Subject: **Confirm/Review Costs**

PURPOSE

This note shows an overview of all the possible ways you can
check/inquire/examine how the cost is built up for an item. Make an
overview of all the inquiry screens and the report a customer can run
to see how a cost is created - rolled-up - applied ....
You will have to mention all navigation paths - and what you can see
where mention the reports a customer can run to see the costing for his
item.

SCOPE & APPLICATION

INTENDED AUDIENCE IS SUPPORT,USER AND DEVELOPMENT

An Overview of the Process for User to Check/Inquire/Examine how a
cost is build up for an item.

Review and Confirm Standard Costs

The following are the steps required for setting up and confirming
standard costs.

        1.Define Organization Parameters

        Navigation:

        Inventory--Setup--Organizations--Parameters..

·   Select an organization and select Costing Method as Standard
Costing.
·   Transfer Detail to GL is appropriately set.
·   Default Material Sub-element Account(required).

        2.Define Cost types are defined.

        Navigation :

·   Cost--Setup--Cost Types

        This is required setup to setup standard costs and maintain
costs in a cost type of user choice and later update the cost in Frozen
Cost Type.

        3.Define Activities and activity costs are defined..

There are different activities like Move,Queue ,Run etc which are used for WIP SHOPFLOOR transactions.

4.Material Overhead Defaults are defined..

5.Define Item Cost

6.Activity costs can be set for items to get the items costed with any activity.

7.Mass editing is another way of editing cost on a mass level.

With these Mass Edits,user can specify a range of items or categories,a
specific cost type,basis type,activity,type of item (Make or Buy).

All Cost Mass edits can copy from an existing cost type and simulateneously submit
a cost comparision report.

8.User can perform a copy cost between different cost types within the same
   organization or between different organizations.

9.Finally Perform a standard cost update to copy cost from user defined
   cost type to Frozen cost type.

If the user has Bills of Materials installed and updating Assemblies,the user needs to Rollup assembly costs before performing a Cost Update to Frozen cost.

10.If the Bills of Materials is installed,the user has to setup the following steps for Standard Costing.

· Define Bills of Material Parameters

· Next, make sure Max Bill Levels are set and all the Configuration Options are set.

·   Next, set the Inactive status to Inactive status .

     11.Define Resources as these resource must be costed during the process of Building an assembly in shopfloor.

     Resources can be costed or not costed.Resources can be setup to apply charges at the actual rate or standard rate.

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     12.Define the departments that are involved in the Building of the assembly in the Bills of Material.
     Then assign the resources already defined .If the Assembly is using the overheads,then Overheads can be defined and assigned to departments.

     When the cost rollup uses the assigned basis type, to apply the overhead charge and assigns the activity to the calculated overhead cost.

     13.Review the routing and bill structures to confirm that costs will rollup properly.

     14.If the user wants to do scrap transaction in WIP(Work In Process) then the
     Require Scrap Account has to be set according to the user requirement in WIP PARAMATERS.

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     15.Work in Process accounting classes and their valuations and accounts are properly set to record the cost of the assmbly and their components in WIP accurately and thereby valuating the inventory correctly..

     Note:It is not a good practice to maintain the same account numbers for all the cost elements.

     16.Perform a cost rollup as appropriate to set initial standard costs.

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17.Perform a standard cost Update after Rolling up Assemblies.
This revalues inventory and implements New Costs thereby Updating

Pending Costs to Frozen Standard Costs.

The standard cost update Process revalues standard and non-standard asset
discrete jobs and updates pending costs to frozen standard costs.Repetitive
schedules and non-standard expense jobs do not get revalued by the cost
update.

Standard Cost Update Adjustment=[new costs in
(material,resource,outside processing and ovehead charges)-
new costs out(scrap and assembly completion charges)]-[old costs
in(material,resource,outside processing,
and overhead charges)-old costs out(scrap and assembly completion
charges)]

If the result of the cost update is an increase in the standard cost of
the job,
the accounting entries for a cost update transaction are:

Account:
========
                                Debit   Credit
WIP ACCOUNTING CLASS VALUATION ACCOUNT   XX
WIP STANDARD COST ADJUSTMENT ACCOUNT   XX

If the result of the cost update is a decrease in the standard cost of
the job,the accounting entries for a standard cost update transaction
are :

Account:
=========

                                Debit   Credit
WIP ACCOUNTING CLASS VALUATION ACCOUNT   XX
WIP STANDARD COST ADJUSTMENT ACCOUNT   XX

Steps for updating standard Costs

Define Cost type for Pending standard costs.

Define Pending Costs for each of the cost elements:material,material
overhead,resources,overhead and outside processing.

Rollup Pending costs.This adds up pending costs for all cost
elements of an assembly and creates a new pending cost for
the assembly.

Update Pending costs to Frozen costs.

Review new Standard cost adjustment reports..These reports are
submitted as Part of the standard cost update process.

Navigation:

·   Cost—Item Costs—Standard Cost Update—Update Costs

1.Historical Intransit Standard Cost Adjustment Report.

2.Historical WIP Standard Cost Adjustment Report.

3.Historical Inventory Standard Cost Adjustment Report.

Lastly but not the least ,user can run a Item Cost report and Indented Bill of Material cost report to get
the exact item cost by level..which can be submitted as follows.

Navigation:

·   Cost—Report—Cost—Item Cost report

·   Cost—Report—Cost—Indented Bills of Material Cost Report

RELATED DOCUMENTS

Oracle Cost Management user guide Release 11.0

Oracle Cost Management user guide Release 11i.

Oracle Cost