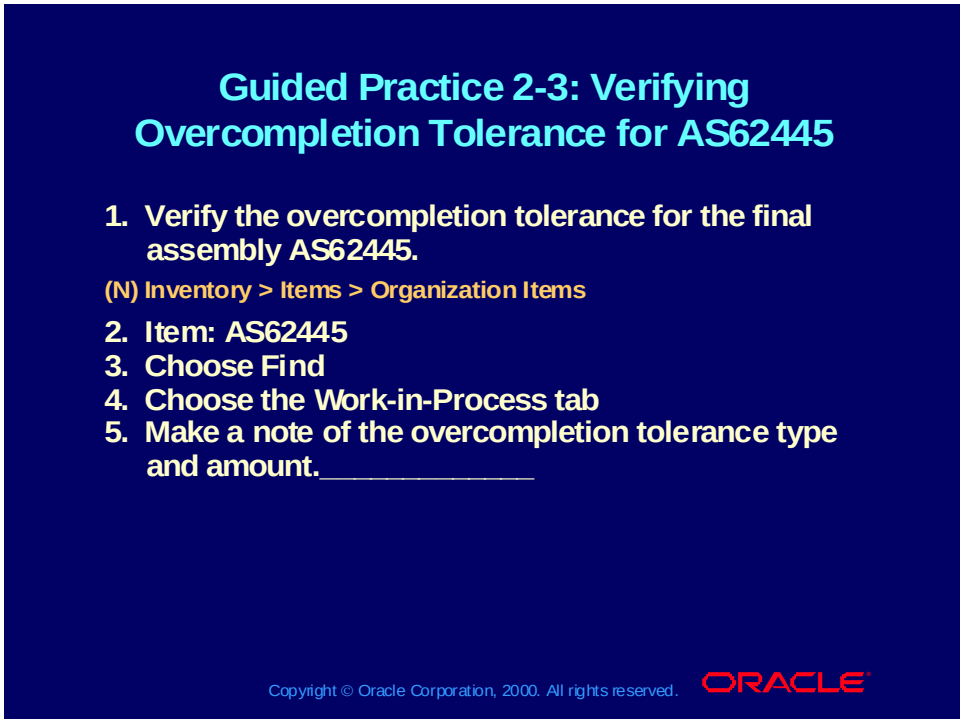
Guided Practice 2-3: Verifying Overcompletion Tolerance for AS62445



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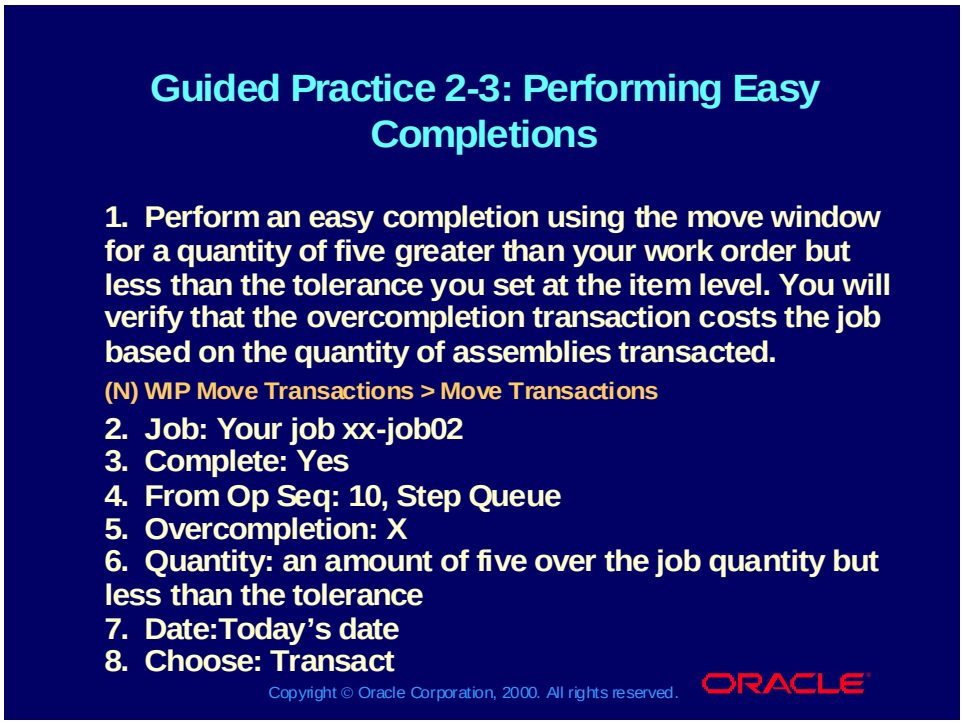

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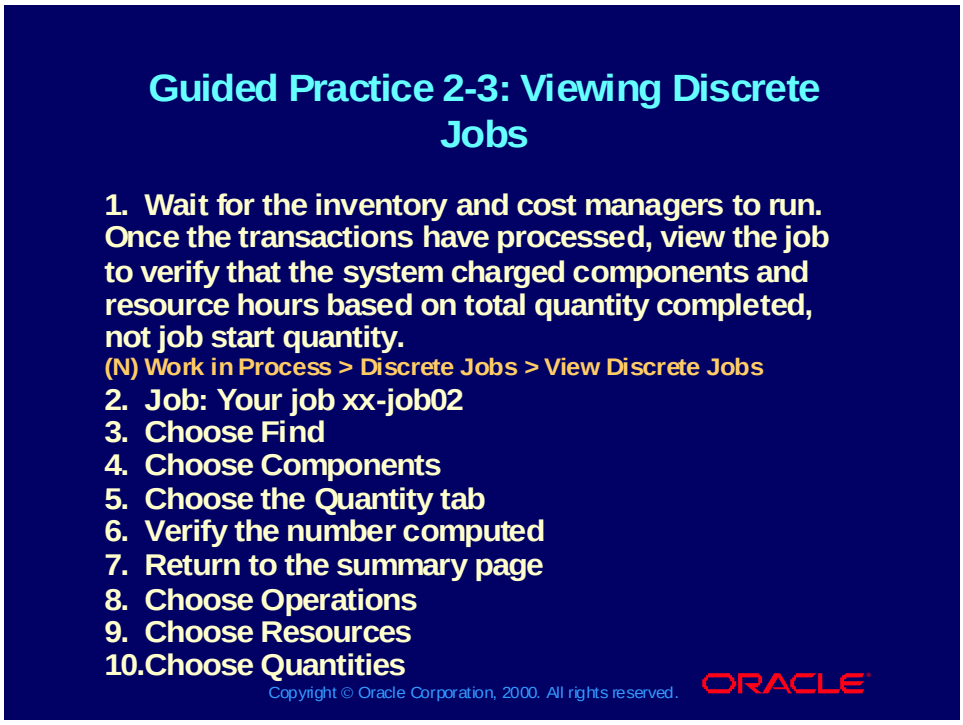

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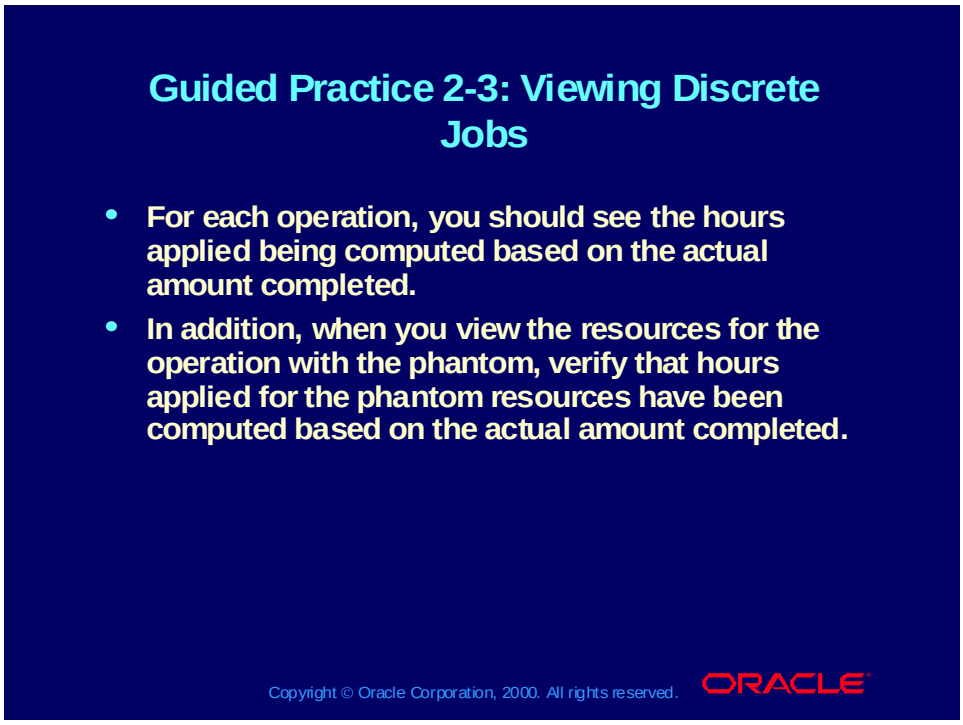

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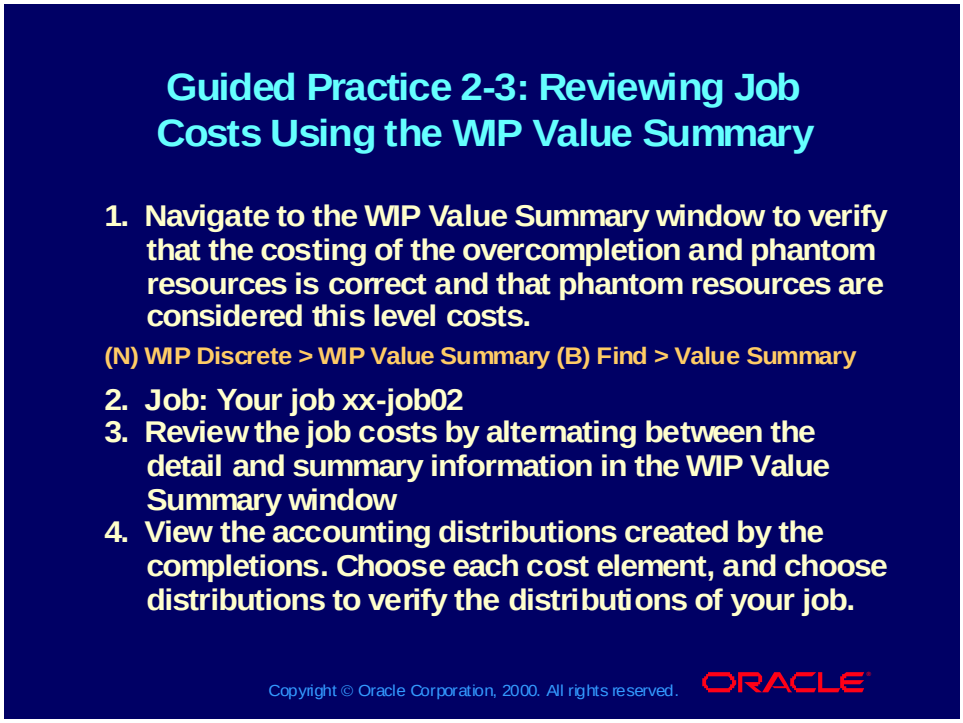
Guided Practice 2-3: Reviewing Job Costs Using the WIP Value Summary



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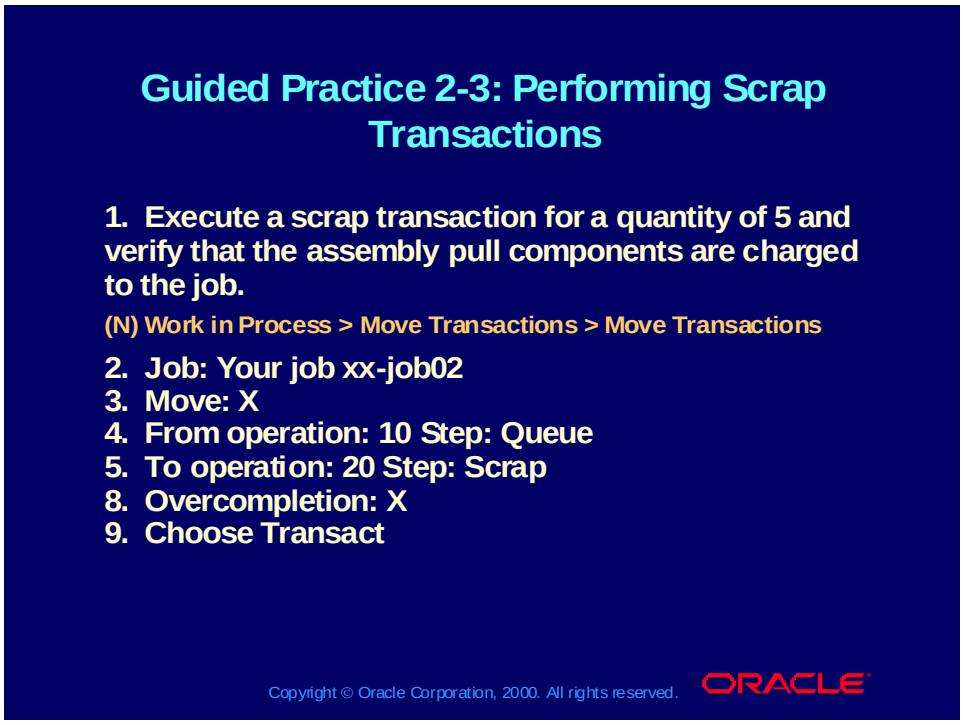

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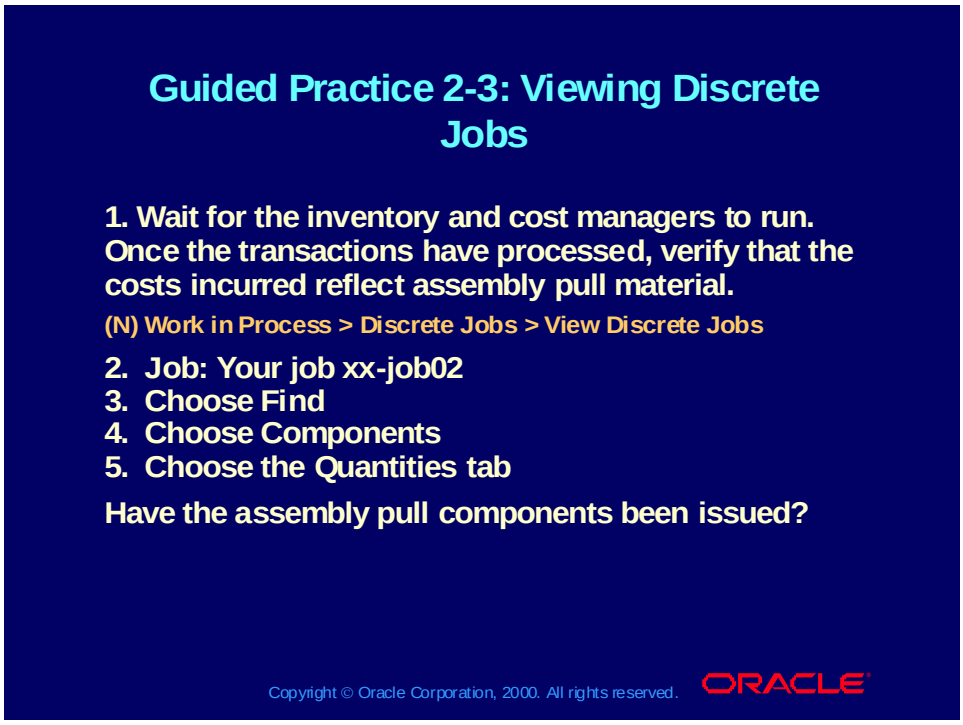

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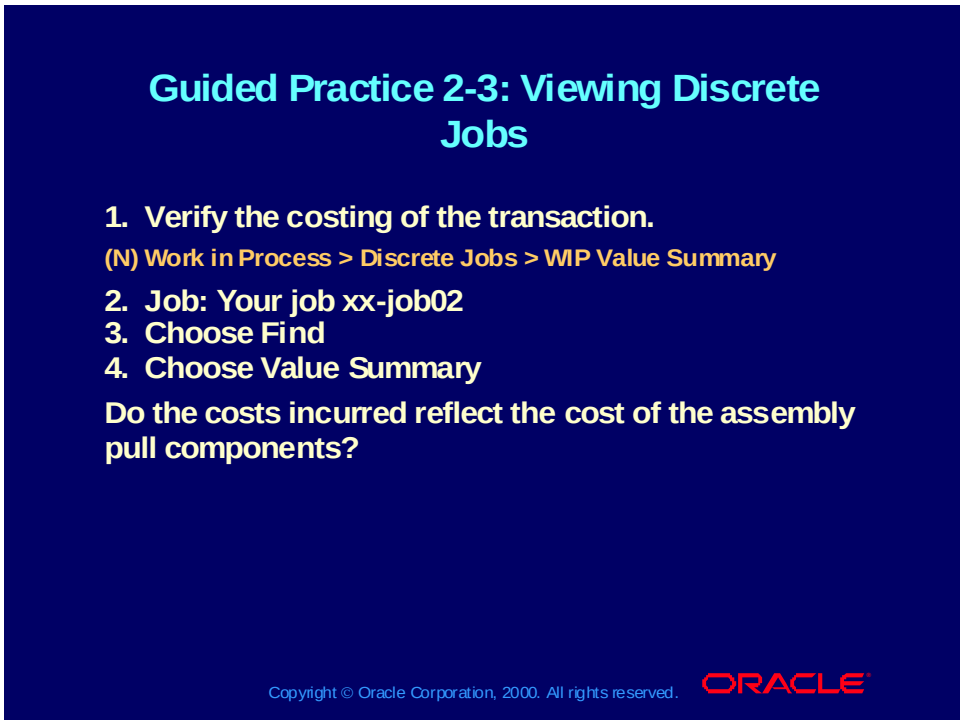

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Appendix A: Describing T-Accounts for Inventory Transactions for Standard Costing

Chapter 3

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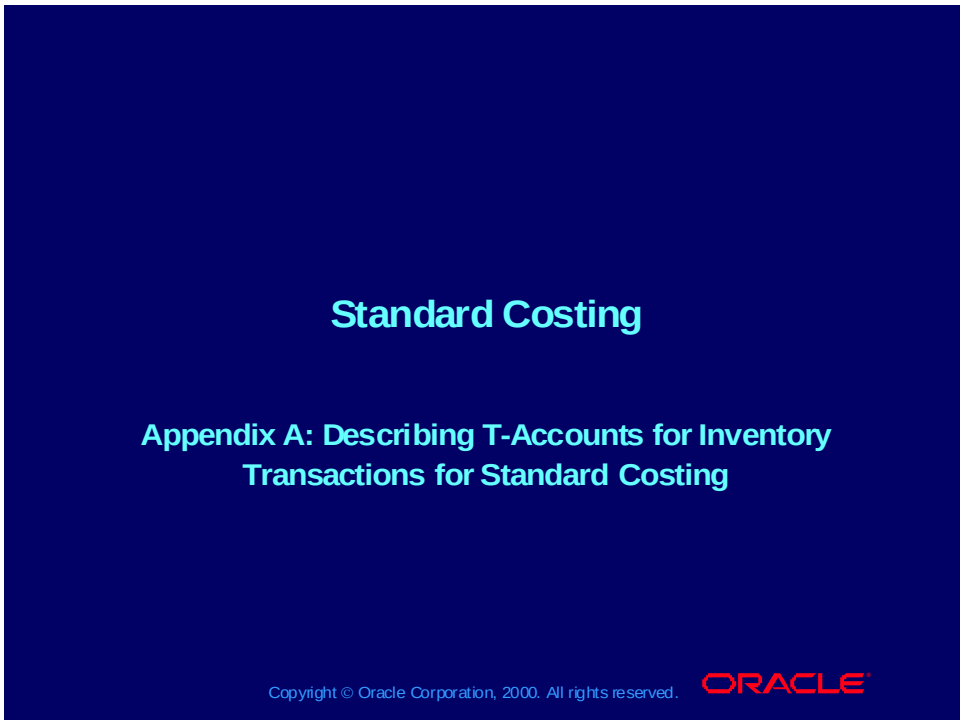

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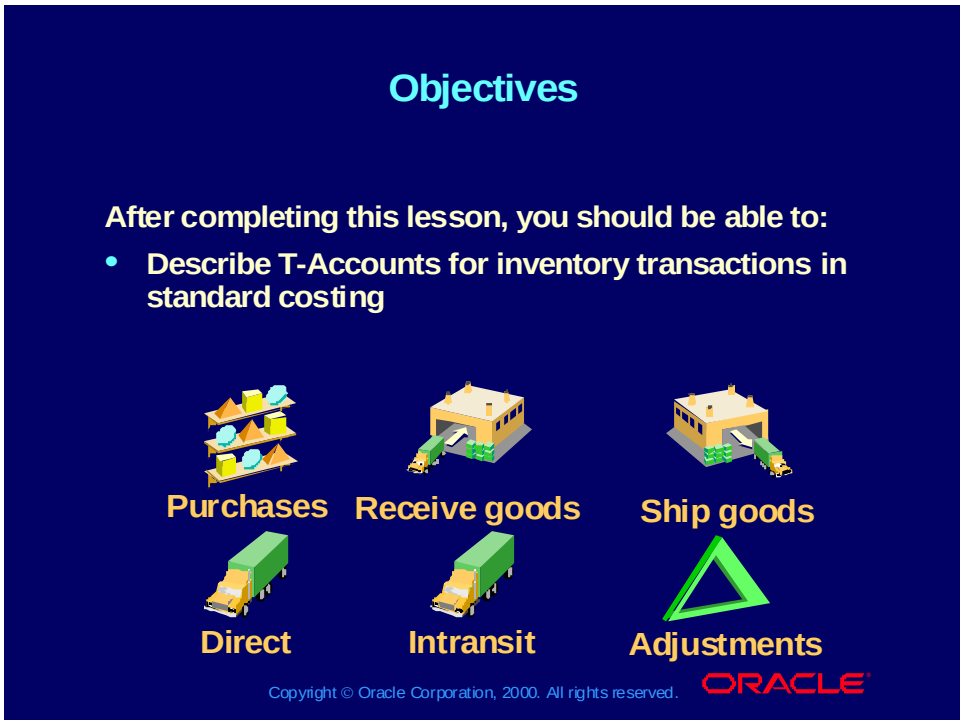
Objectives



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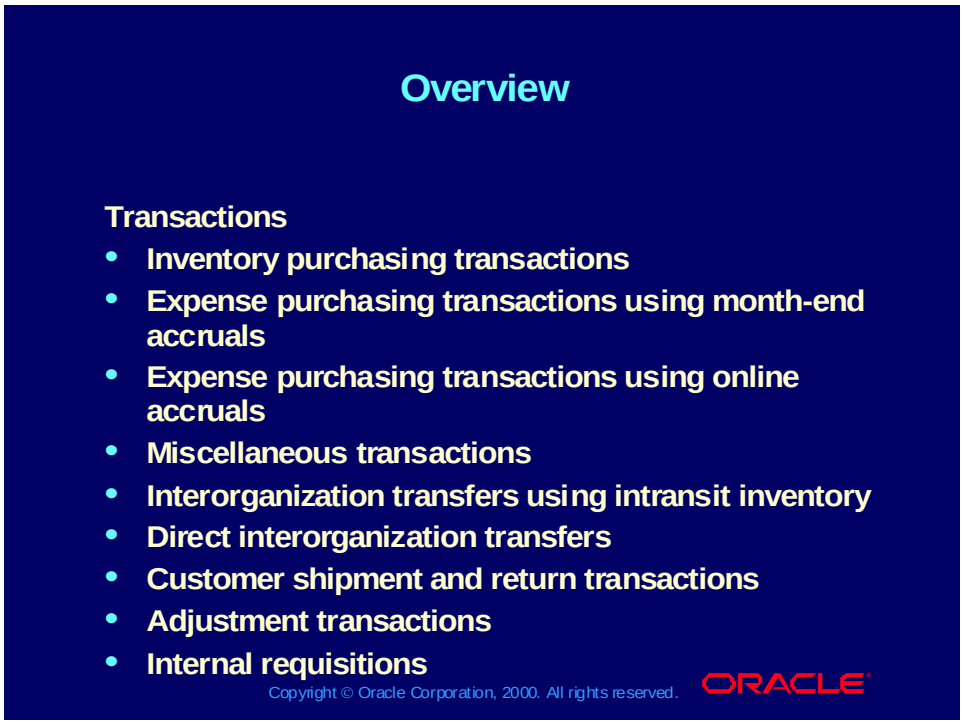

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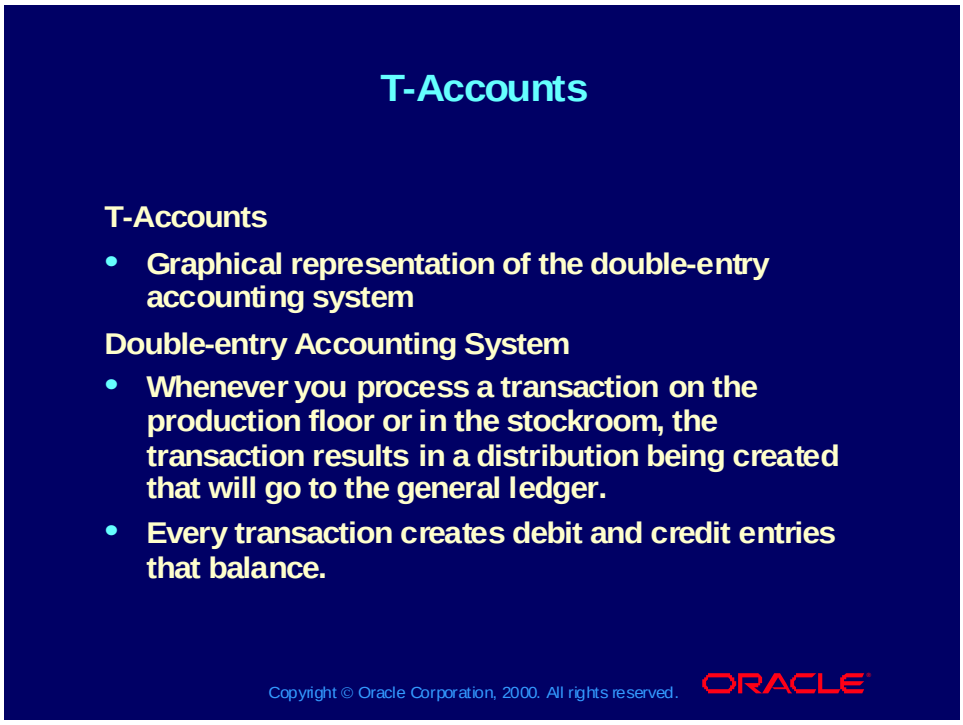

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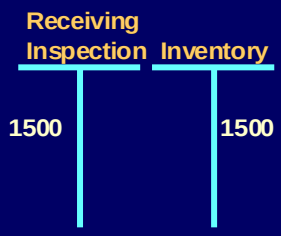
T-Accounts

Example

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



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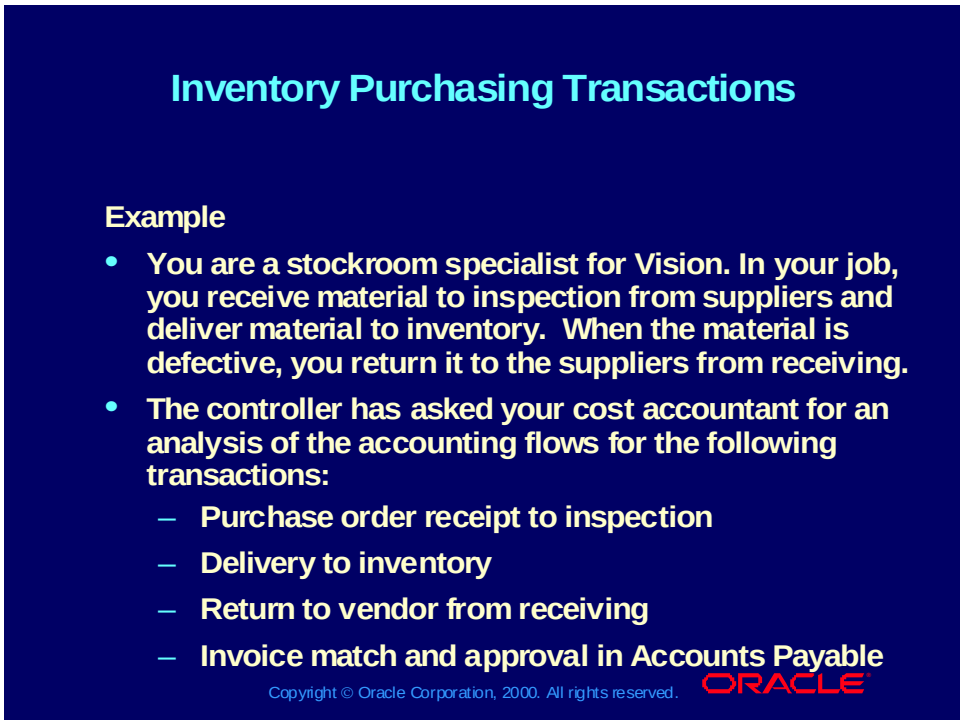

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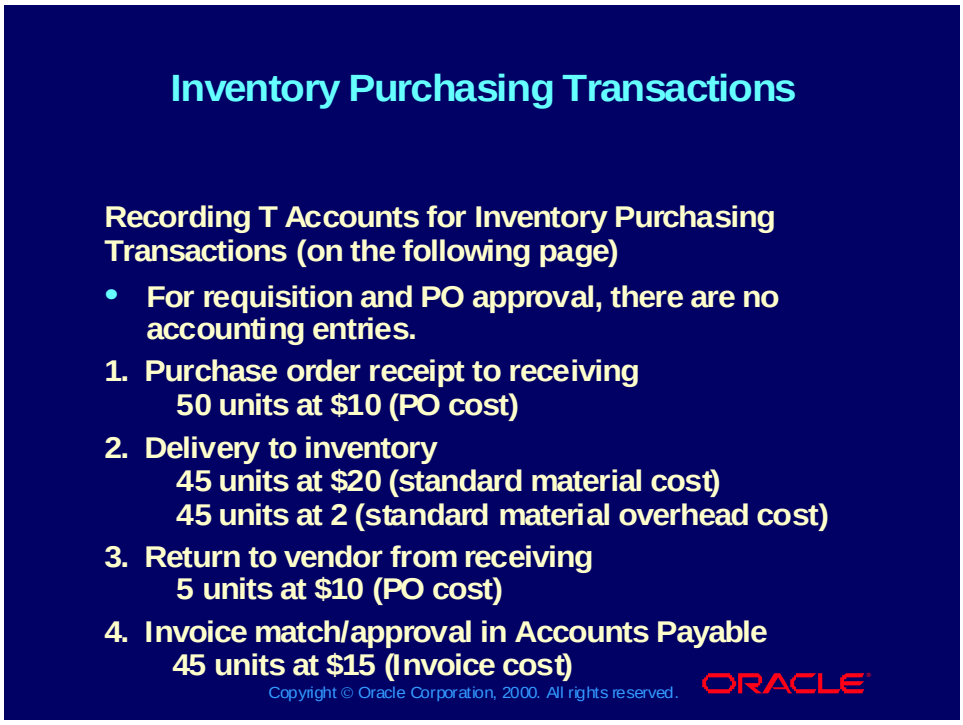

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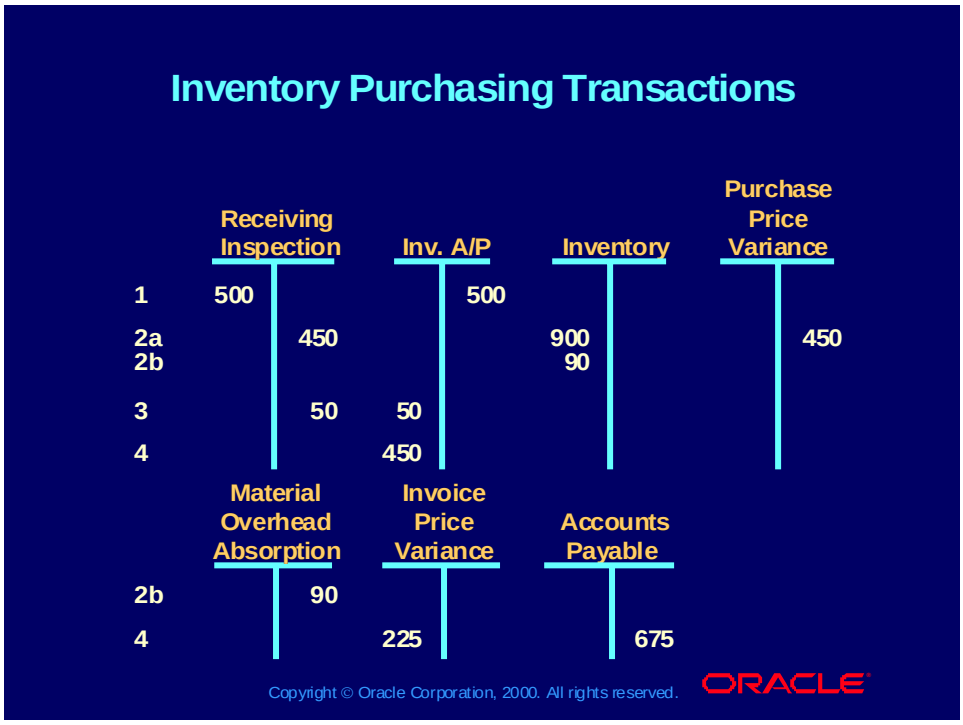
Inventory Purchasing Transactions



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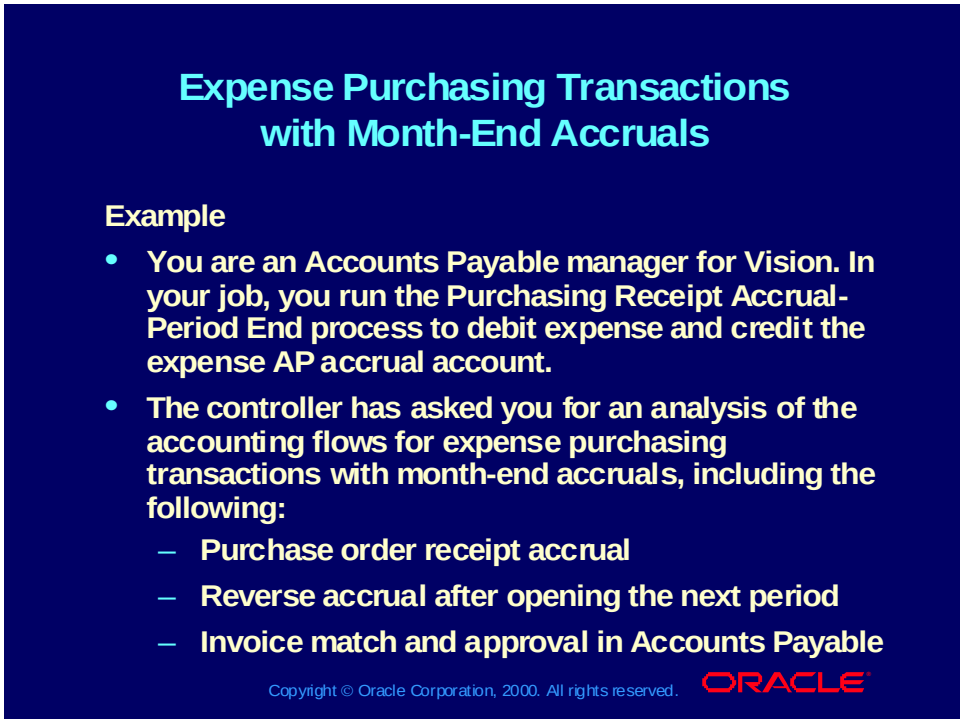
Expense Purchasing Transactions with Month-End Accruals



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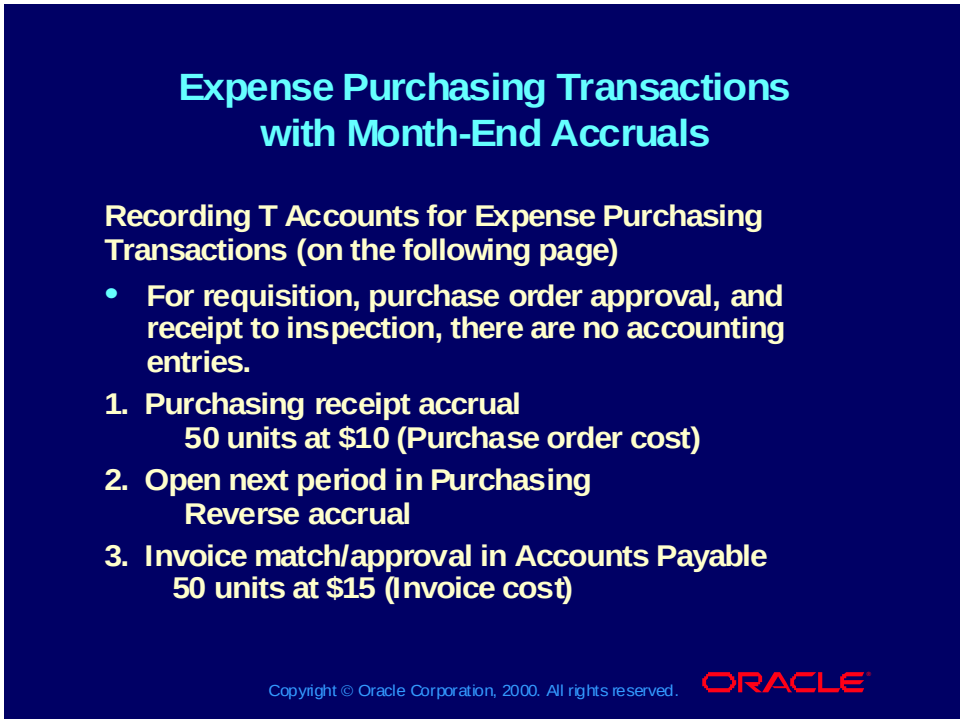
Expense Purchasing Transactions with Month-End Accruals



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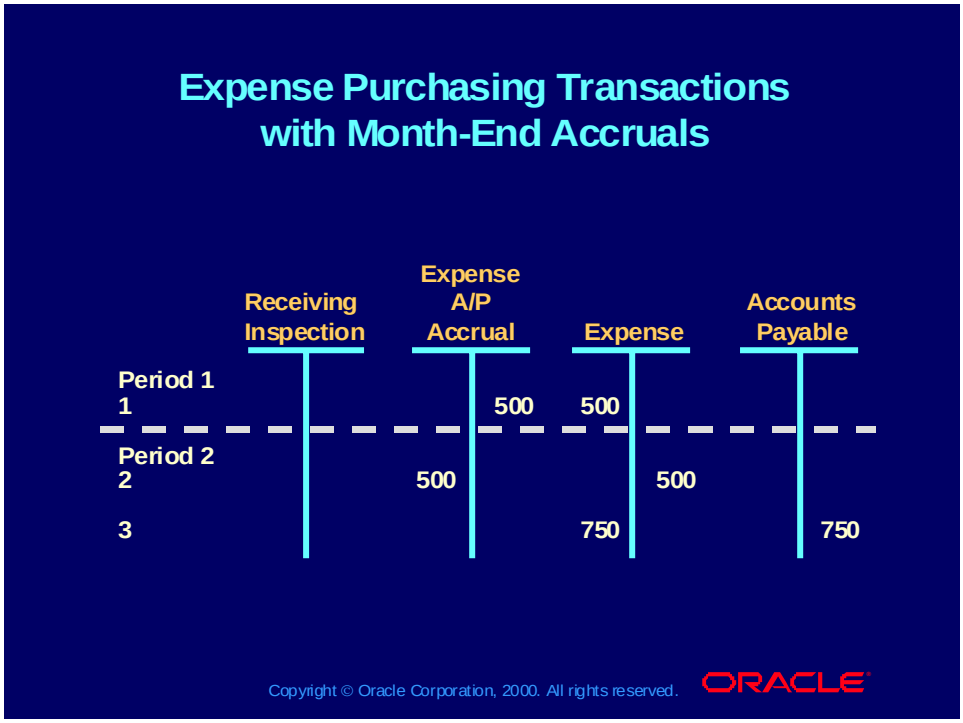
Expense Purchasing Transactions with Month-End Accruals



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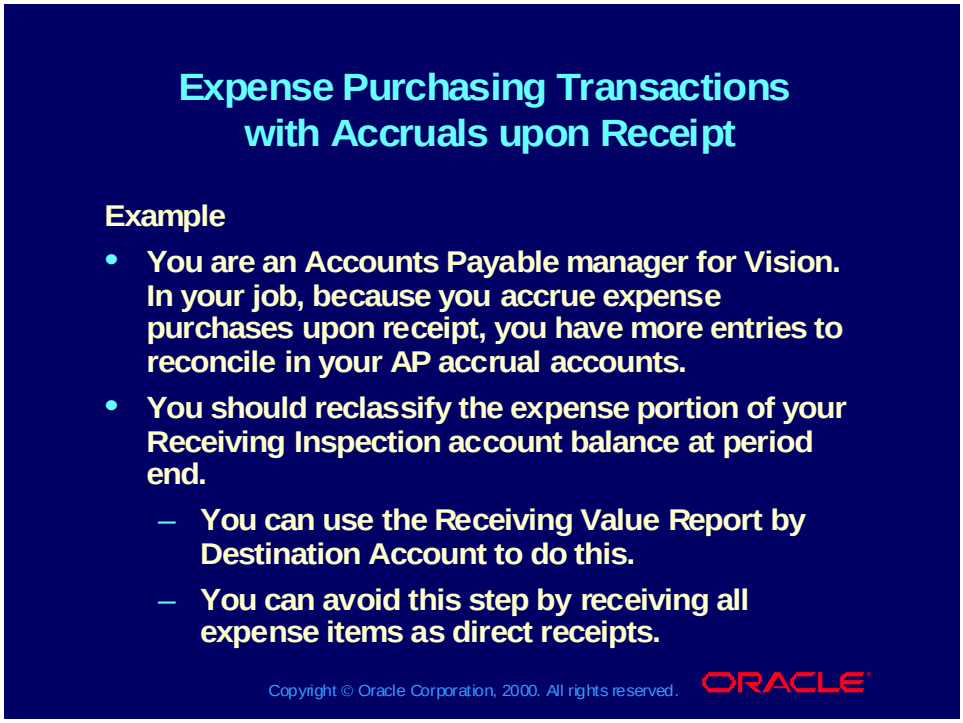
Expense Purchasing Transactions with Accruals upon Receipt



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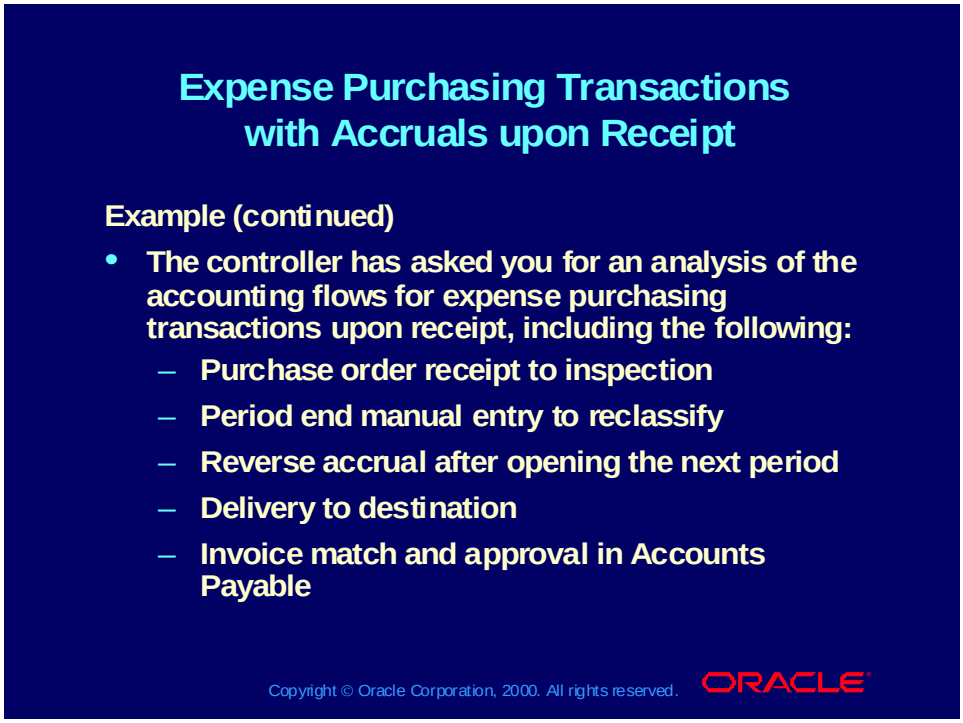

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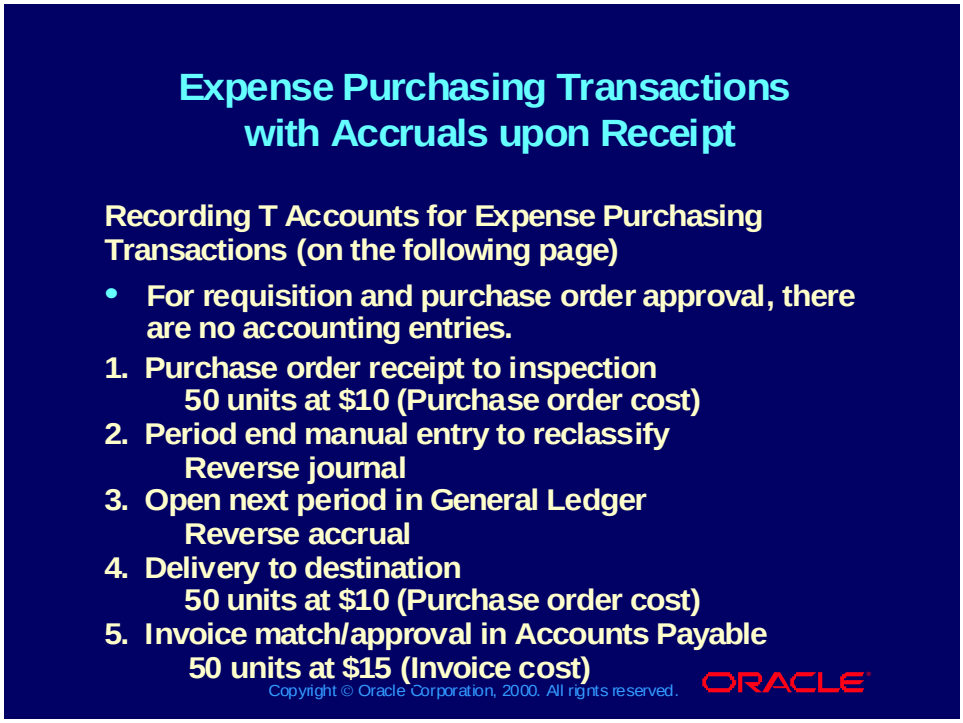
Expense Purchasing Transactions with Accruals upon Receipt



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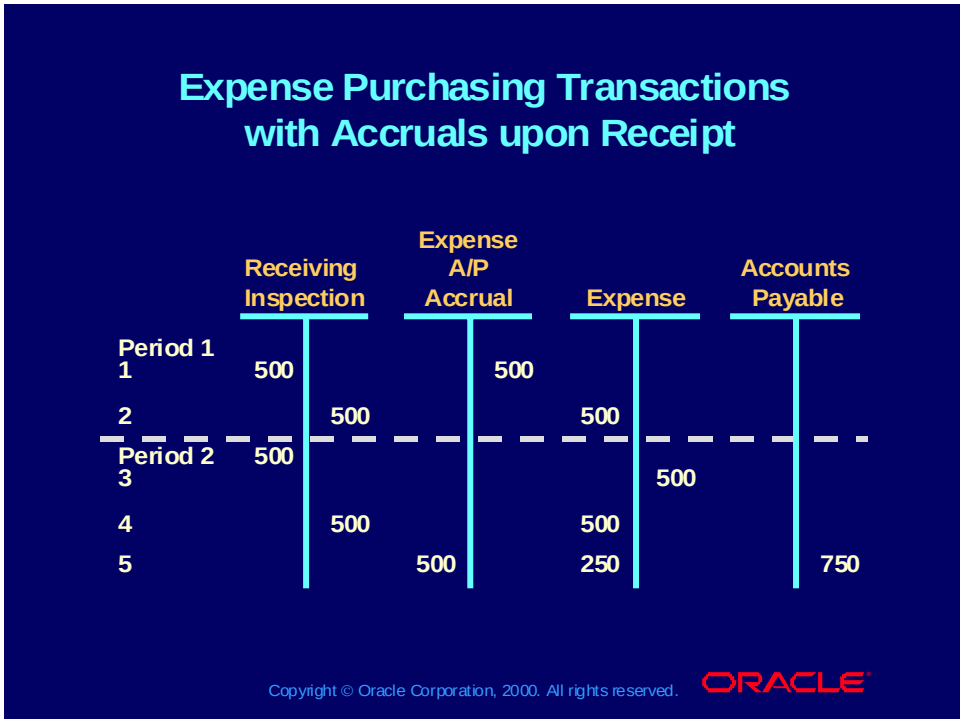
Expense Purchasing Transactions with Accruals upon Receipt



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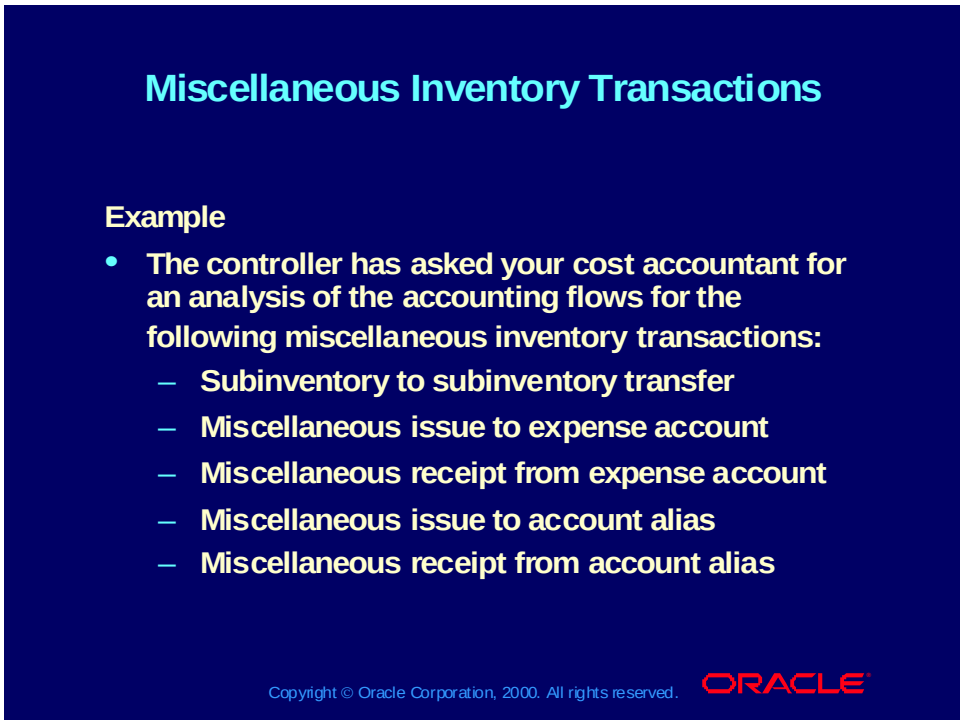

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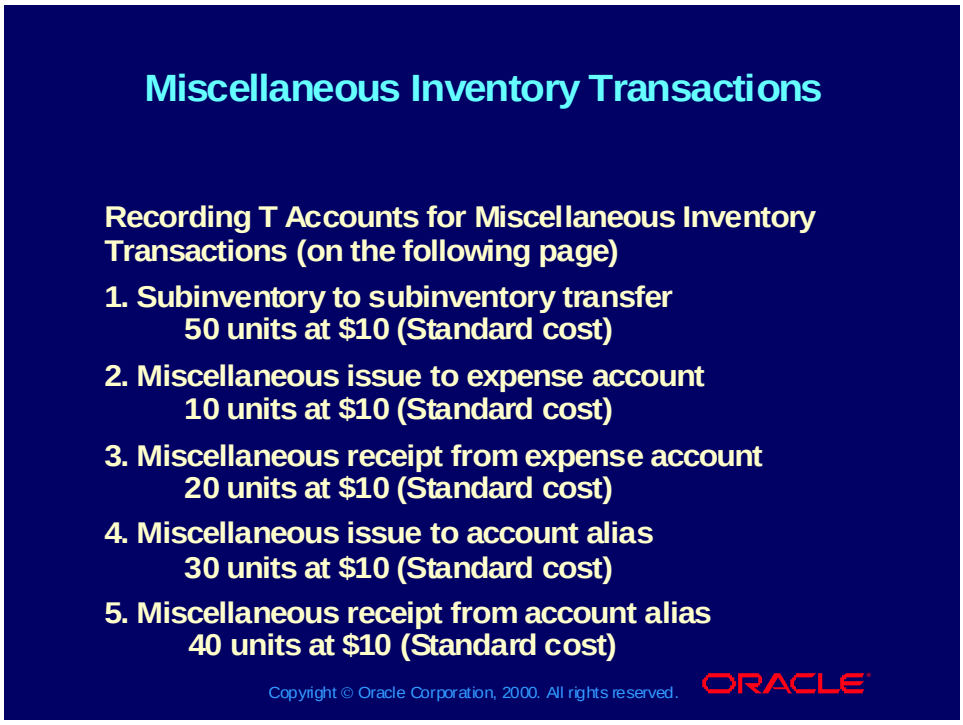

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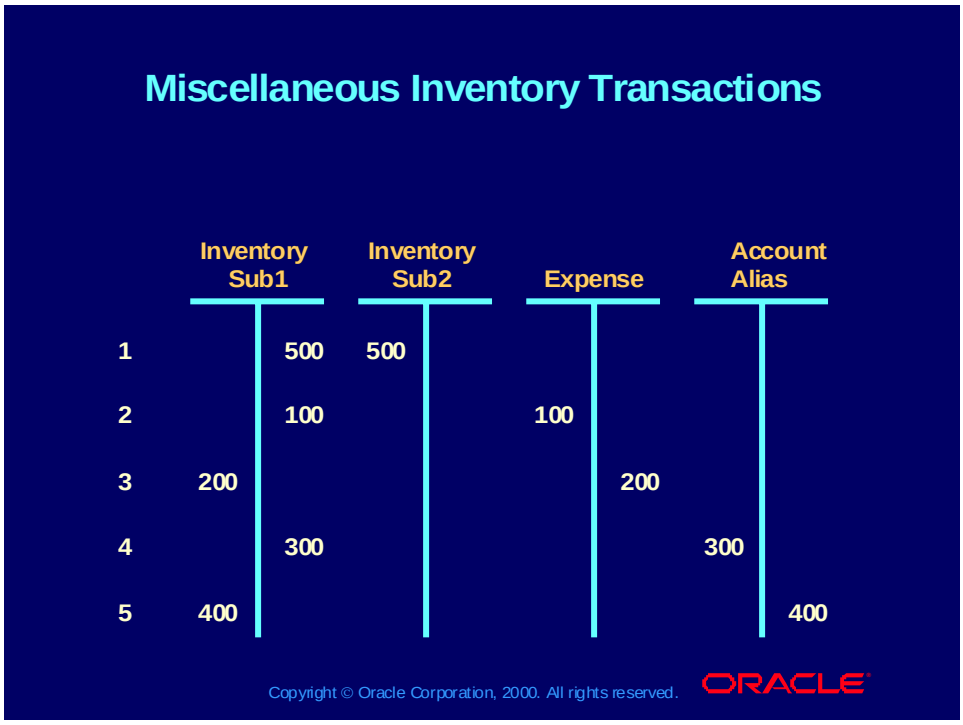
Miscellaneous Inventory Transactions



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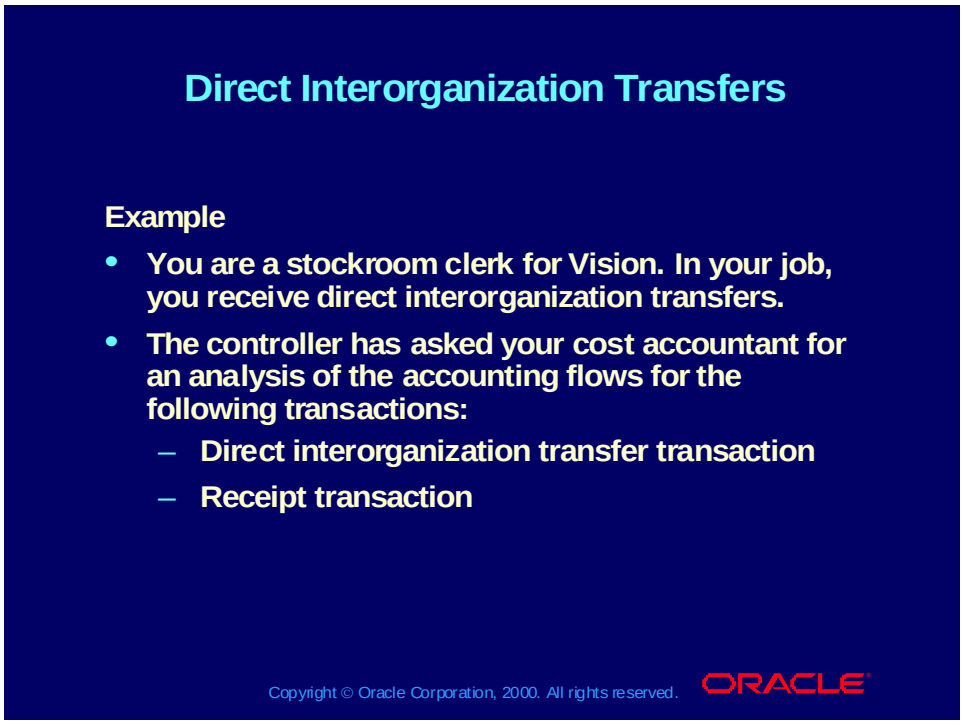

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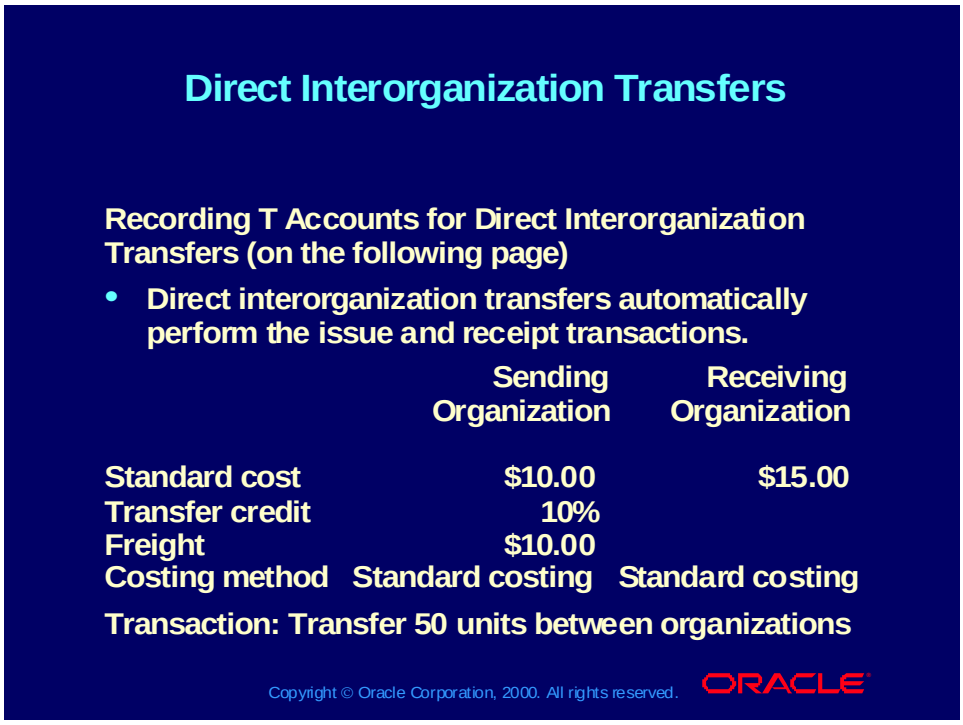

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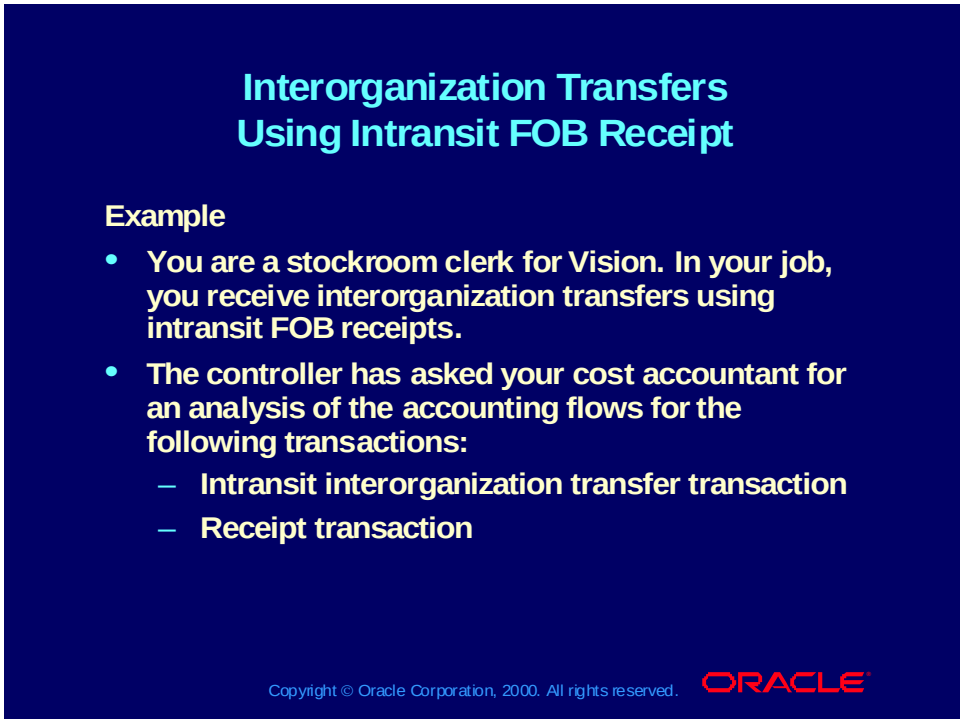
Interorganization Transfers Using Intransit FOB Receipt



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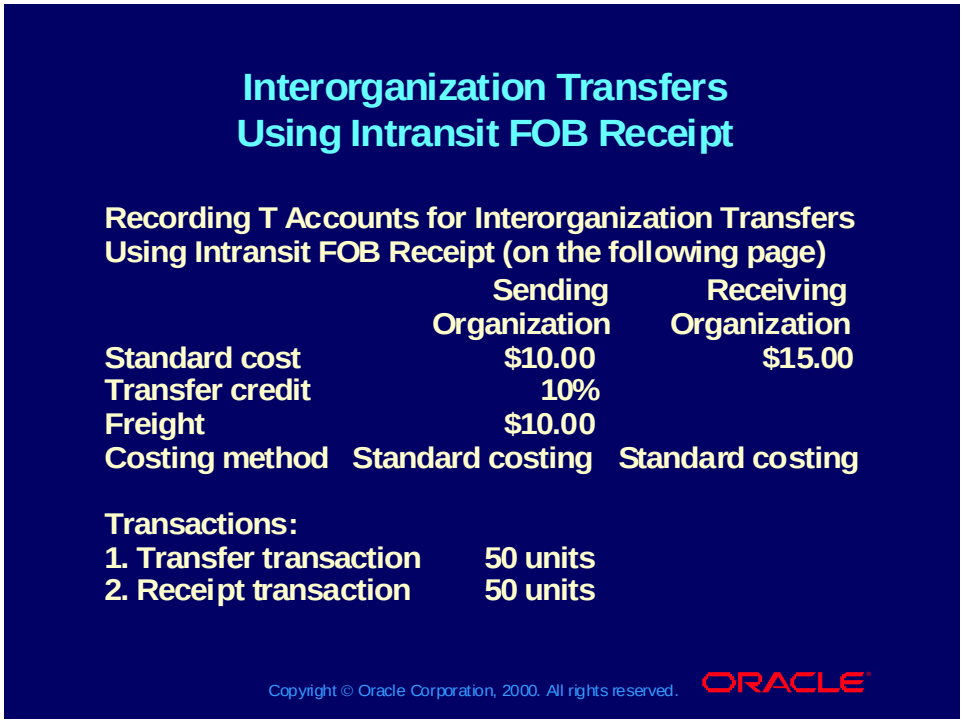
Interorganization Transfers Using Intransit FOB Receipt



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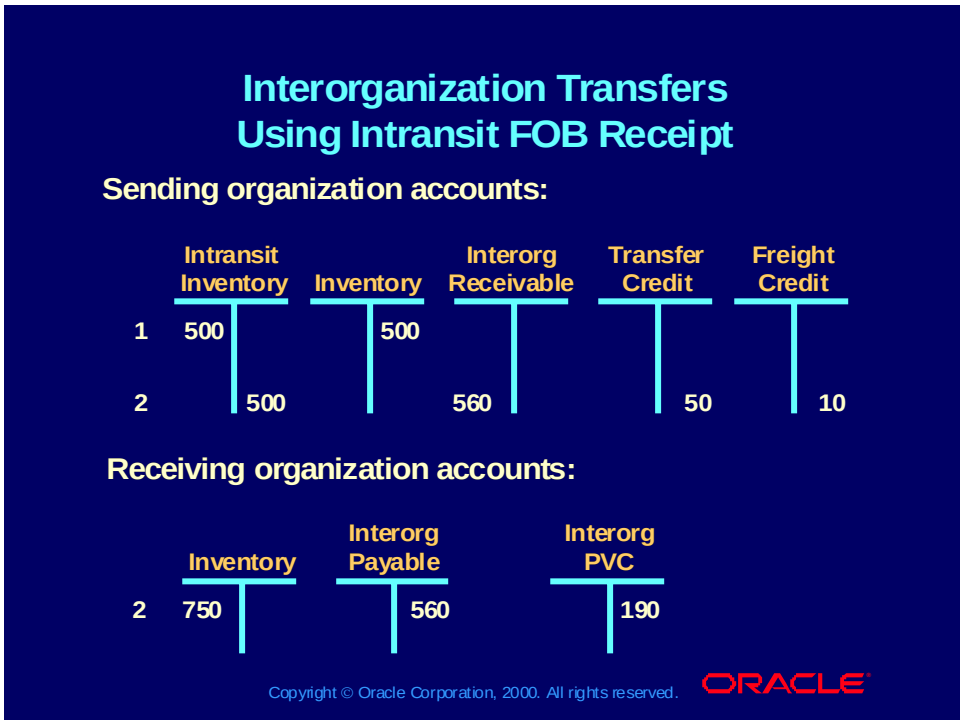
Interorganization Transfers Using Intransit FOB Receipt



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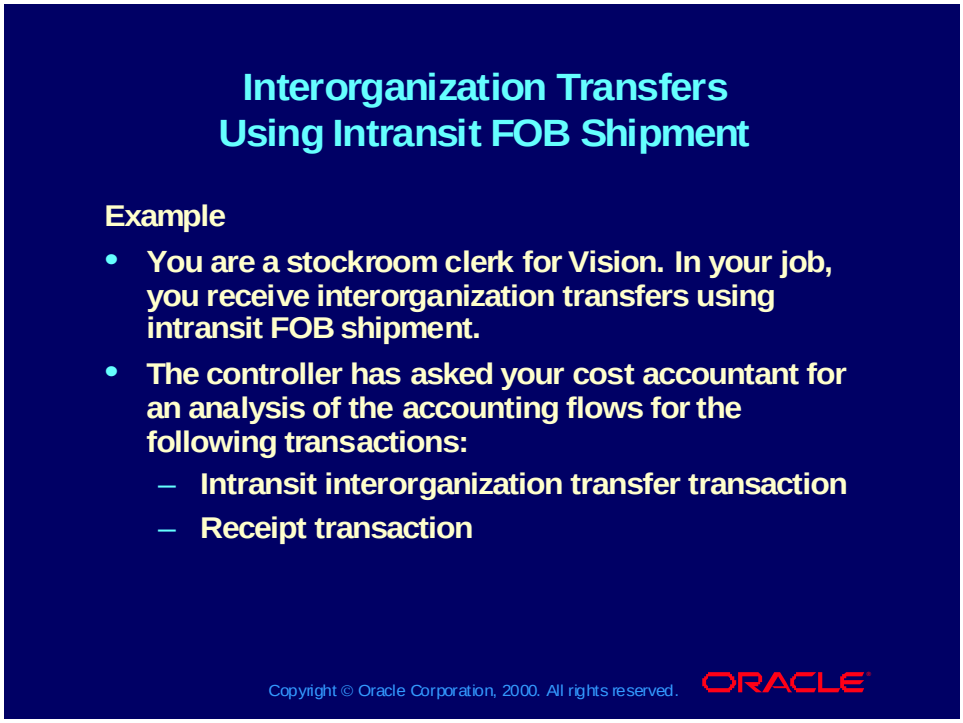

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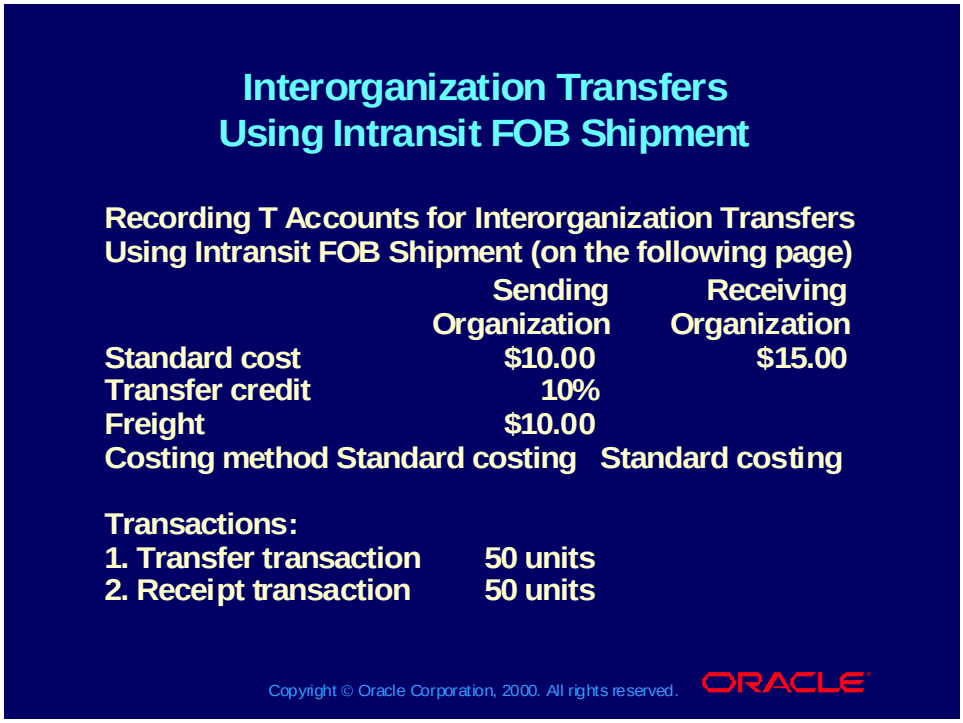
Interorganization Transfers Using Intransit FOB Shipment



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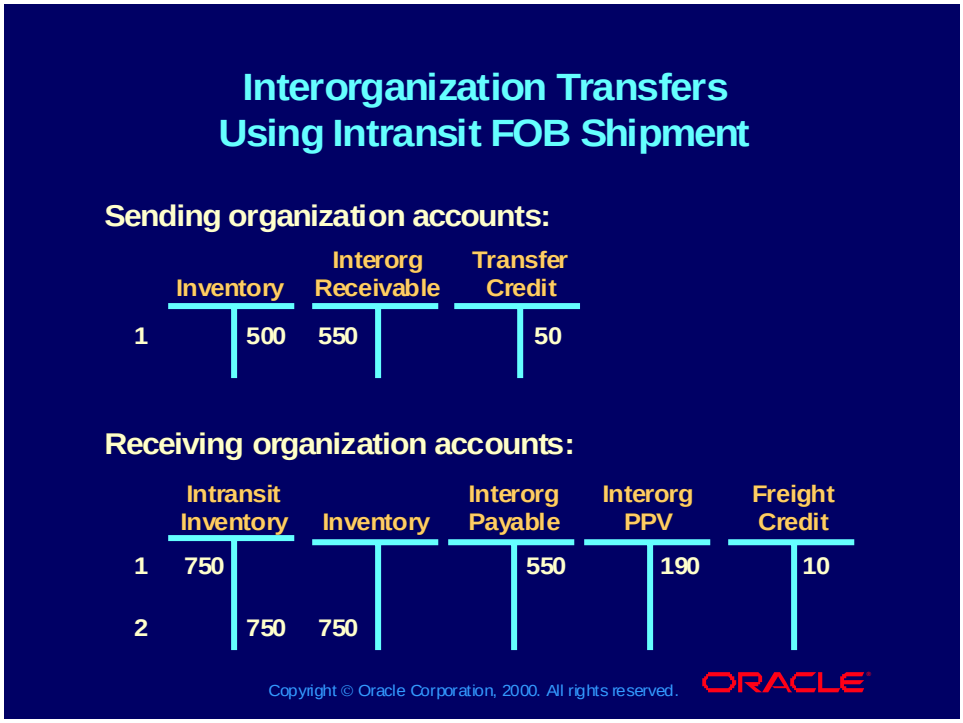
Interorganization Transfers Using Intransit FOB Shipment



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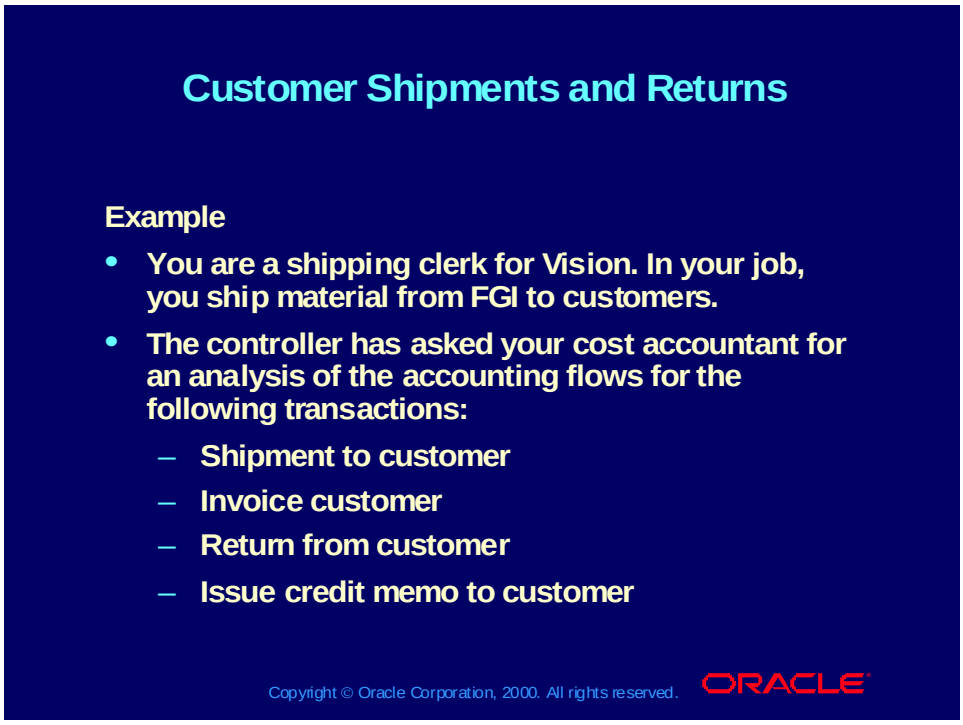

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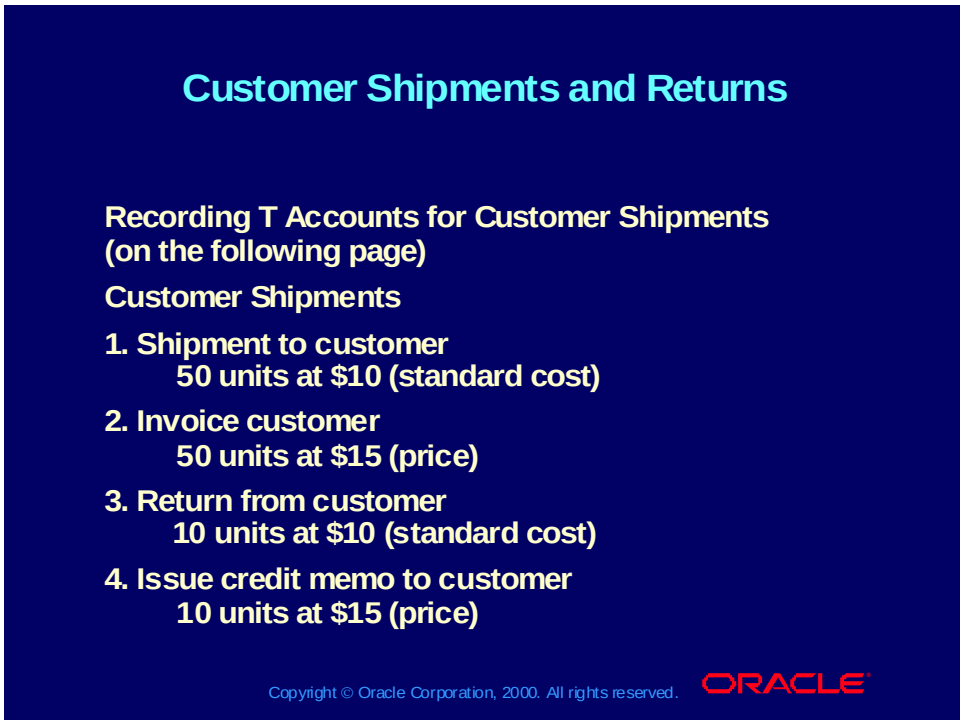

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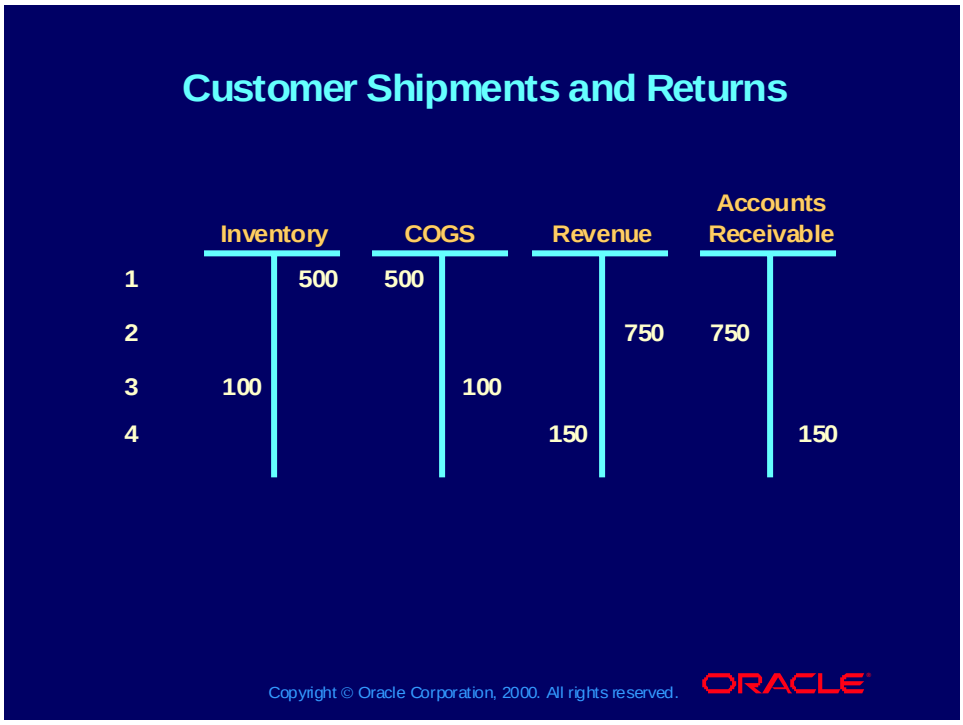

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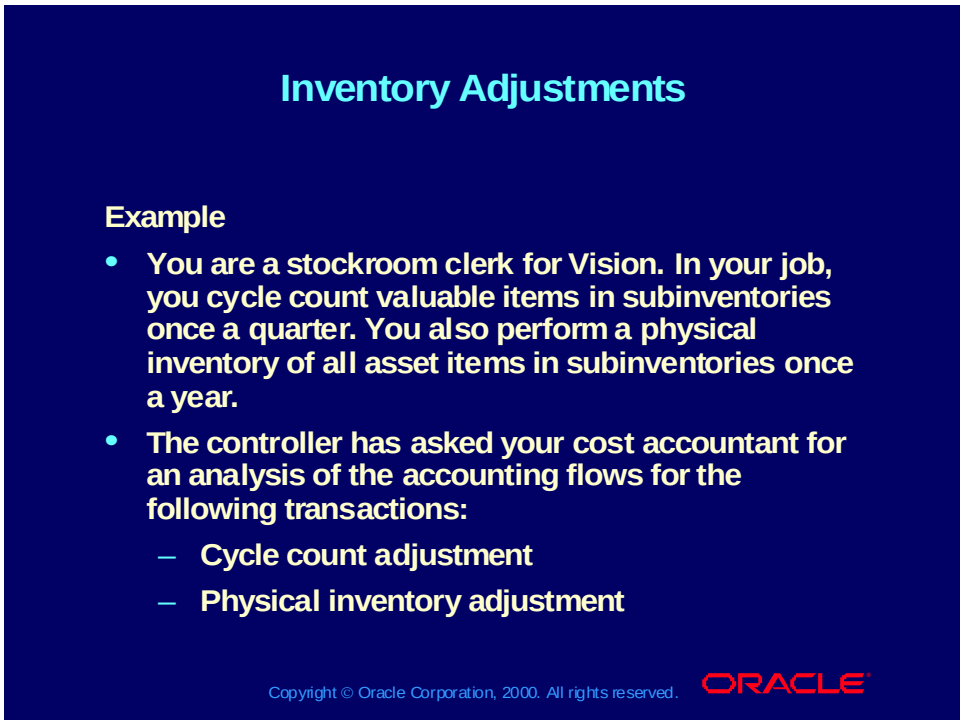

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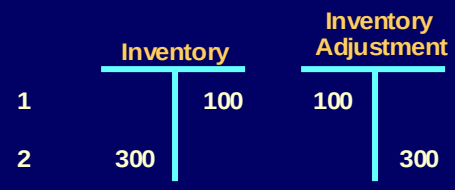
Inventory Adjustments

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)



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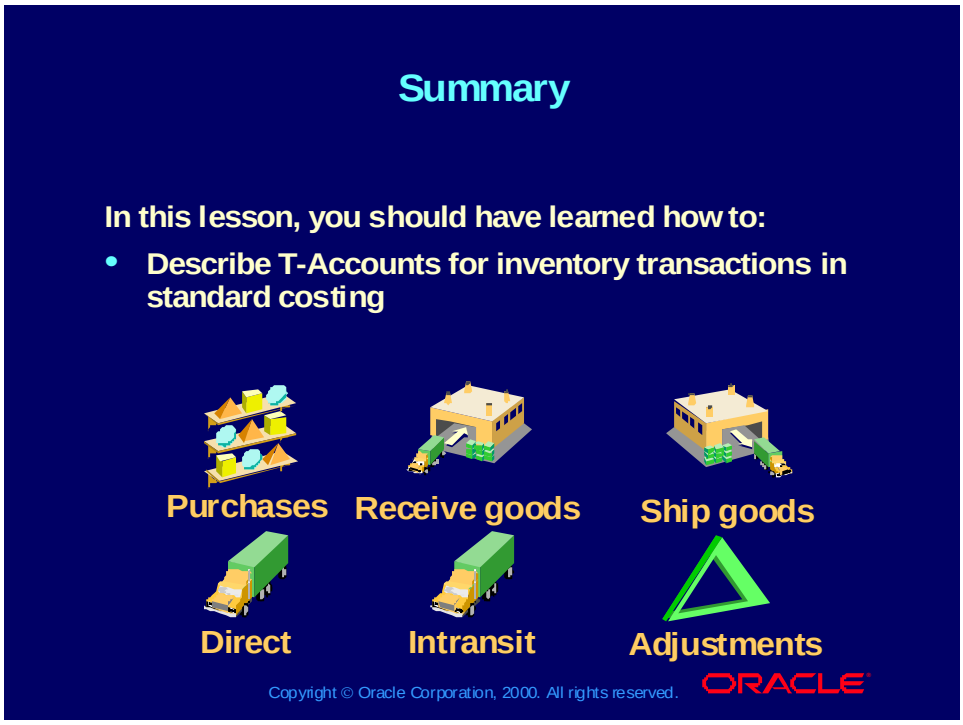

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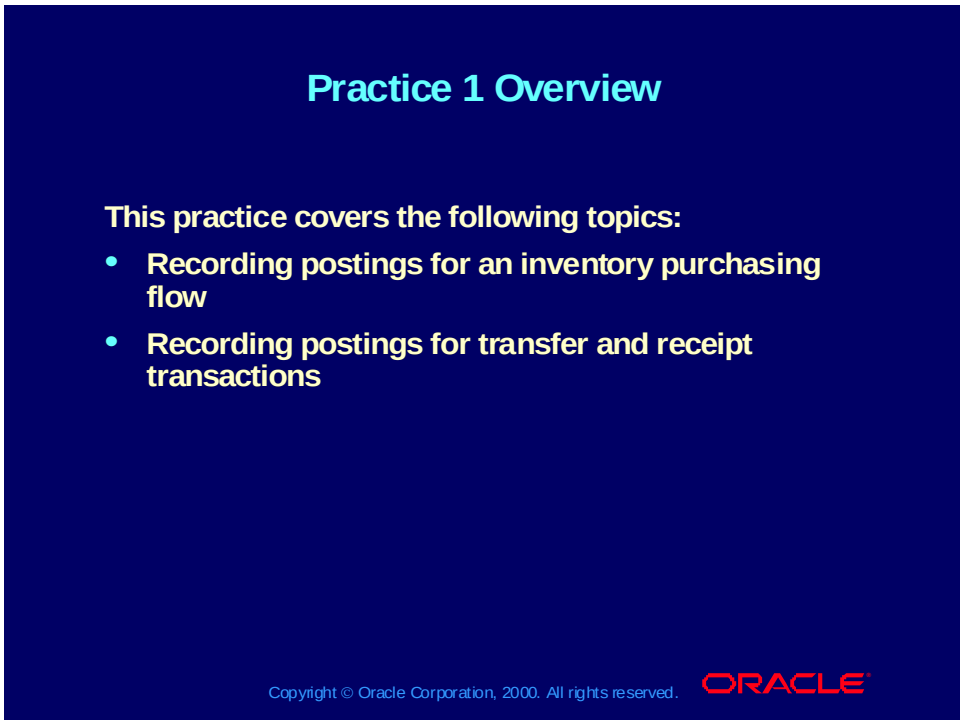

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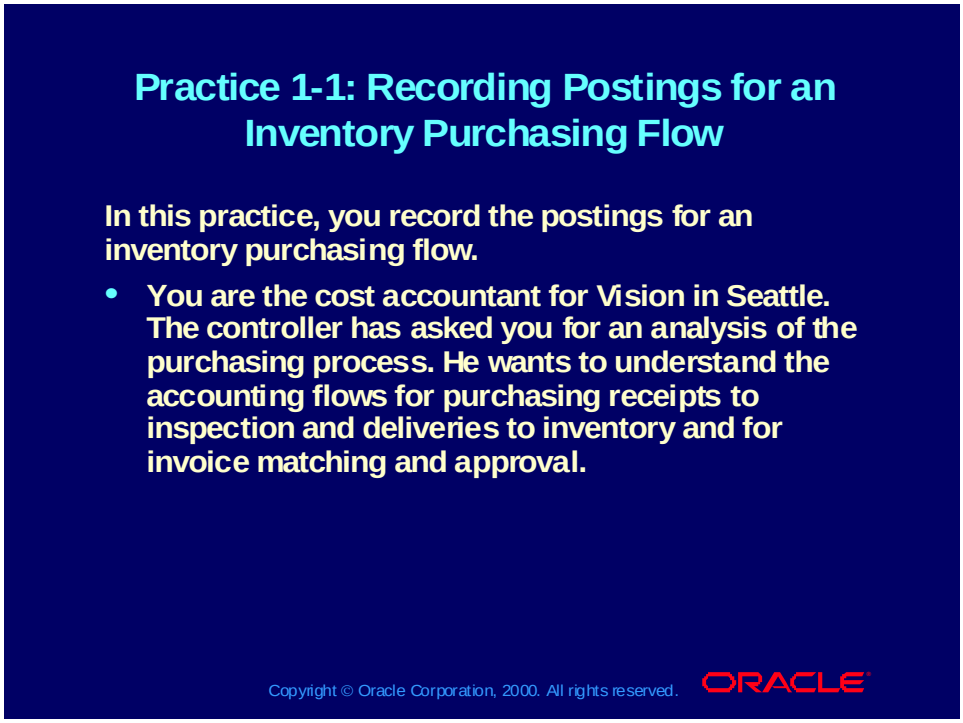
Practice 1-1: Recording Postings for an Inventory Purchasing Flow



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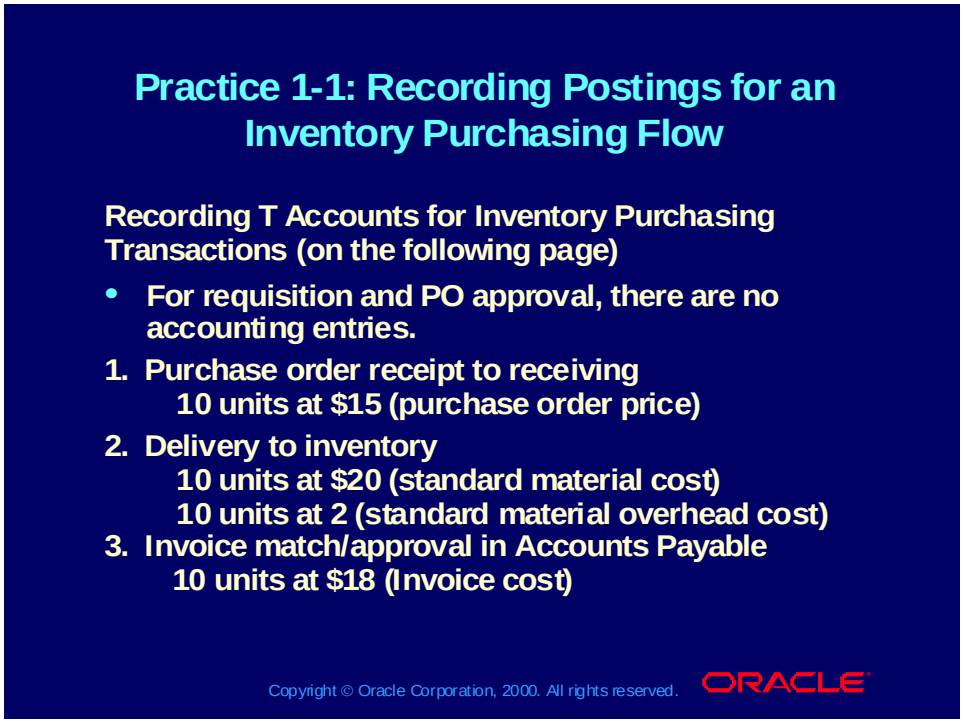
Practice 1-1: Recording Postings for an Inventory Purchasing Flow



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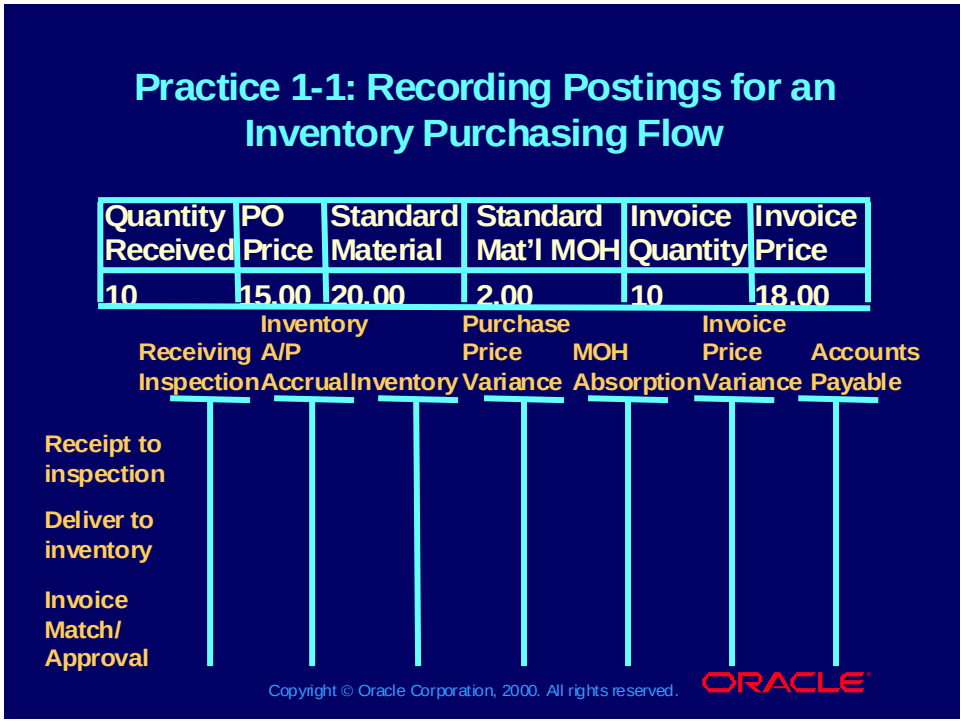
Practice 1-1: Recording Postings for an Inventory Purchasing Flow



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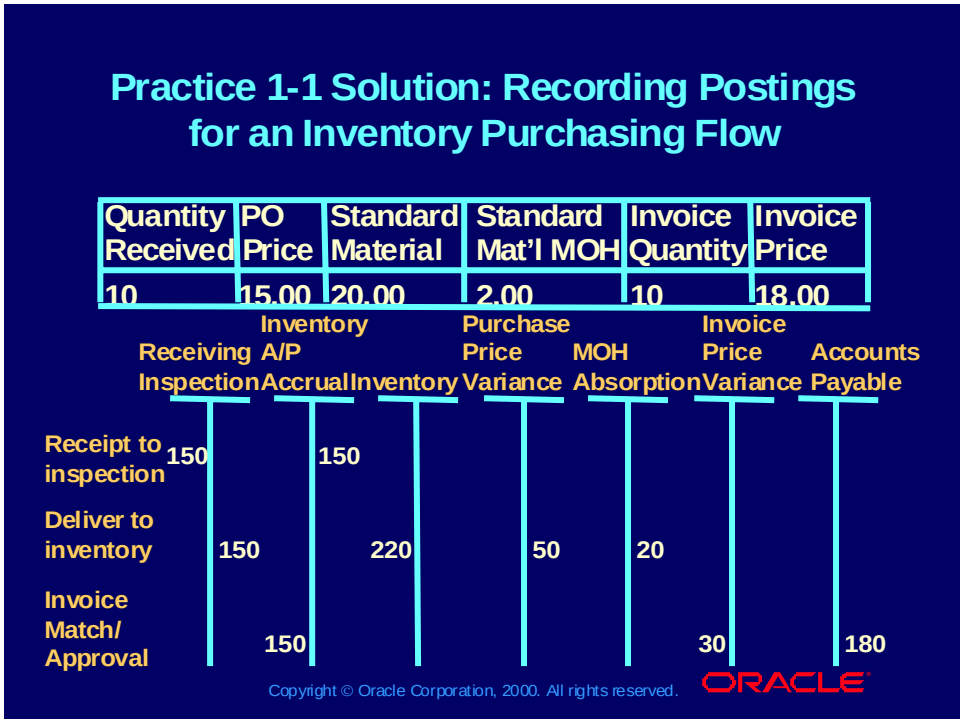
Practice 1-1 Solution: Recording Postings for an Inventory Purchasing Flow



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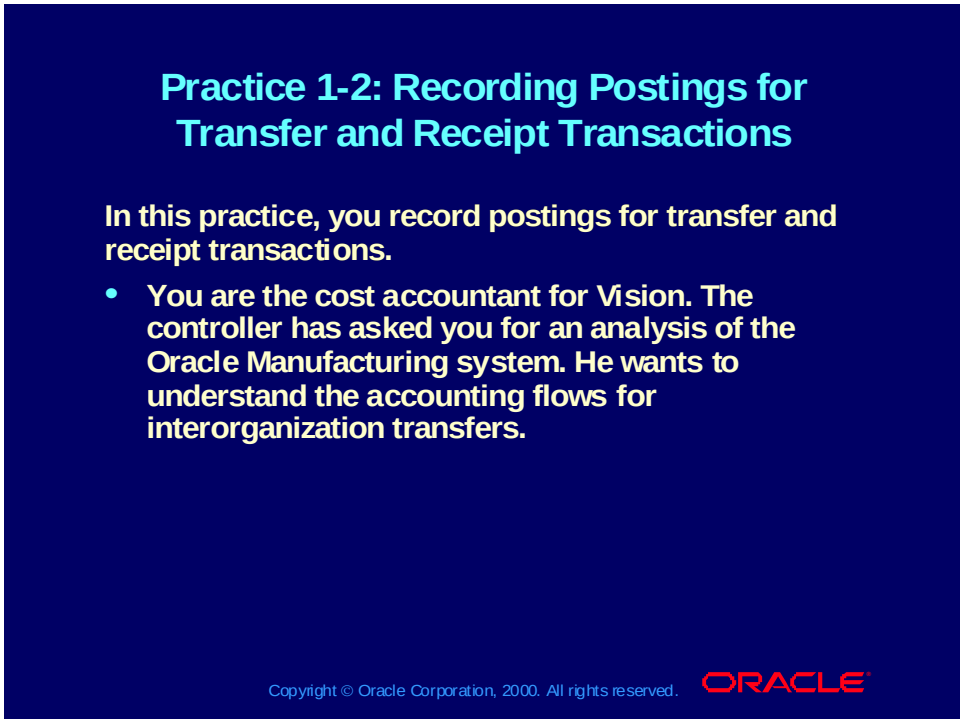
Practice 1-2: Recording Postings for Transfer and Receipt Transactions



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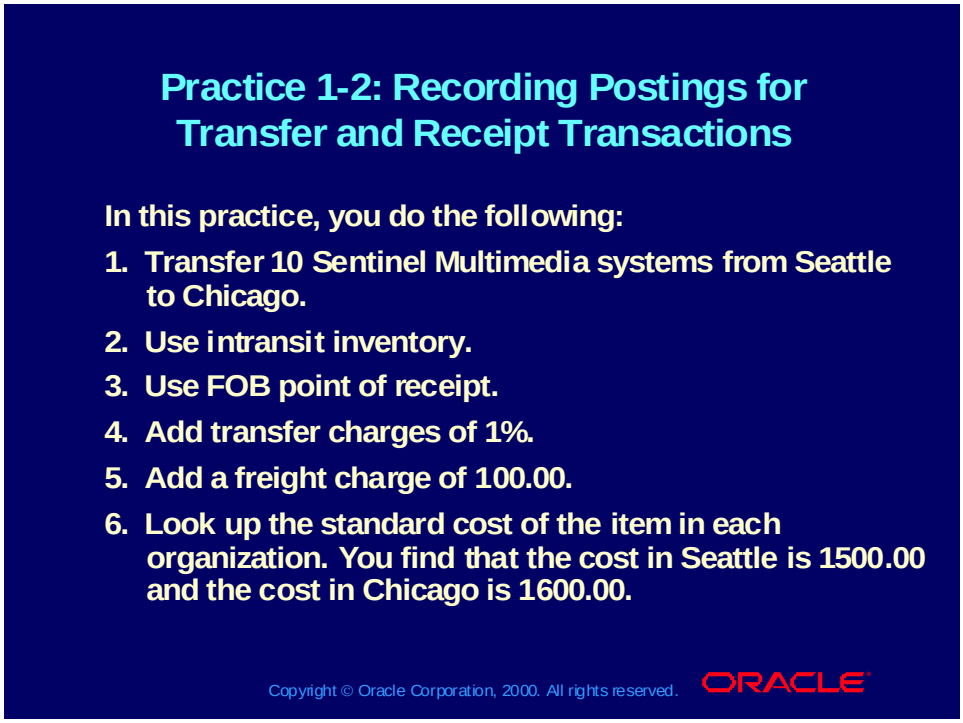
Practice 1-2: Recording Postings for Transfer and Receipt Transactions



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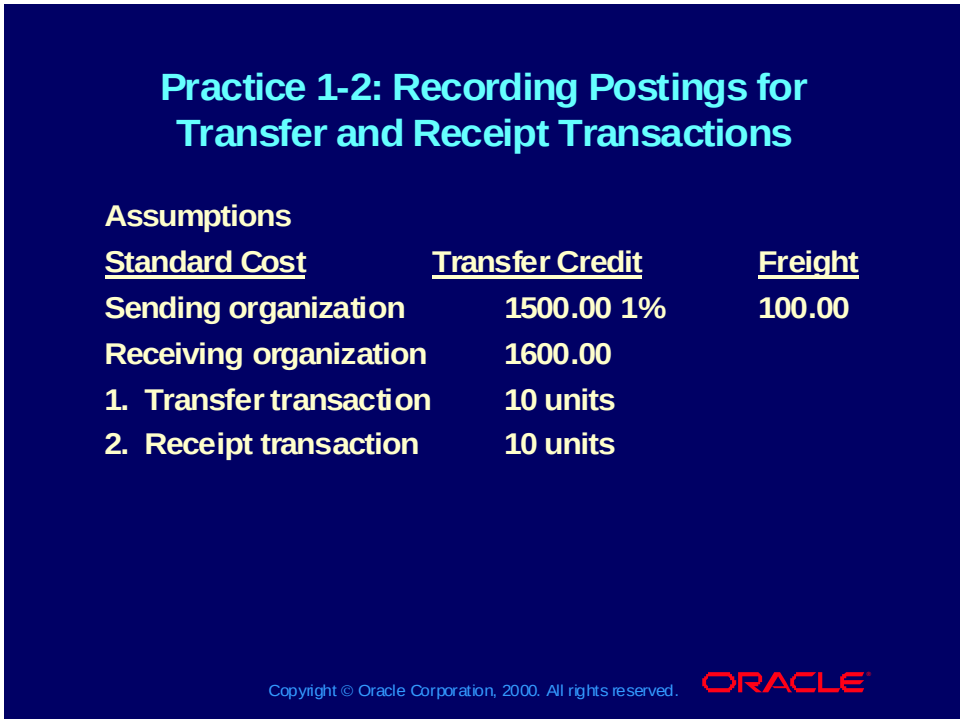
Practice 1-2: Recording Postings for Transfer and Receipt Transactions



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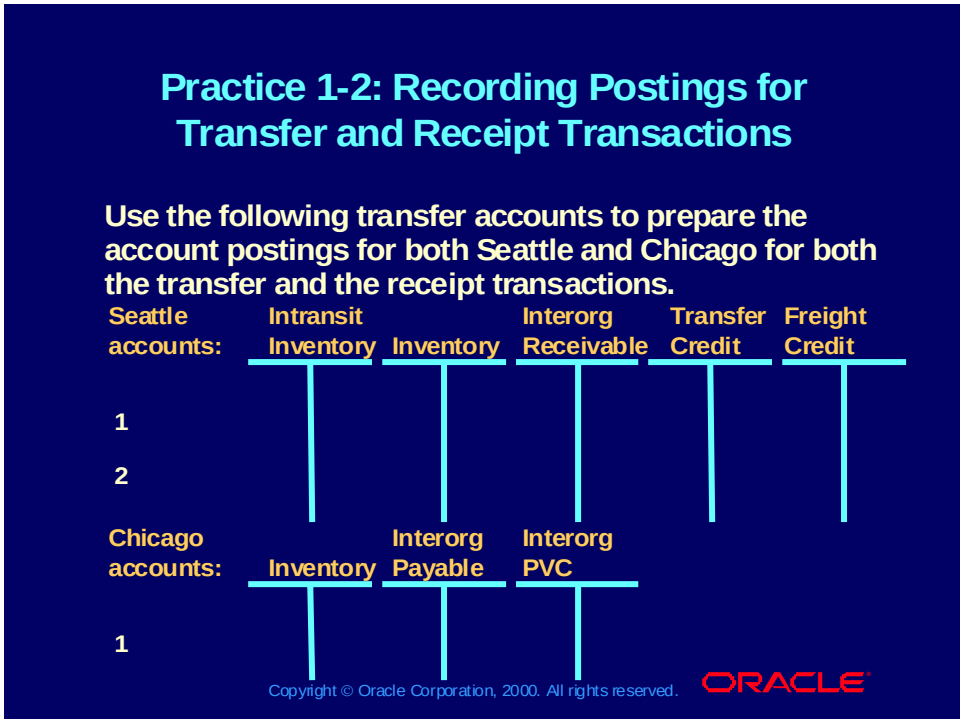
Practice 1-2: Recording Postings for Transfer and Receipt Transactions



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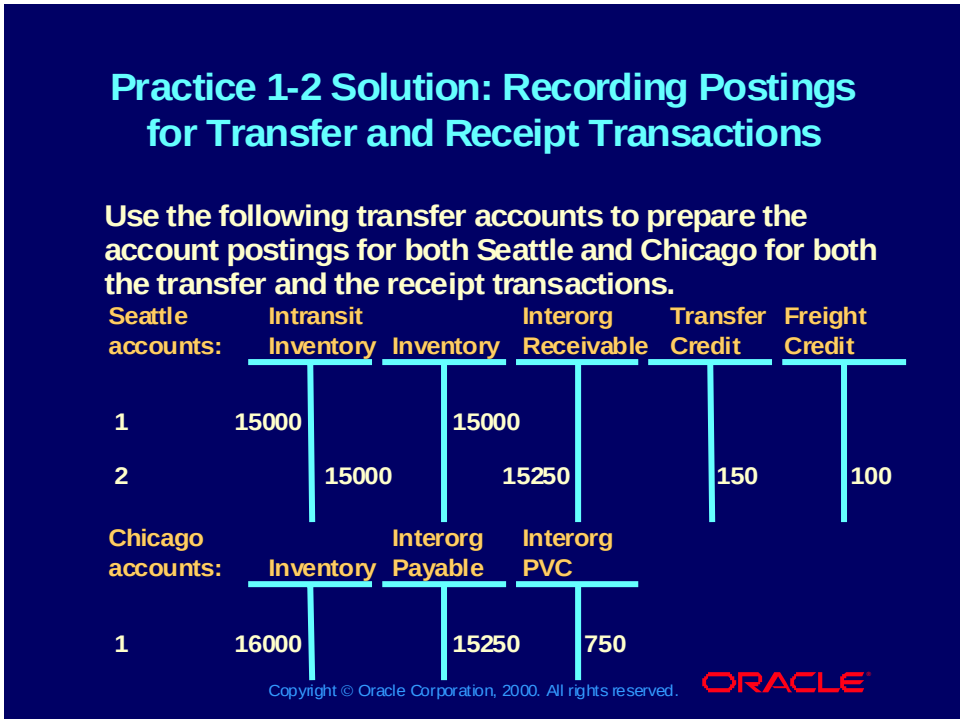
Practice 1-2 Solution: Recording Postings for Transfer and Receipt Transactions



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

Chapter 4

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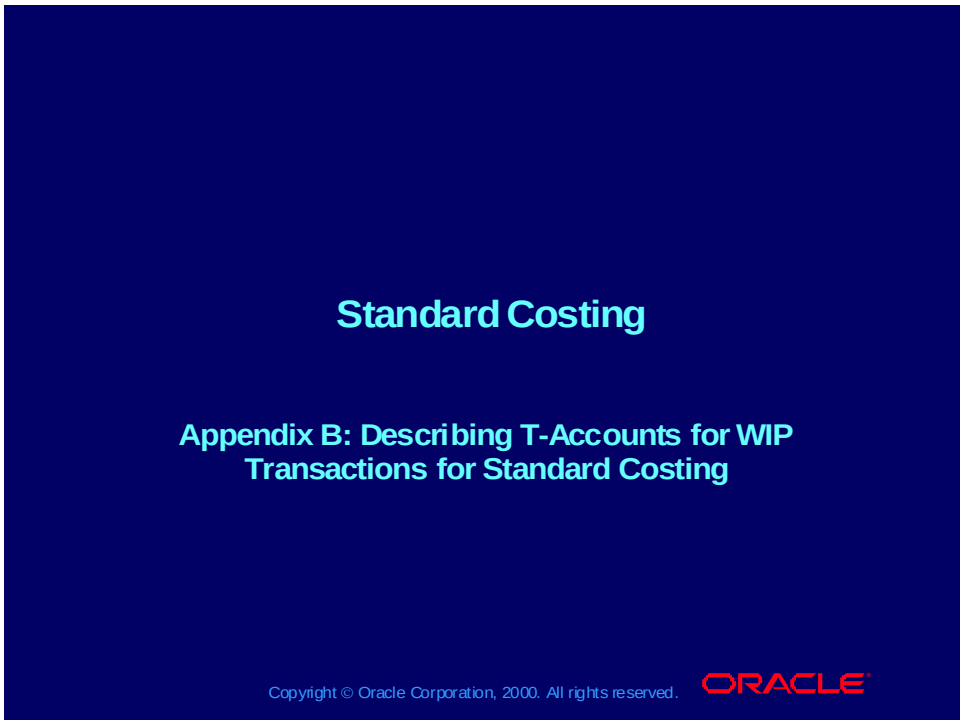

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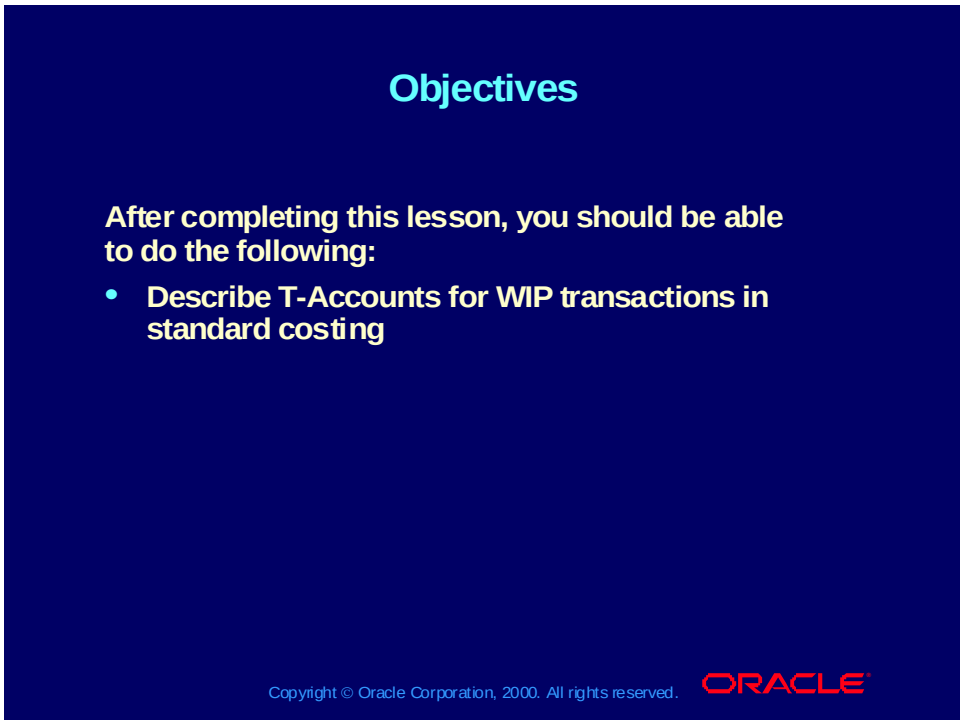

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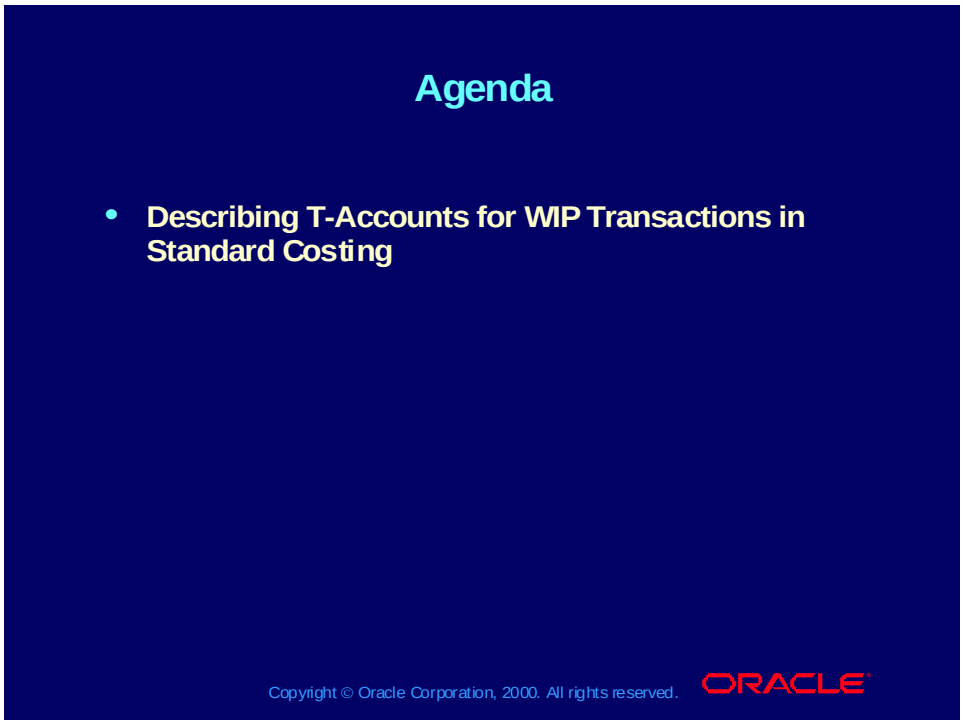

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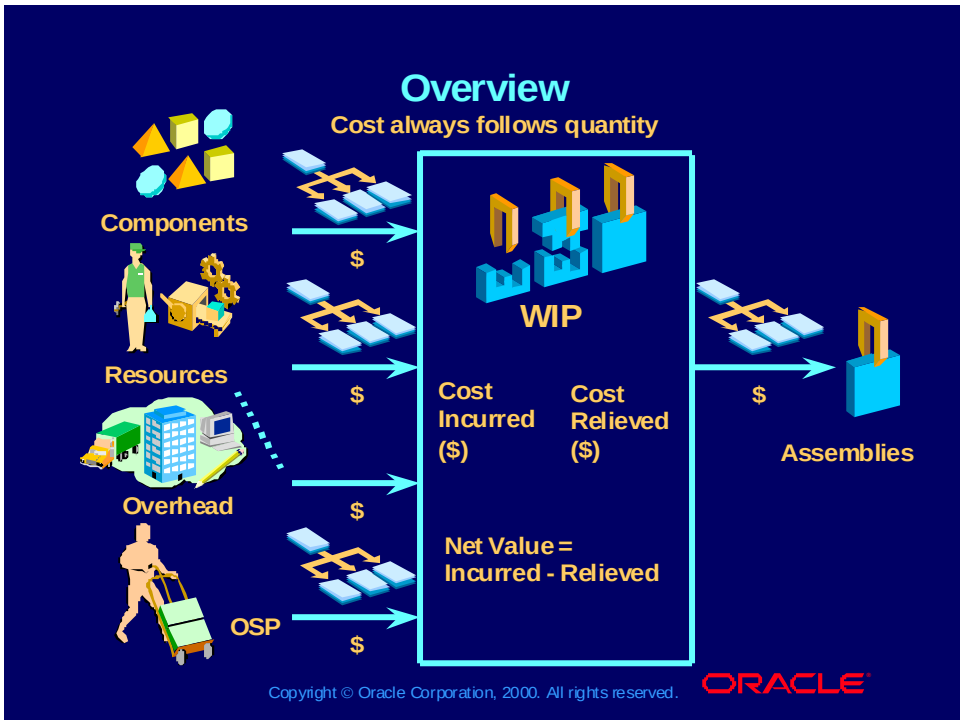
Overview



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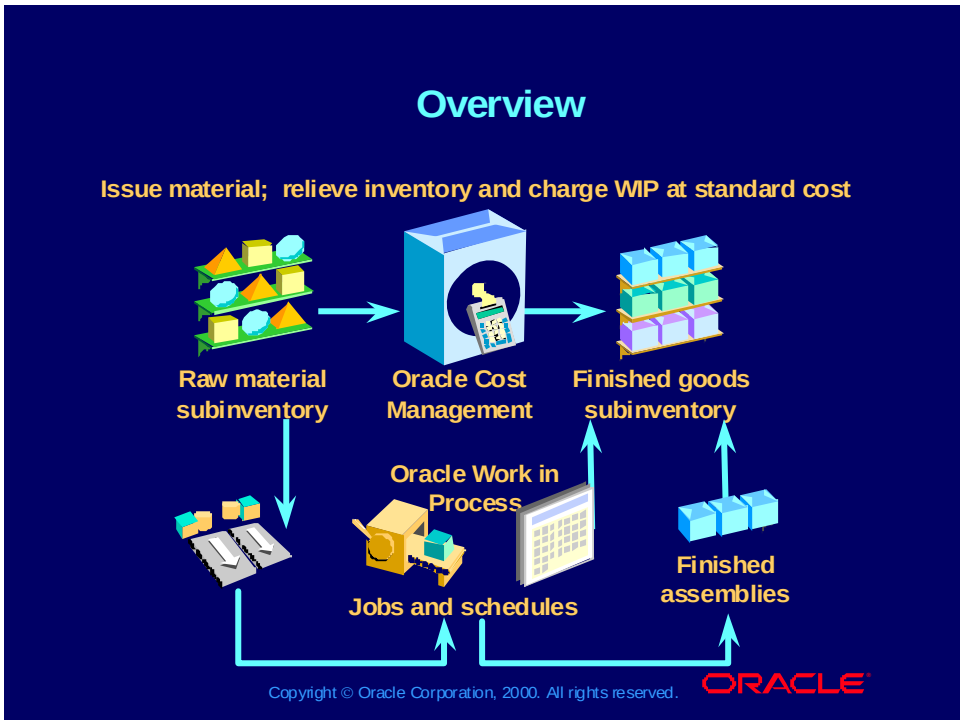

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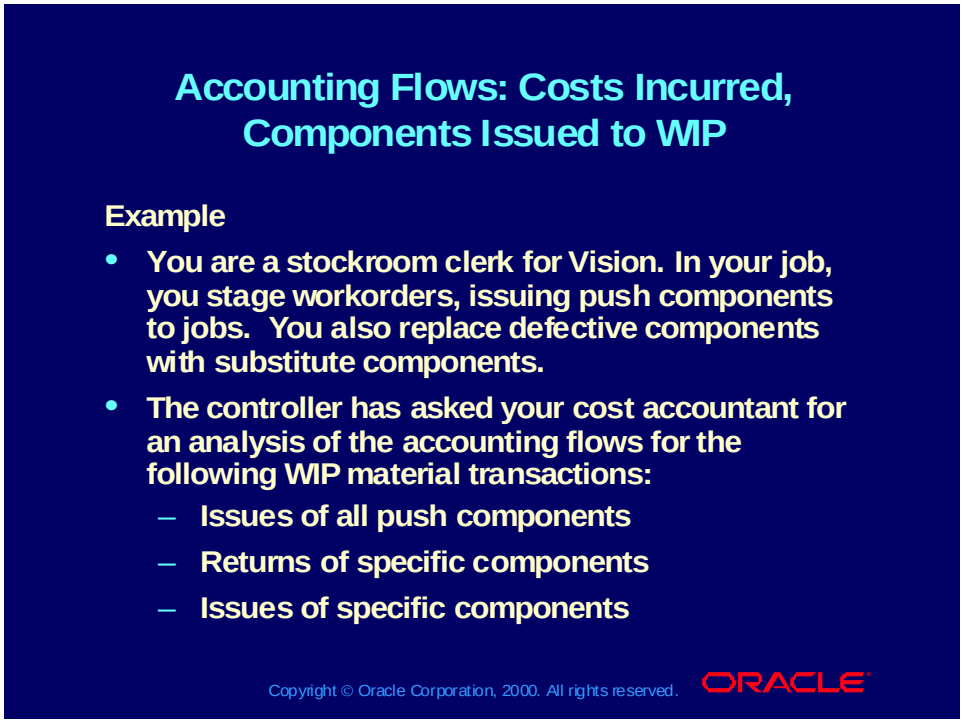

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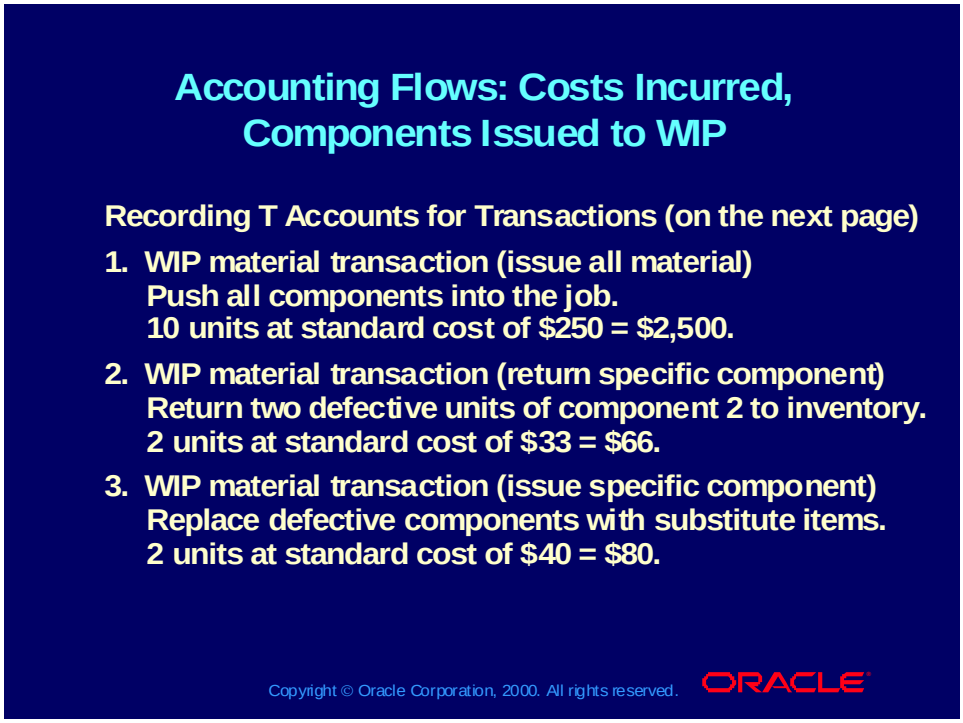
Accounting Flows: Costs Incurred, Components Issued to WIP



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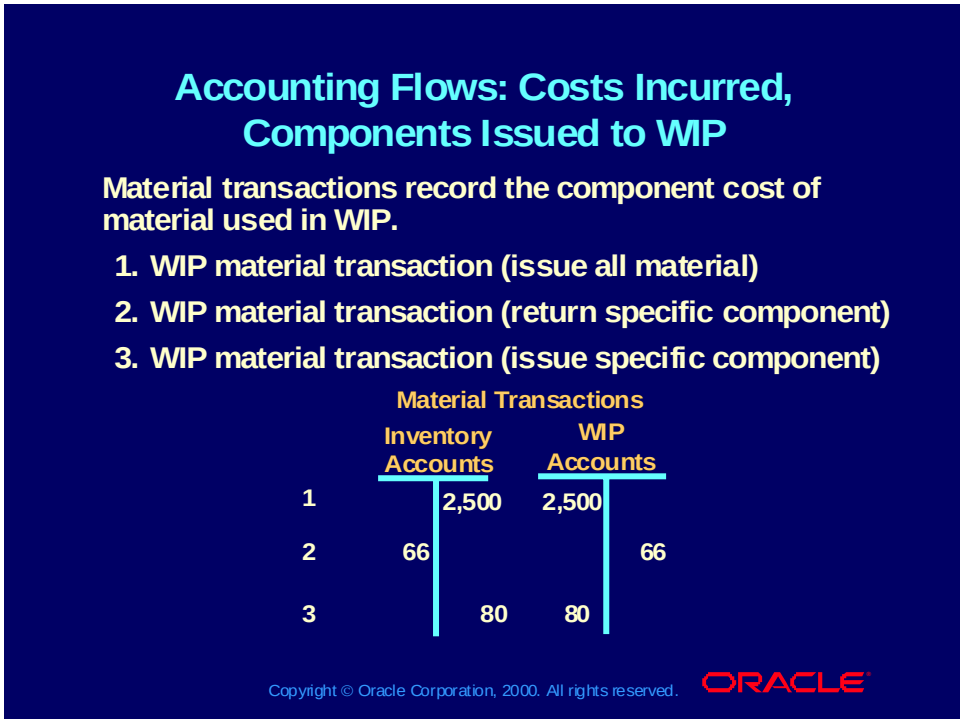
Accounting Flows: Costs Incurred, Components Issued to WIP



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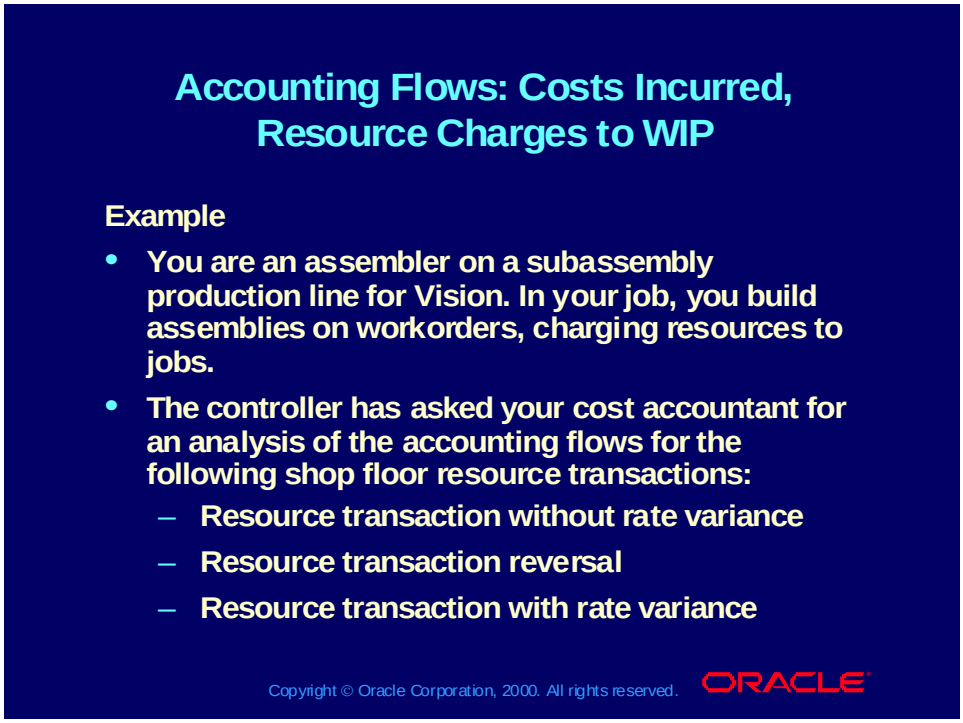

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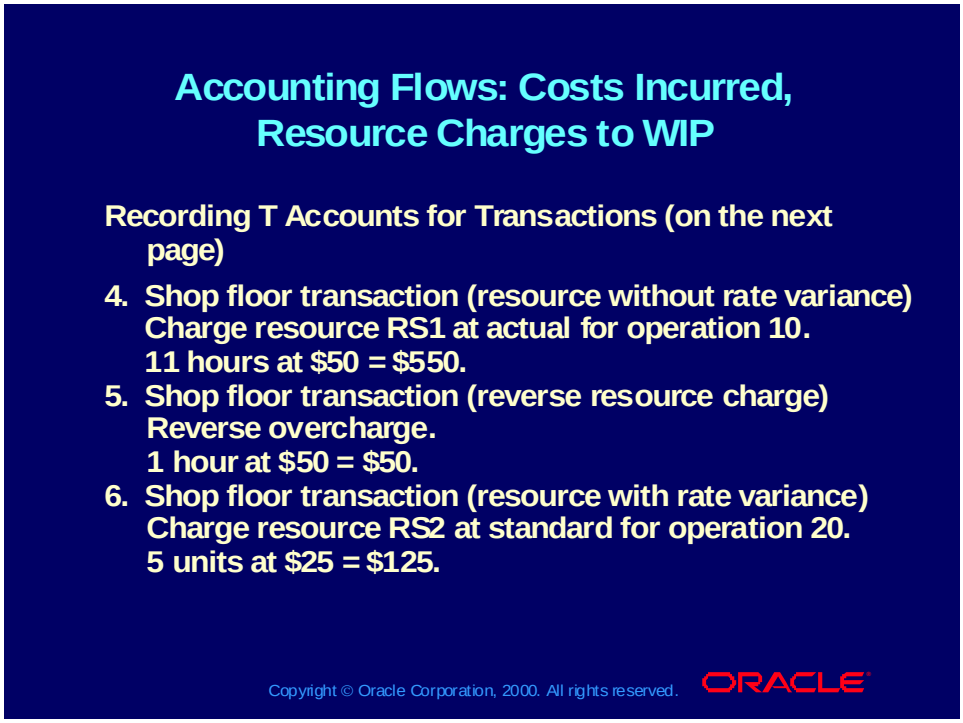

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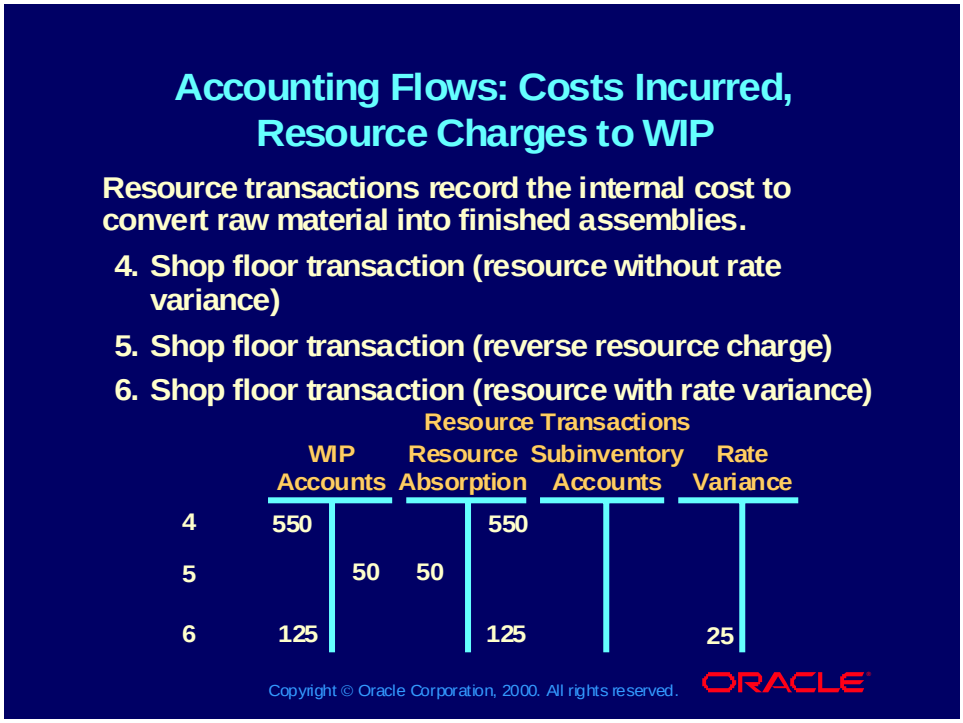
Accounting Flows: Costs Incurred, Resource Charges to WIP



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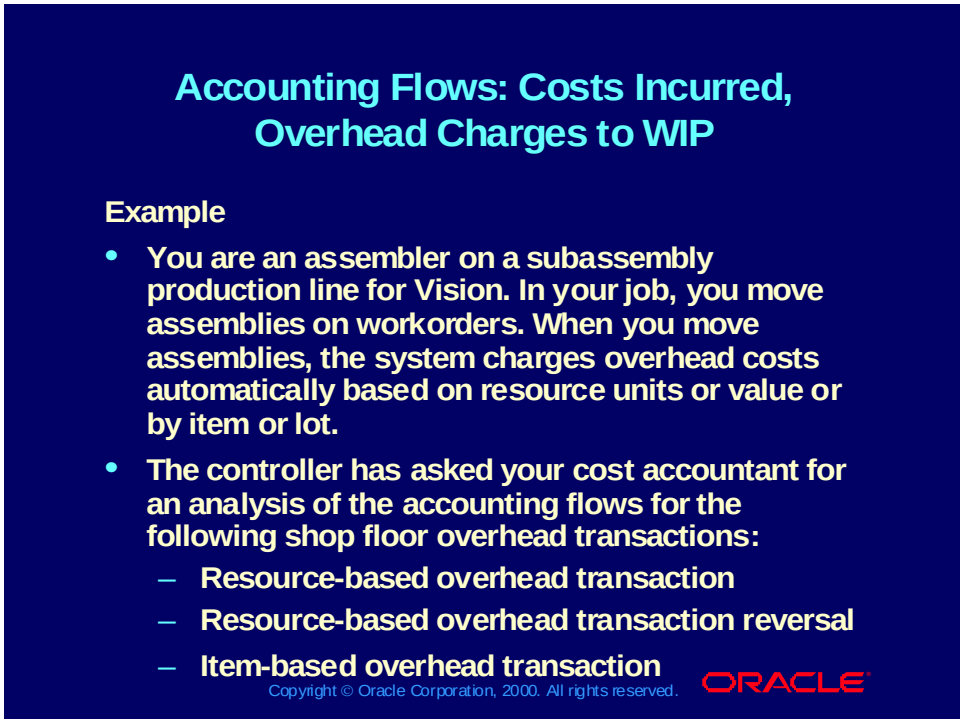

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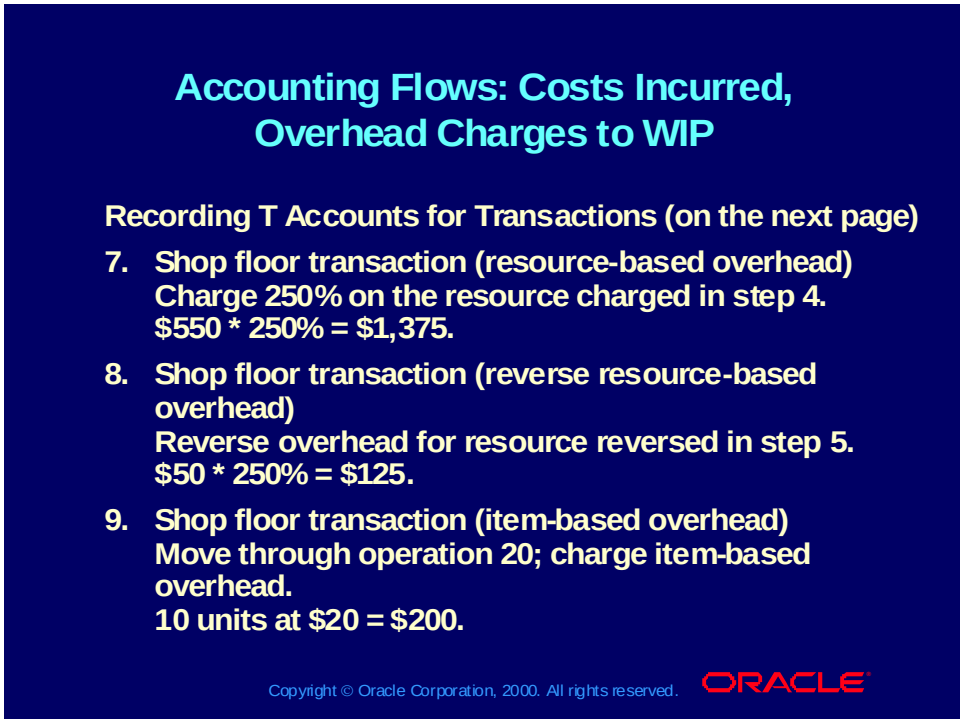

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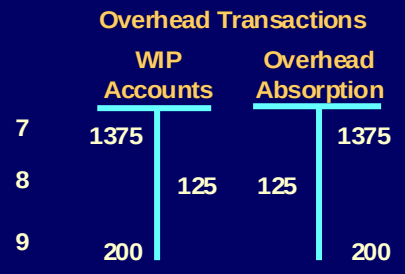
Accounting Flows: Costs Incurred, Overhead Charges to WIP

Accounting Flows: Costs Incurred, Overhead Charges to WIP

Overhead transactions record the indirect cost of WIP.

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



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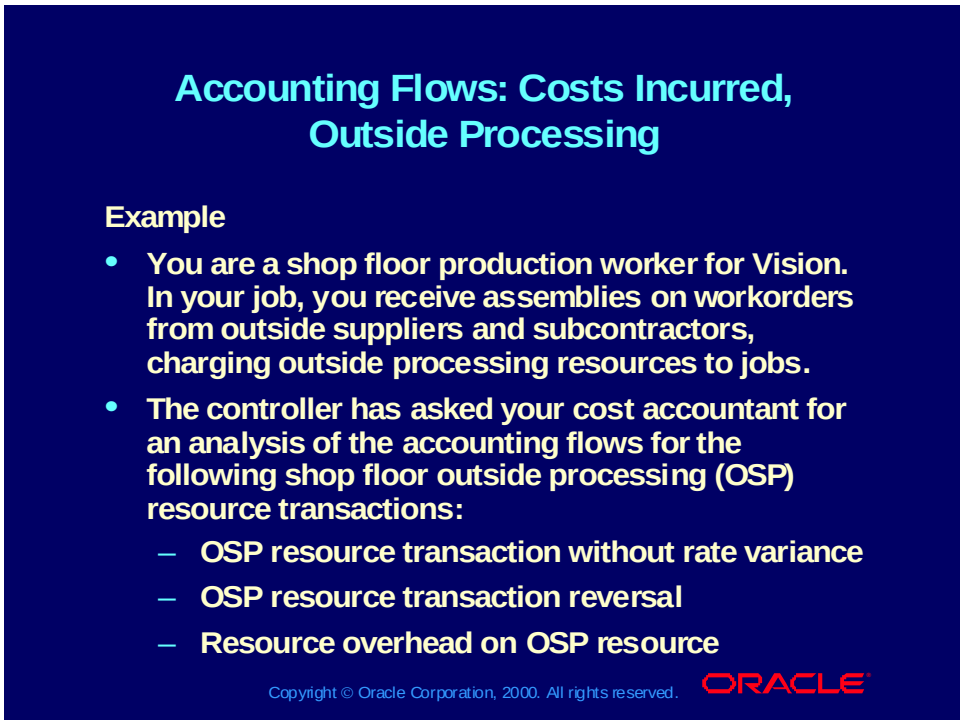

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Accounting Flows: Costs Incurred, Outside Processing

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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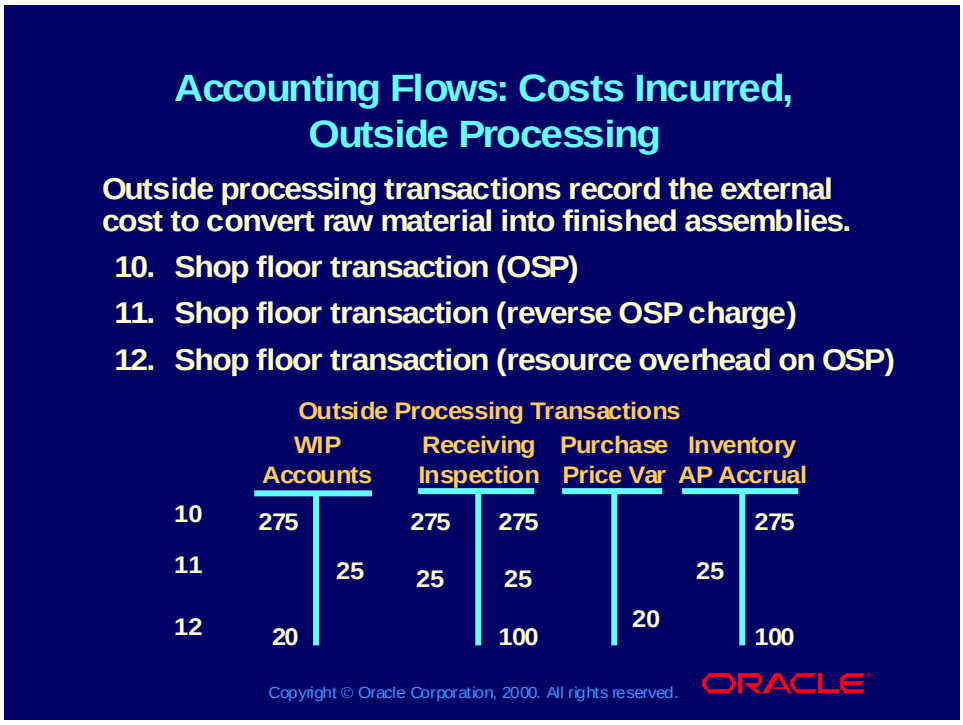

Note

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.

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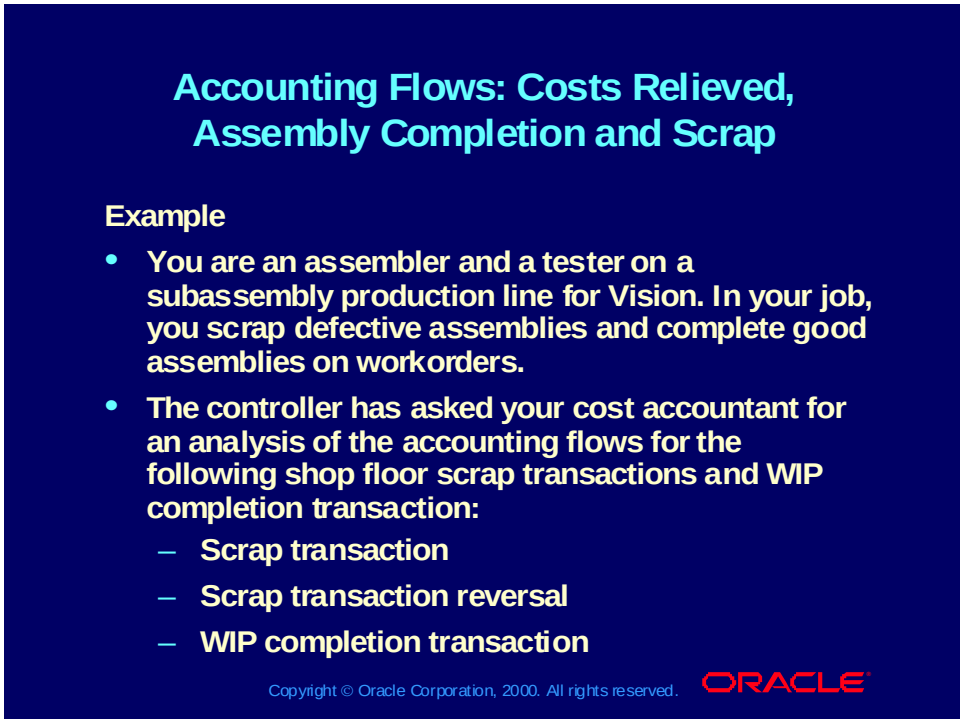

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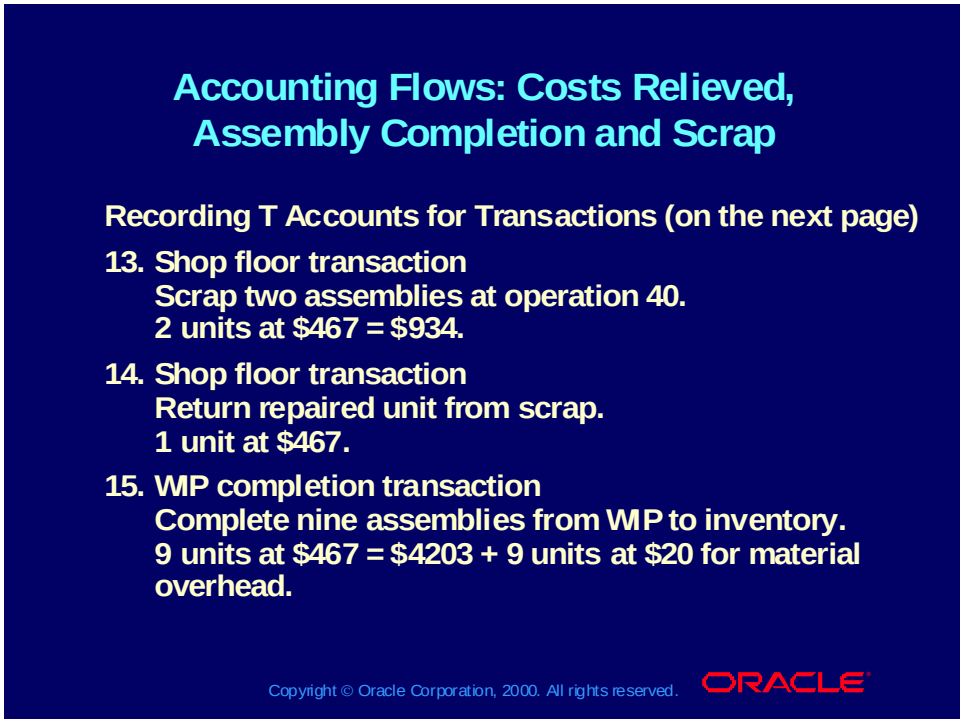

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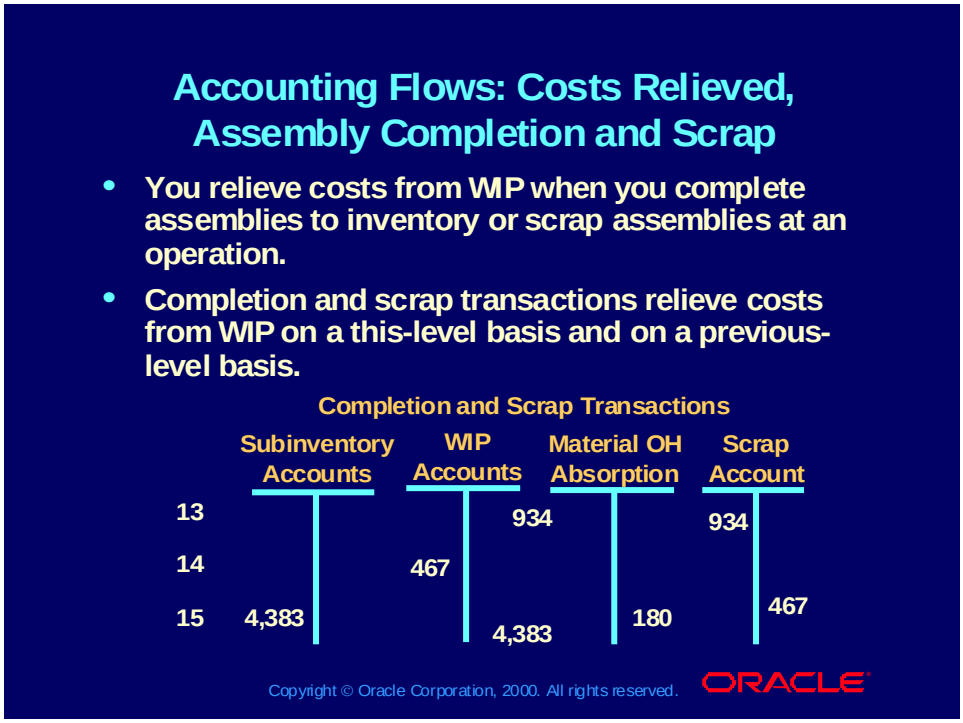
Accounting Flows: Costs Relieved, Assembly Completion and Scrap



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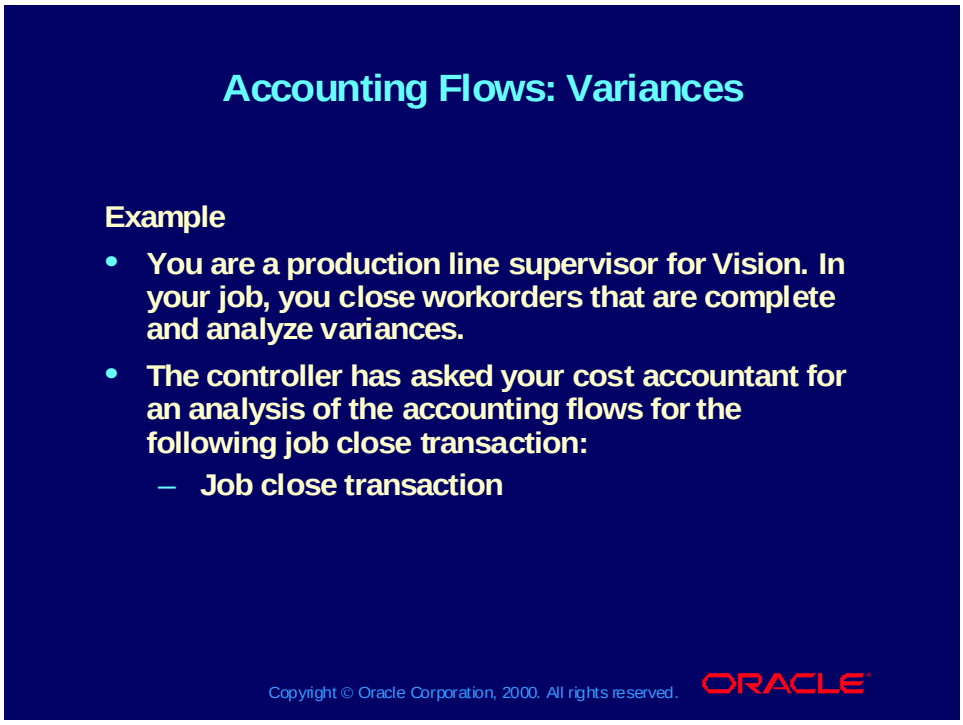

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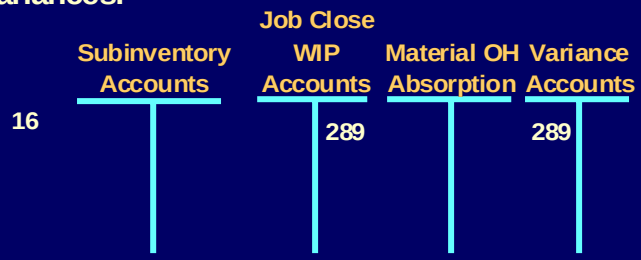
Accounting Flows: Variances

Recording T Accounts for Transactions

16. Job close or schedule

Recognize this-level variances and previous-level variances.



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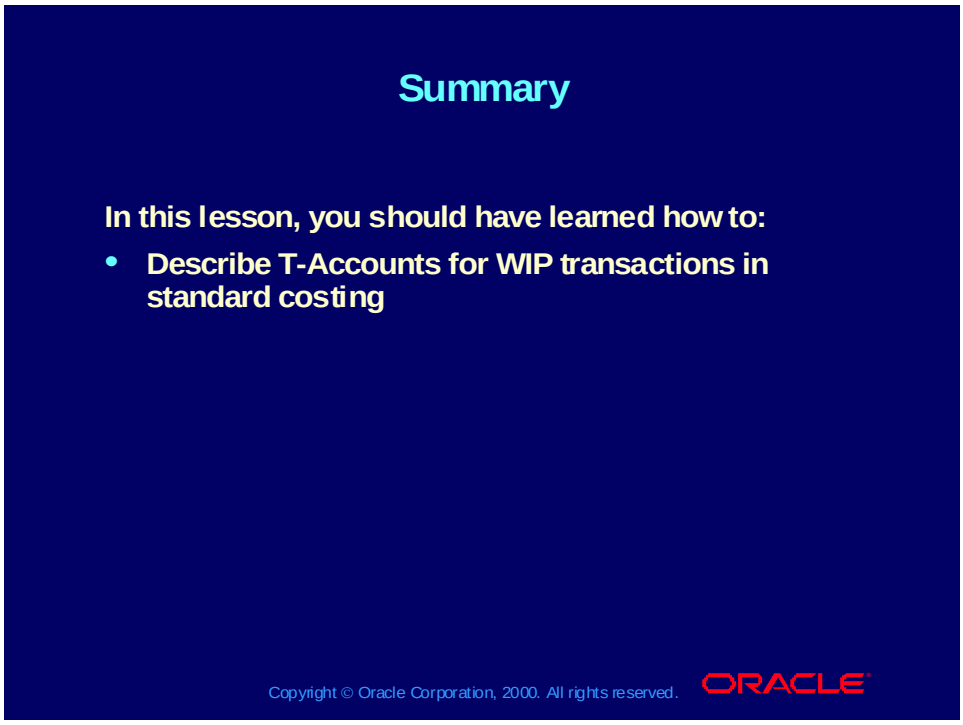
Summary



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

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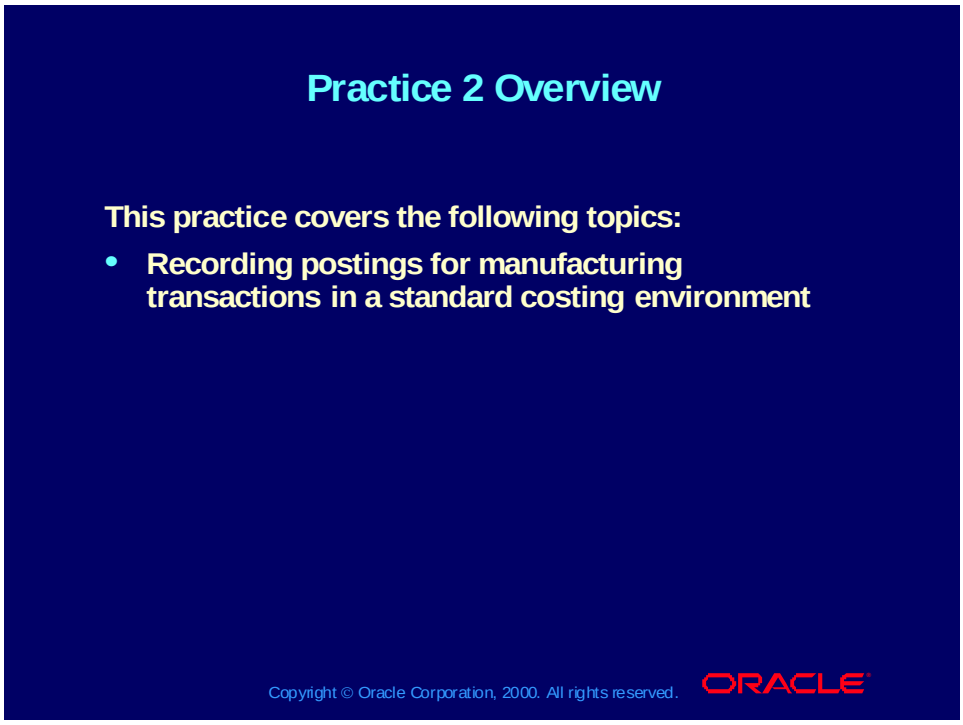

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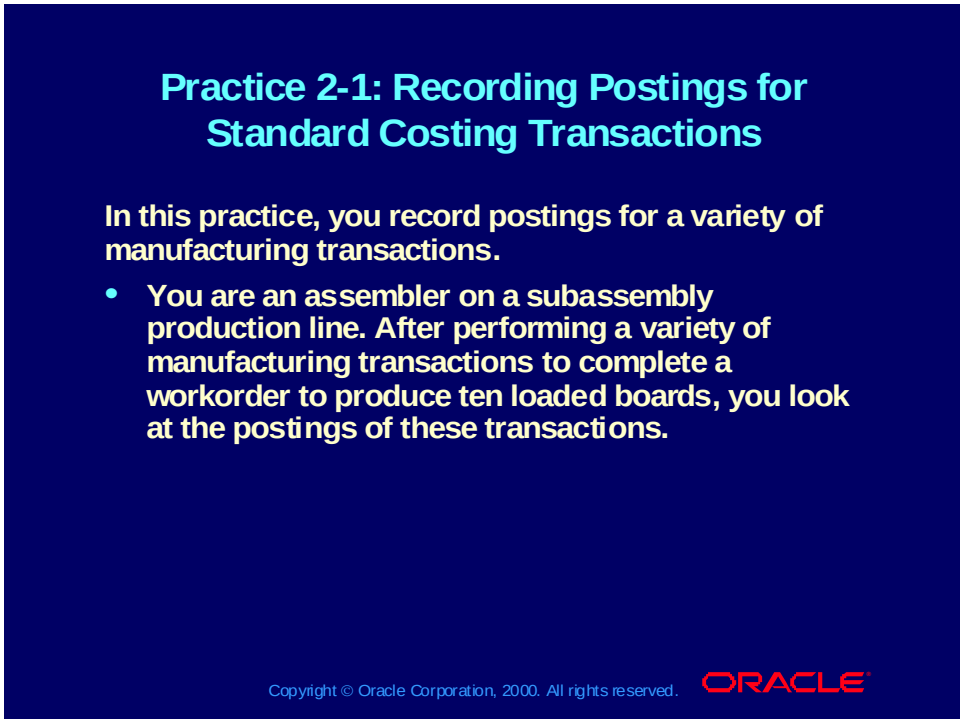
Practice 2-1: Recording Postings for Standard Costing Transactions



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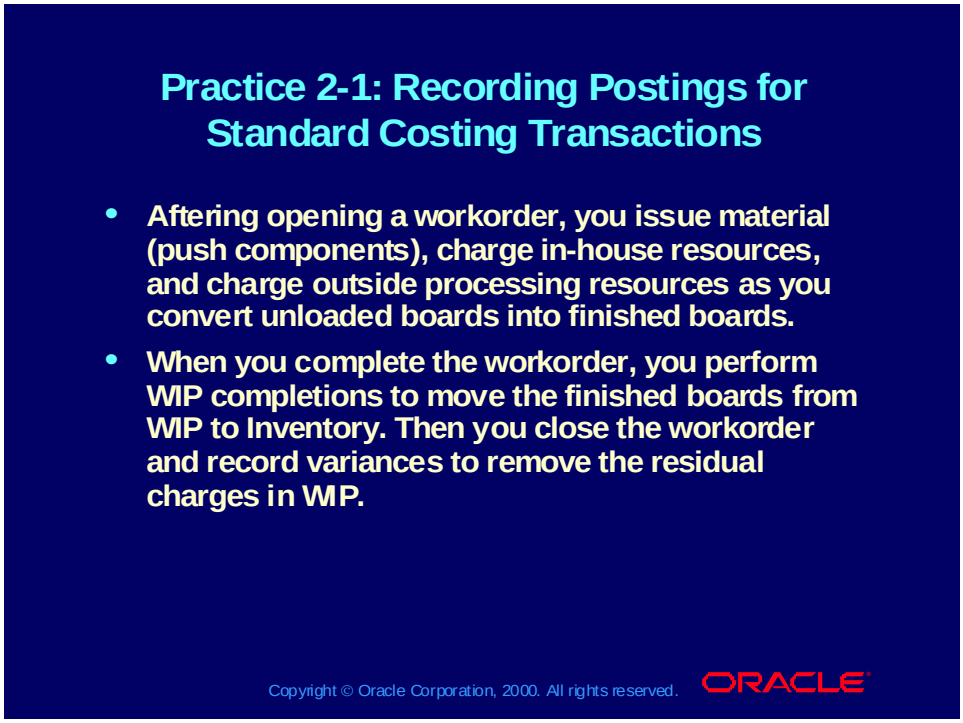
Practice 2-1: Recording Postings for Standard Costing Transactions



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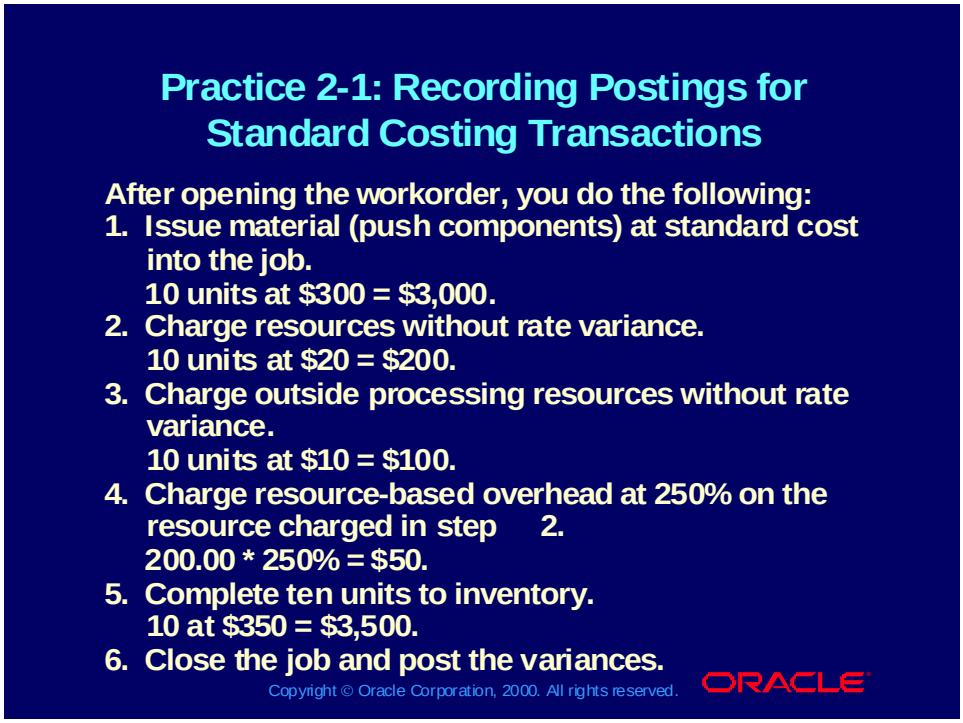
Practice 2-1: Recording Postings for Standard Costing Transactions



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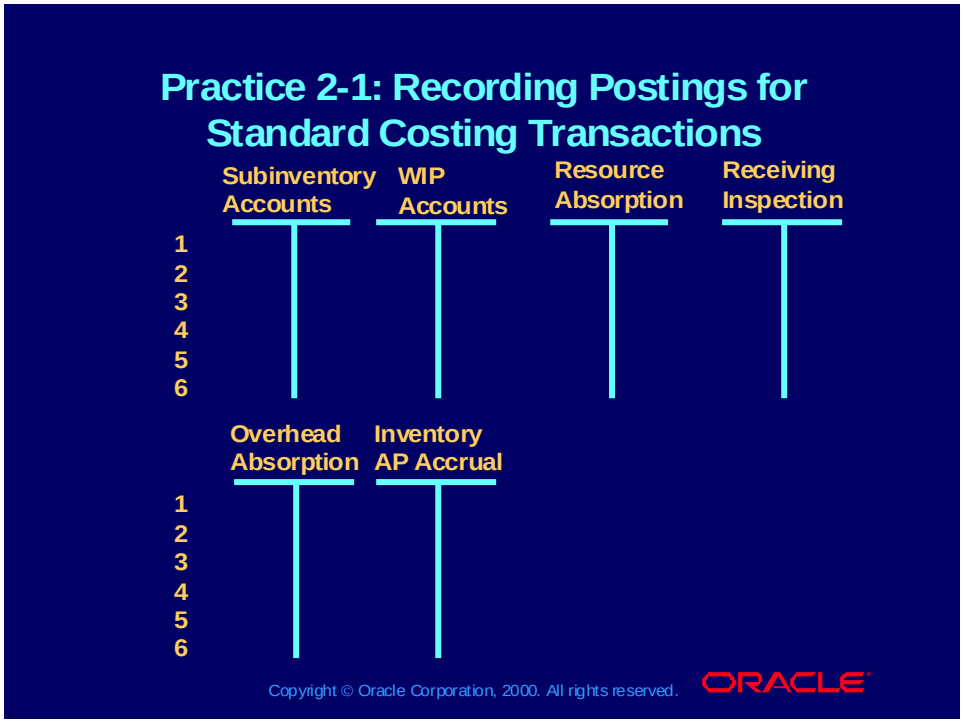
Practice 2-1: Recording Postings for Standard Costing Transactions



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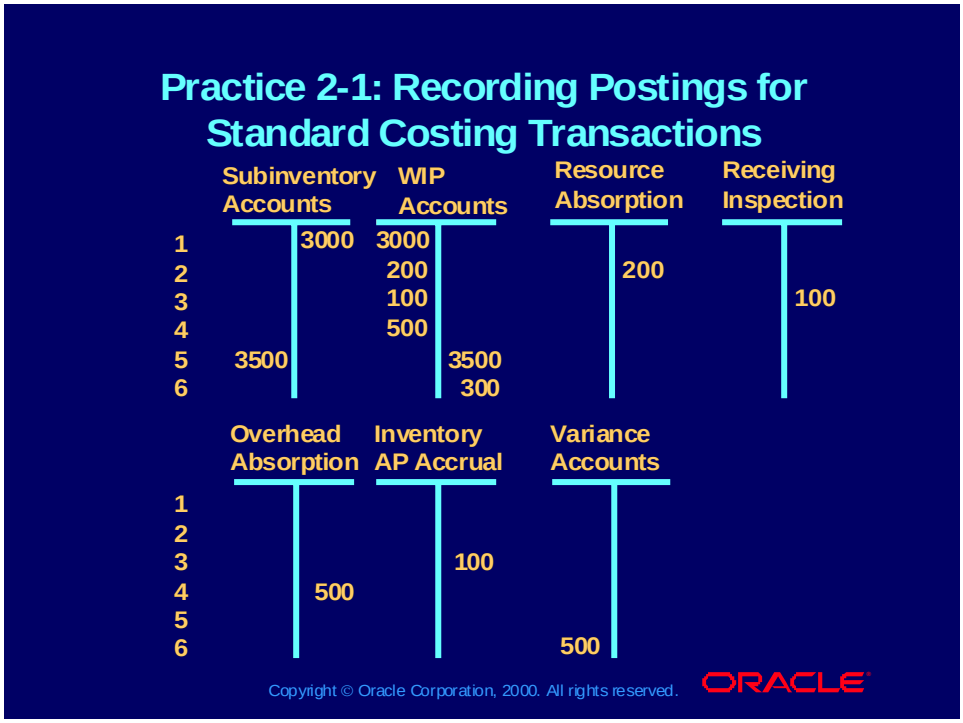
Practice 2-1: Recording Postings for Standard Costing Transactions



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