

COGS Accounting Solutions for Trade and Intercompany Sales

Cost Mgmt SIG Webinar May 30, 2017

NWOUG Training Day September 6, 2017

Learning Points

- ❑ External and Intercompany COGS
- ❑ Typical Business Requirements
- ❑ Tools Available to Configure COGS
- ❑ Lessons Learned

Agenda

- Overview for External and Intercompany COGS
- Typical Business Requirements for COGS
- Configuring COGS
- Lessons Learned

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□ Professional Summary

- 35+ years industry, design and consulting and firefighting experience
- Specializing in Cost Management business solutions
- Awarded 2014 OAUG Member of the Year
- Co-designed Oracle Cost Management at Oracle
- Implementations with international consulting firms, in twelve countries
- Led the Oracle Applications User Group for Cost Management since 2007
- Presenter at Collaborate (OAUG) and UKOUG since 1996
- Prior industry positions for General and Cost Accounting management

□ Business Solutions



- Change cost methods
- Inventory reconciliation
- Profit in inventory
- Intercompany
- A/P accruals
- Fix system account setups
- Multi-org cost accounting reports
- Product Line & Margin analysis
- Cost Rollup and Update
- Cost accounting training

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Business Solutions – Over 30 Presentations

- <http://oaug.org/communities/webinars#cost-management-sig>
- <http://www.volzconsulting.com/resources.html>

A/P Accruals:

- (R11i) How to Setup, Use and Balance Your A/P Accrual Accounts
- (R12) A/P Accruals for Release 12 (OAUG Cost Management SIG)

Change Your Cost Methods Without Re-implementing:

- Who Said Changing Cost Methods With Discrete Costing Can't be Done?

Cost Management & Subledger Accounting (SLA):

- Cost Accounting As You Want It – EBS R12 Cost Accounting with SLA
- Subledger Accounting for Discrete & EAM Cost Accounting: Product Line and Expense Accounting Made Easy
- How to Create Shipping Burdens for Oracle Cost Management, in Spite of Subledger Accounting

Discrete & Process Cost Accounting Integration:

- We Can Create Combined Oracle Cost Accounting Reports for Both Discrete and Process Manufacturing

Inventory Reconciliation:

- Can We Actually Reconcile Project MFG to Inventory, WIP, Projects & G/L? What Was I Thinking?
- Reconcile Your Inventory to G/L Balances With Ease, From 1 to 1,000 Inventory Organizations!

Profit in Inventory Solutions:

- Does Rel. 12 Solve Global Inter-Company Issues for Multiple Ledgers, Profit in Inventory and COGS?

Period Close Tips and Month-End Interfaces:

- How in the Dickens Do I Handle Those Month-End Interfaces? (And Why Can't I Close My Books?)
- How to Manage the Inventory and Manufacturing Period Close and Remain Sane...

Business Solutions – Over 30 Presentations

- <http://oaug.org/communities/webinars#cost-management-sig>
- <http://www.volzconsulting.com/resources.html>

Costing Tips and Tricks:

- Make Cost Management Work for You!
- Oracle Cost Management Features and Workarounds

Transactions and Variances:

- eAM Costing, How Is It Different from Oracle MFG Costing?
- How to Setup, Transact and Use Outside Processing
- InterCompany – Fulfillment Delivery Options - an Oracle DropShip Example
- Manufacturing Variances for Oracle EBS
- Overview of Oracle Discrete Costing for Manufacturing
- Receiving as it Relates to Oracle Cost Management
- Ship to Invoicing Oracle Transaction Flows: Tracing a Sale Through Inventory

Other Related Presentations:

- Cost Allocations: Different Ways to Use Oracle EBS Cost Elements, Sub-Elements and Cost Allocation Methods
- Change Management is So Important!
- Don't Forget Your Business Processes! Oracle Can't Do it All for You
- Major Tables & Relationships for Oracle EBS Costing
- What's New in Oracle Release 12 – the Changes that Matter
- Why Upgrade to Oracle Release 12 Costing - What's In it for Me?

□ Overview for External and Intercompany COGS

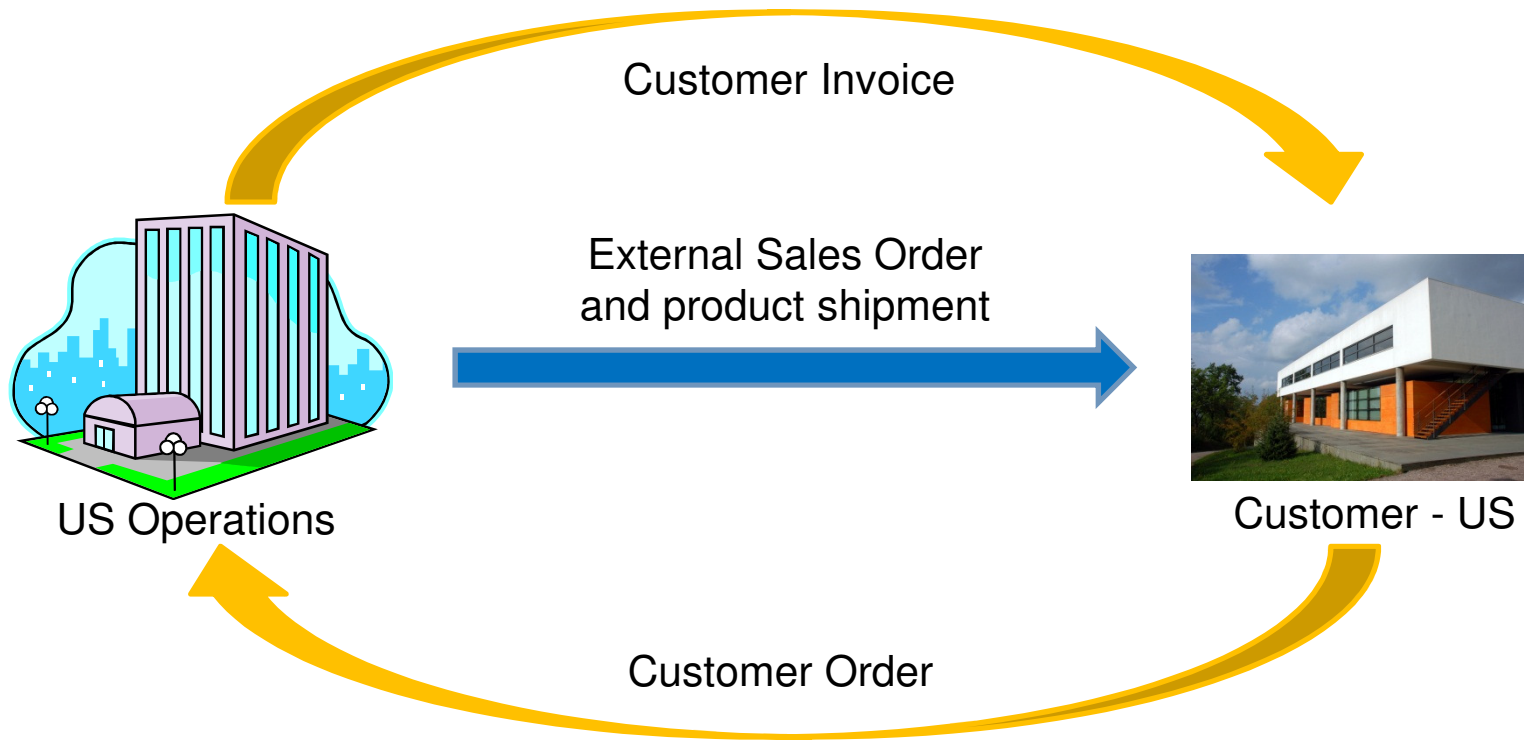
Definitions

- External COGS
 - Cost of goods sold (or cost of goods manufactured) when shipping to a 3rd-party or external customer
- Intercompany or Internal COGS
 - Cost of goods sold (or cost of goods manufactured) when shipping to a related party
- Intercompany Accounting
 - Recording and tracking the sales, cost of goods sold, accounts receivable, accounts payable and profit in inventory amounts
- Balancing Segment
 - The designated chart of accounts segment which must net to zero (or “balance”) for each journal entry, typically the Company Number segment

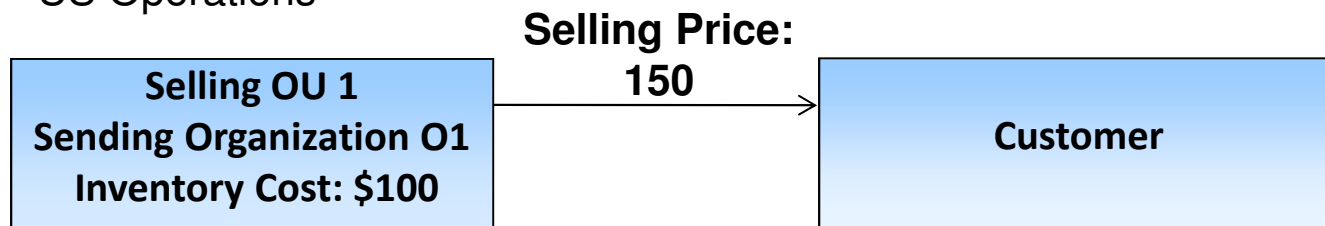
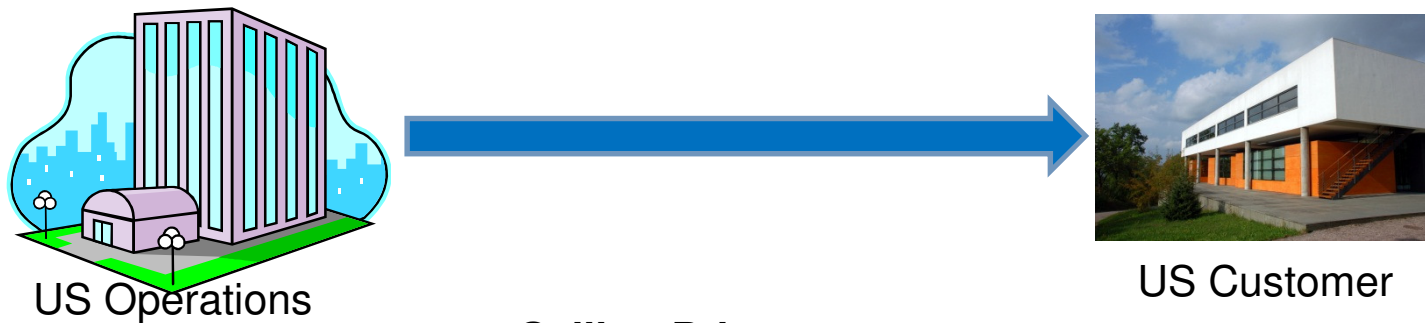
Definitions

- Intercompany Eliminations
 - For the consolidated ledger or company number, netting out the monthly activity for intercompany sales, cost of goods sold, accounts receivable, accounts payable and related profit in inventory amounts.
 - From a external financial reporting point-of-view, intercompany sales are not “real”, as the revenue, COGS and other entries were made to a related party.
- Account Generator Workflow
 - An internal configuration tool, available since Release 11, to configure accounting segment values. Replaced the Release 10 Flexbuilder functionality.
- Subledger Accounting
 - Release 12 tool used primarily to configure accounting segment values. Replaced the Release 11i Global AX solution and toolset. Partially replaces Account Generator Workflow but not completely.

Examples – External Customer Sales

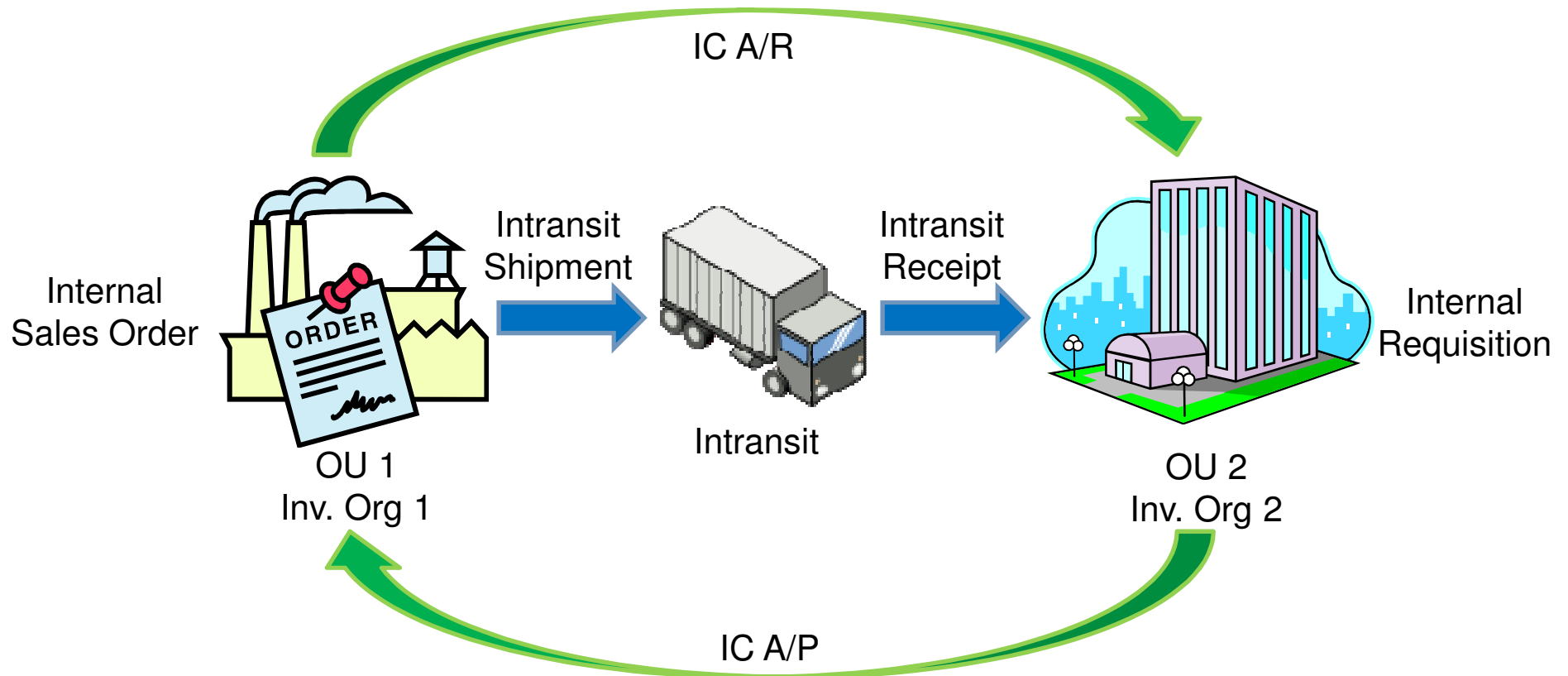


External Customer Debits and Credits



Event	INV FG Valuation (O1)	INV Staging Valuation (O1)	Deferred COGS (O1)	COGS (O1)	A/R Receivables (O1)	A/R Revenue (O1)
1. Pick Release	100	100				
2. Shipment		100	100			
3. COGS Recognition			100	100		
4. Customer Invoice					150	150

Examples – Internal Sales: IR/ISO



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Slide 14

External Customer Sales Fulfilled Internally

Menu path: Inventory => Setup => Organization => Intercompany Transaction Flows

❑ You can set up a “virtual” drop ship scenario

- The sales order is booked in Operating Unit 1 (OU1), but, shipped from OU2
- “Advanced Accounting” causes the Inventory Transaction Processor to automatically create Logical Sales Order Shipment and Receipt transactions between OU1 and OU2

Intercompany Transaction Flows

Operating Unit		Date Active		Advanced Accounting
Start	End	Start	End	
Vision Industries	Vision Germany	56:20		<input checked="" type="checkbox"/>
Vision Germany	Vision Operations	01:42		<input checked="" type="checkbox"/>
Vision France	Vision Netherlands	57:23	24-SEP-2004 07:45:00	<input type="checkbox"/>
Vision Operations	Vision Germany	:56:16		<input checked="" type="checkbox"/>
Vision Germany	Vision Operations	:00:59		<input checked="" type="checkbox"/>

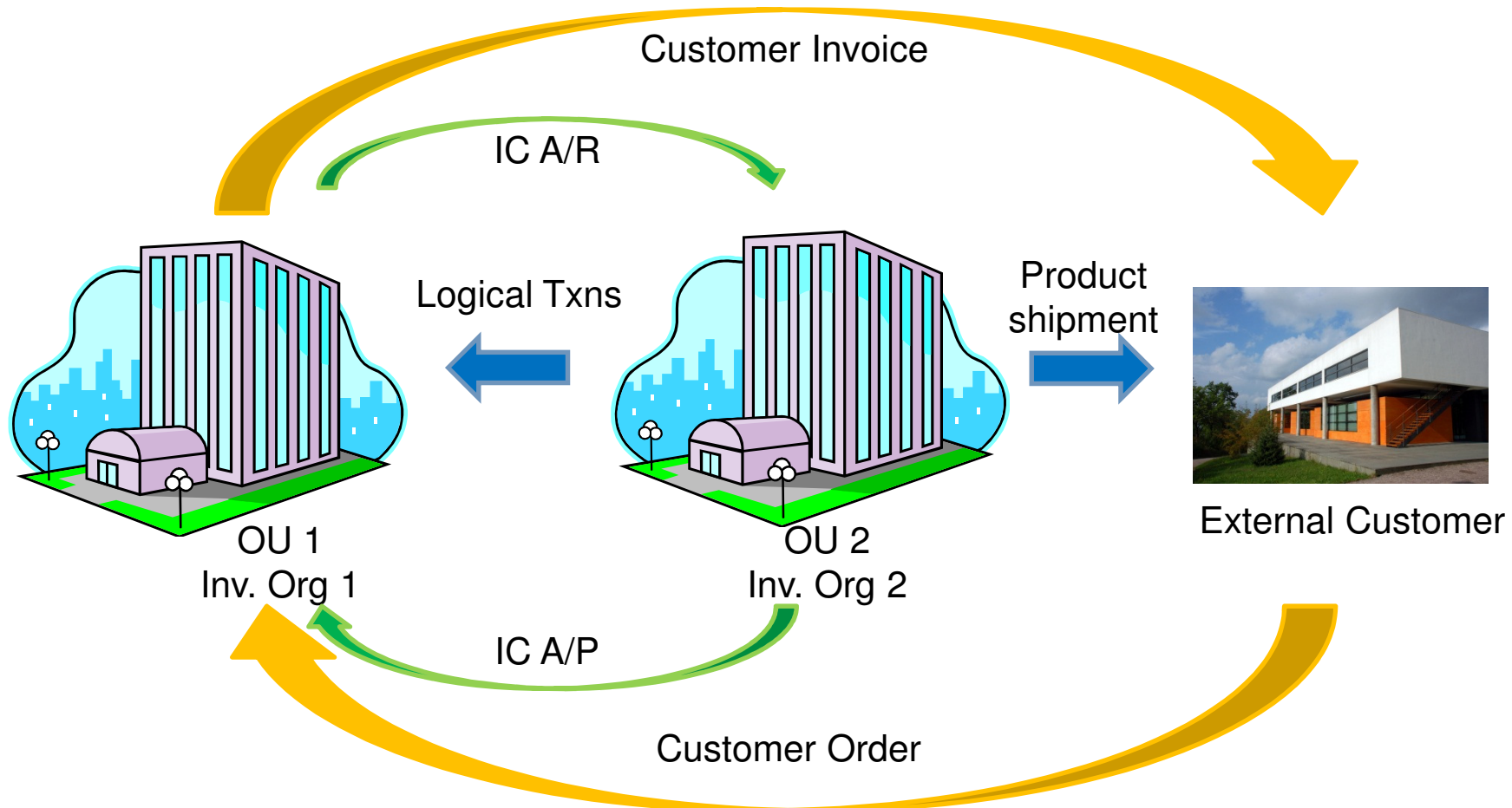
Nodes

Seq	From Operating Unit	Organization	To Operating Unit	Organization	Details Required
1	Vision Industries	E3	Vision Germany		<input type="checkbox"/>
					<input type="checkbox"/>
					<input type="checkbox"/>
					<input type="checkbox"/>
					<input type="checkbox"/>
					<input type="checkbox"/>

Intercompany Relations

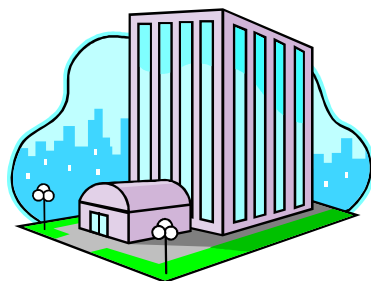
Advanced Accounting

Examples – External Customer Sales Fulfilled Internally



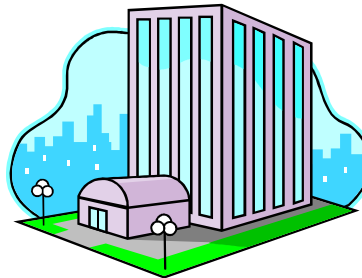
Advanced Accounting Setting on Intercompany Transaction Flows
Enables logical transactions between OU1 and OU2

External Customer Sales Fulfilled Internally



OU 1
Inv. Org 1 \$195

Logical Txns



OU 2
Inv. Org 2 \$100

Product shipment



Customer – US
Selling Price \$300

Event	INV Valuation (01)	I/C Accrual (01)	DEF COGS (01)	Trade COGS (01)	INV Valuation (02)	I/C COGS (02)
1. Pick Release (OU2)					100	100
2. Logical I/C Sales Issue (OU2)					100	100
3. Logical I/C Shipmt Receipt (OU1)	195	195				
4. Logical Sales Order Issue (OU1)	195		195			
5. COGS Recognition (OU1)			195	195		
6. Intercompany A/R						
7. Intercompany A/P	195	195			195	195
8. Customer A/R Invoice			300	300		

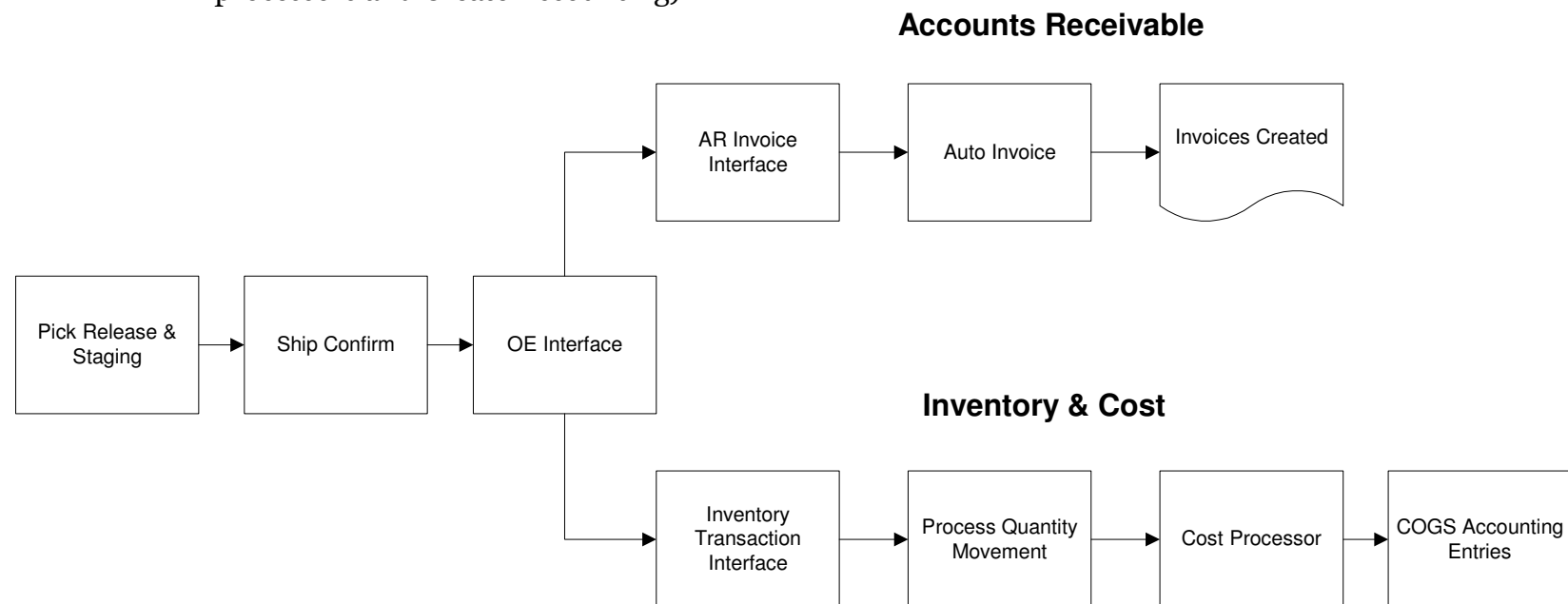
Sample Chart of Accounts

Company	Cost Center	Account	Sub-Account	Product Group	Location	Intercompany
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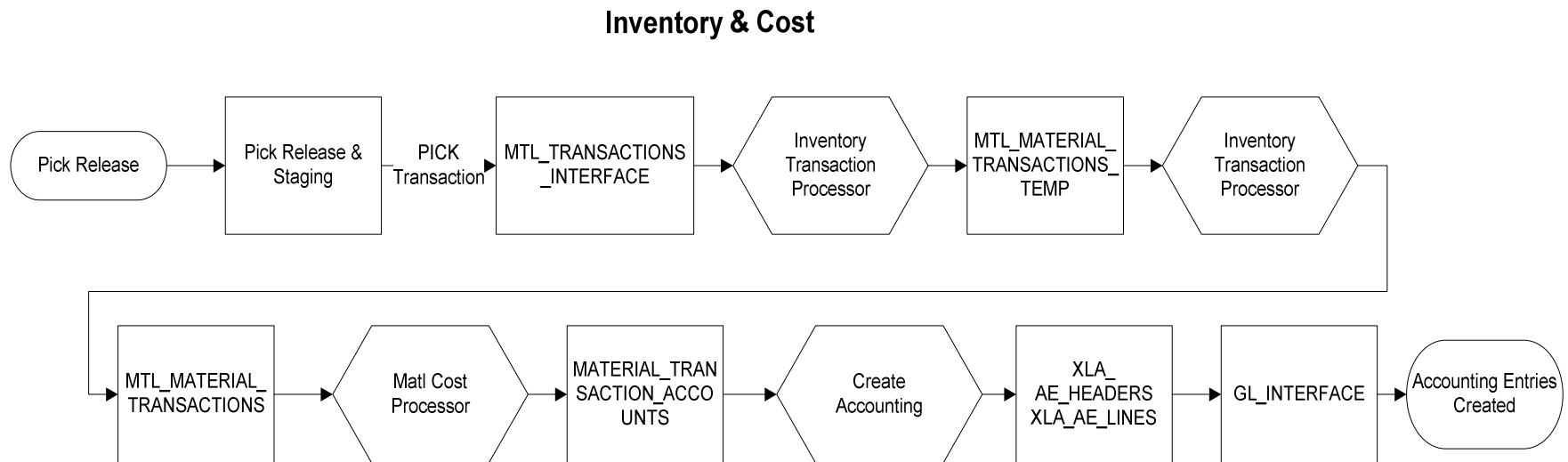
- ❑ **Company Segment:** represents the legal entity or company
- ❑ **Cost Center:** department responsible for expense
- ❑ **Account:** major classification for the asset, liability or expense
- ❑ **Sub-Account:** minor or sub- classification for the asset, liability or expense
- ❑ **Product Group:** method of grouping item activity and balances, such as sales, COGS, margin or inventory. Also known as Product Line.
- ❑ **Location:** represents the inventory organization, country or region for the accounting entry
- ❑ **Intercompany:** signifies where the goods or services are being delivered to. Such as the company number for the inventory org.

Timing of COGS Shipments Vs. Sales Invoices

- ❑ After Ship Confirm, the Order Management sends a transaction to both A/R and Inventory. For 100% Revenue/COGS recognition both must be processed in the same accounting period.
 - A/R transactions (using Autoinvoice and Create Accounting)
 - Inventory Cost of Goods Sold Entries
(via the Trip Stop Interface, Inventory Transaction , Material Cost Processors, COGS Recognition processors and Create Accounting)



Step One: Pick Release

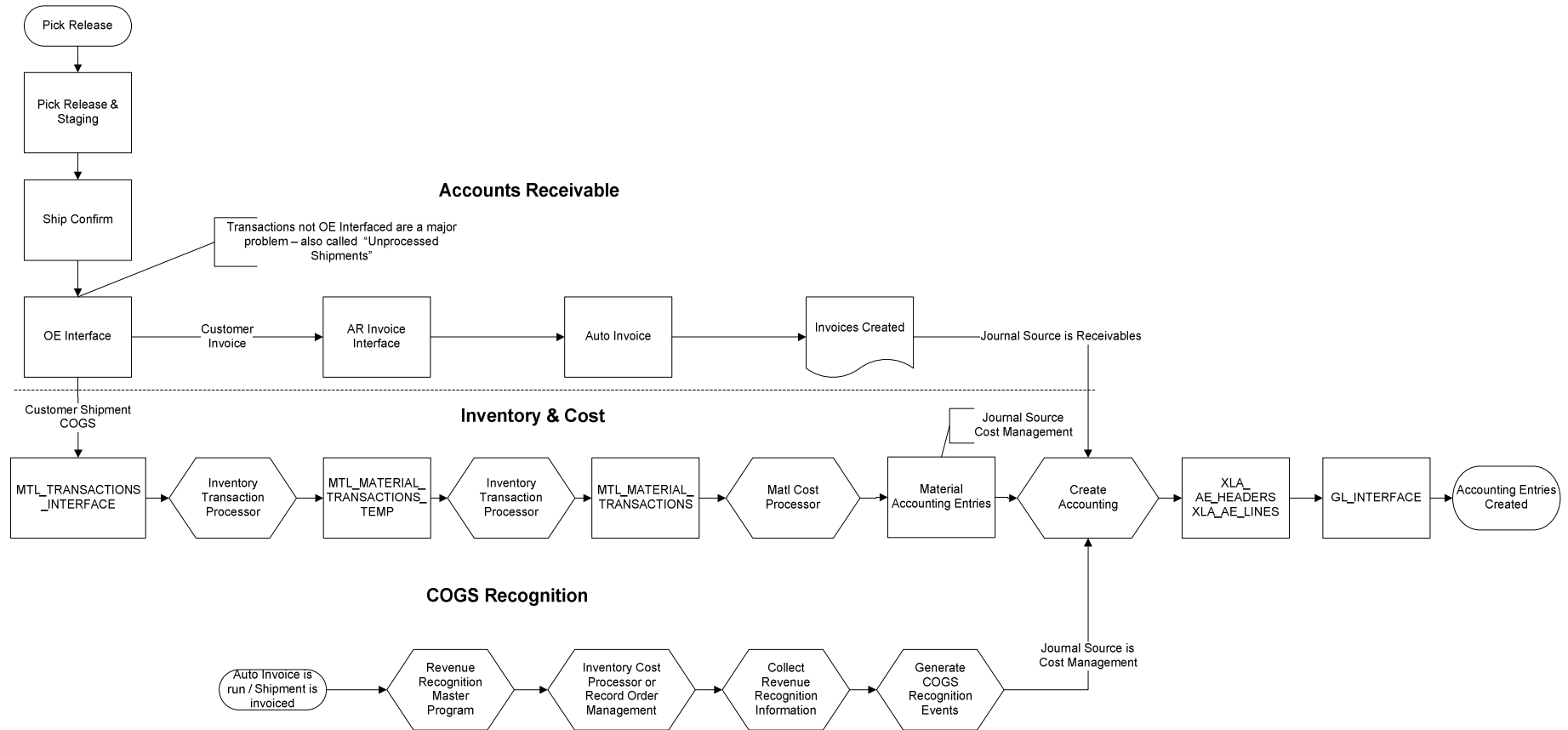


Ship to a Customer – Pick Release Accounting Transactions

□ Pick Release

<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Staging Subinventory account	130	
Subinventory account		130

Step Two: Ship Confirm and OE Interface



Ship to a Customer –Ship Confirm and COGS Recognition Accounting

□ Ship Confirm

Account	Debit	Credit
Deferred Cost of Goods Sold Account	130	
Staging Subinventory account		130

□ COGS Recognition

Account	Debit	Credit
Cost of Goods Sold Account	130	
Deferred Cost of Goods Sold Account		130

With 100% COGS recognition, Deferred
COGS should always be zero

Revenue and COGS Matching and Recognition

- ❑ In R12 external customer shipment entries go to Deferred COGS
- ❑ Revenue and COGS are explicitly matched
- ❑ You can create a report set to do the following:
 - AR: “Autoinvoice”
 - AR: “Revenue Recognition Master Program”
 - CST: “Inventory Cost Processor” or “Record Order Management”
 - CST: “Collect Revenue Recognition Information”
 - CST: Then “Generate COGS Recognition Events”
- ❑ Generate COGS Recognition Events program creates the needed accounting entries to clear Deferred COGS
- ❑ Use the COGS Revenue and COGS Matching Report to monitor the Deferred COGS account

□ Typical Business Requirements for COGS

Sample Chart of Accounts and COGS Requirements

Chart of Accounts	Requirement	Preferred Source
Company	Company number where goods shipped from or returned	Item Master COGS Account
Cost Center	Department responsible for expense	Order Type COGS Account
Account	Type of sales order or COGS entry	Order Type COGS Account
Sub-Account	Type of sales order or COGS entry	Order Type COGS Account
Product Group	Relates to product being shipped	Item Master COGS Account
Location	Shipment location or Org identifier	Item Master COGS Account
Intercompany	Only for intercompany shipments. Company number where goods shipped to or being returned	Shipping Network Inter-Org A/R Clearing Account or Intercompany Relations Form

Sample Chart of Accounts and Preferred Source

Chart of Accounts	Preferred Source	Why?
Company	Item Master COGS Account	Can have sales orders booked in one OU but shipped from another
Cost Center	Order Type COGS Account	Sales Samples, Demo order types may have non-zero cost centers
Account	Order Type COGS Account	Order types define the purpose of the order, including the COGS account
Sub-Account	Order Type COGS Account	Order types define the purpose of the order, including sub-accounts
Product Group	Item Master COGS Account	Standard mass edits are available for the Item Master COGS accounts
Location	Item Master COGS Account	Typically for COGS a zero filled value
Intercompany	Shipping Network Inter-Org A/R Clearing Account or Intercompany Relations Form	Useful for intercompany eliminations, company number where goods being shipped or returned to

□ Configuring External and Intercompany COGS

Configuring COGS and Revenue Accounting

- Lots of choice but no consistency with standard functionality

Standard Functionality for Revenue, COGS and OCOGS					
P&L Element	Workflow (Account Generator)	Auto Acct'g (A/R)	Category Accounts (Std Use)	Cost Hook	SLA Std Source (Cat Acct)
Sales Revenue					
COGS					Cat Acct
OCOGS: PPV					Cat Acct
OCOGS: IPV					
OCOGS: WIP Scrap					Cat Acct
OCOGS: WIP Variances					
OCOGS: Acc't Aliases					Cat Acct

Preferred Approach for COGS

Chart of Accounts	Preferred Data Source	Preferred Approach
Company	Item Master COGS Account	COGS Account Generator Workflow
Cost Center	Order Type COGS Account	COGS Account Generator Workflow
Account	Order Type COGS Account	COGS Account Generator Workflow
Sub-Account	Order Type COGS Account	COGS Account Generator Workflow
Product Group	Item Master COGS Account	COGS Account Generator Workflow
Location	Item Master COGS Account	COGS Account Generator Workflow
Intercompany	Shipping Network Inter-Org A/R Clearing Account or Intercompany Relations Form	Subledger Accounting or COGS Account Generator Workflow

Item Master COGS Account

Menu path: Cost Management – SLA => Item Costs => Item Costs => Open

Item Costs Details (M1)

Item: CM51562 PC Bag - Double Sided, Leather UOM: Ea

Cost Type: Pending Pending Standard Cost Type Default Cost Type: Frozen

☐ Use Default Cost Controls

Cost Controls

☒ Inventory Asset Lot Size: 1

☐ Based On Rollup MFG Shrinkage Rate: 0 []

Cost Information

Material	50.00000	Cost Category	ACCESSORY.CASES
Material Overhead		Quantity	750
Resource		Extended Value	37,500.00
Outside Processing		Last PO Price	0.00000
Overhead		Invoice Price	95.00000
Unit Cost	50.00000	Make/Buy	Buy
COGS Account	01-520-5110-0000-000	<input checked="" type="checkbox"/> Include In Rollup	
Sales Account	01-520-4110-0000-000		

Views Costs

Order Type COGS Account

Menu path: Order Management Super User => Setup => Transaction Types => Define

Transaction Types

Operating Unit: **Vision Operations**

Description: **Standard Order Type fo**

Order Category: **Order**

Fulfillment Flow: **Order Flow - Generic**

Effective Dates: **01-JAN-199** -

Layout Template:

Contract Template:

Transaction Type: **Standard**

Sales Document Type: **Sales Order**

Transaction Type Code: **Order**

Negotiation Flow: **Negotiation Flow - Gen**

Default Transaction Phase:

☒ Retain Document Number

Validate Workflow

Approvals

Assign Line Flows

Main Shipping Finance

Rule

Invoicing Rule: ... Accounting Rule:

Source

Invoice Source: Non Delivery Invoice Source:

Credit Method For

Invoices With Rules: **Prorate** Split Term Invoices: **Prorate**

Receivables Transaction Type: **Invoice**

Cost of Goods Sold Account: **01-510-5110-0000-000**

Conversion Type:

Tax Event: **ENTERING**

Currency: **USD**

Intercompany Relations

Menu path: Inventory => Setup => Organization => Intercompany Transaction Flows => Intercompany Relations

The screenshot shows the 'Intercompany Relations' window in Oracle. It is divided into several sections: 'Flow Type' with 'Type' set to 'Procuring'; 'Operating Unit' with 'Procuring' set to 'Vision Operations' and 'Receiving' set to 'Vision Germany'; 'AR Invoicing for Procuring' with fields for 'Customer' (Vision Germany), 'Number' (2186), 'Location' (10369), 'Transaction Type' (Invoice), 'Intercompany COGS Account' (01-510-5110-0000-000), and 'Currency Code'; and 'AP Invoicing for Receiving' with fields for 'Supplier' (Vision), 'Site' (VISION OPS), 'Freight Account', 'Inventory Accrual Account' (01-1410-000-000), and 'Expense Accrual Account' (01-0976-000-000).

Not used for IR/ISO
COGS!

Used for External Vendor Drop Ship (Advanced Accounting)
and Global Procurement Flows

Item Accounts Mass Edit

Menu path: Cost Management —SLA => Cost Mass Edits => Mass Edit Item Accounts

The screenshot shows the 'Mass Edit Item Accounts (EM1)' window. The 'Name' field is 'Mass Edit Item Accounts'. The 'Parameters' field contains 'Cost of Goods Sold.All items....01-000-5200-0000-000.01-000-5110-0000-000'. The 'Language' field is set to 'Parameters'. The 'Account Type' dialog box is open, showing a list of account types: 'Cost of Goods Sold', 'Encumbrance', 'Expense', and 'Sales'. The 'Cost of Goods Sold' account type is selected. The 'Find %' field is empty. The 'Old Account' field is '01-000-5200-0000-000' and the 'New Account' field is '01-000-5110-0000-000'. The 'Item Range' field is 'All items'. The 'Specific Item' field is empty. The 'Category set' field is empty. The 'Specific Category' field is empty. The 'Upon Completion...' field is empty. The 'Layout' field is empty. The 'Notification' field is empty. The 'Print' field is empty. The 'Help (C)' button is at the bottom left. The 'Submit' and 'Cancel' buttons are at the bottom right.

Field	Value
Name	Mass Edit Item Accounts
Operating Unit	
Parameters	Cost of Goods Sold.All items....01-000-5200-0000-000.01-000-5110-0000-000
Language	Parameters
Account Type	Cost of Goods Sold
Item Range	All items
Specific Item	
Category set	
Specific Category	
Old Account	01-000-5200-0000-000
New Account	01-000-5110-0000-000

Shipping Network Inter-Org Receivable Account

Menu path: Cost Management —SLA => Account Assignments => Shipping Network

Shipping Networks (M1)

Organization: M1 Seattle Manufacturing Find

Scope: From or To Organization: ▾

Shipping Networks

Main Transfer, Distance Primary Accounts **Secondary Accounts** Other Accounts Subcontracting Transfer Price

Organization

From	To	Inter-Org Receivable	Inter-Org Payable
B1	M1	01-520-5390-0000-000	01-000-2370-0000-000
D1	M1	02-000-1810-0000-000	
D2	M1	01-000-1810-0000-000	
DWH	M1	01-000-1810-0000-000	
FST	M1	01-000-1810-0000-000	
H1	M1	01-000-1810-0000-000	01-000-2370-0000-000
J1	M1	103.0000.113800.0000.000000.000000.00	01-000-2370-0000-000

Typically have the location segment entered here

Organization Name

From: Northwest Electronic Supply

To: Seattle Manufacturing

New Open

Preferred Approach for OCOGS: PPV for External Suppliers

Chart of Accounts	Preferred Data Source	Preferred Approach
Company	Org Parameters, PPV account	Normal setup for PPV account
Cost Center	Org Parameters, PPV account	Normal setup for PPV account
Account	Org Parameters, PPV account	Normal setup for PPV account
Sub-Account	Org Parameters, PPV account	Normal setup for PPV account
Product Group	Item Master COGS Account	Normal setup plus SLA modifications
Location	Org Parameters, PPV account	Normal setup for PPV account
Intercompany	Org Parameters, PPV account	Normal setup for PPV account

Organization PPV Account

Menu path: Cost Management —SLA => Account Assignments => Organization Parameters

Organization Parameters (M1)

Revision, Lot, Serial And LPN | ATP, Pick, Item-Sourcing | Inter-Org Information | **Other Accounts** [...]

Receiving Accounts

Purchase Price Variance	01-520-5210-0000-000	...
Invoice Price Variance	01-520-5220-0000-000	
Inventory AP Accrual	01-000-2220-0000-000	
Encumbrance		

Profit and Loss Accounts

Sales	01-520-4110-0000-000
Cost of Goods Sold	01-520-5110-0000-000

Other Accounts

Project Clearance Account	01-510-1570-0000-000
Deferred COGS Account	01-520-1415-0000-000
Cost Variance Account	
LCM Variance Account	

Preferred Approach for OCOGS: PPV for WIP OSP Suppliers

Chart of Accounts	Preferred Data Source	Preferred Approach
Company	Define Resources Form, variance account	Normal setup for OSP resources
Cost Center	Define Resources Form, variance account	Normal setup for OSP resources
Account	Define Resources Form, variance account	Normal setup for OSP resources
Sub-Account	Define Resources Form, variance account	Normal setup for OSP resources
Product Group	Define Resources Form, variance account or Item Master COGS Account	Normal setup plus SLA modifications
Location	Define Resources Form, variance account	Normal setup for OSP resources
Intercompany	Define Resources Form, variance account	Normal setup for OSP resources

OSP Resource PPV Account

Menu path: Cost Management —SLA => Subelements => Resources

The screenshot shows the 'Resources (M1)' form in Oracle. The 'Resource' field is set to 'ANODIZING'. The 'Description' is 'Anodizing Outside Processing'. The 'Type' is 'Miscellaneous' and the 'Charge Type' is 'PO Move'. The 'Expenditure Type' is empty. The 'Supply Subinventory' and 'Supply Locator' are empty. The 'Outside Processing' checkbox is checked, and the 'Item' is 'OP98997'. The 'Costed' checkbox is checked, and the 'Activity' is empty. The 'Absorption Account' is '01-520-5810-0000-000' and the 'Variance Account' is '01-520-5380-0000-000'. The 'Billing' section has an empty 'Item' field. The 'Skills' section has empty fields for 'Competence', 'Skill Level', and 'Qualification'. The 'Batchable' checkbox is unchecked. The 'Minimum Batch Capacity', 'Maximum Batch Capacity', and 'Batch Capacity UOM' are empty. The 'Batching Window' and 'UOM' are empty.

Indicates it is for OSP

This is the PPV account for OSP resources

Same form sets up resources and OSP resources

Preferred Approach for OCOGS: PPV for Internal Suppliers

Chart of Accounts	Preferred Data Source	Preferred Approach
Company	Shipping Network, PPV account	Normal setup for PPV account
Cost Center	Shipping Network, PPV account	Normal setup for PPV account
Account	Shipping Network, PPV account	Normal setup for PPV account
Sub-Account	Shipping Network, PPV account	Normal setup for PPV account
Product Group	Item Master COGS Account	Normal setup plus SLA modifications
Location	Shipping Network, PPV account	Normal setup for PPV account
Intercompany	Shipping Network, PPV account	Normal setup for PPV account

Shipping Network PPV Account

Menu path: Cost Management —SLA => Account Assignments => Shipping Network

Shipping Networks (M1)

Organization: M1 Seattle Manufacturing Find

Scope: From or To Organization:

Shipping Networks

Main Transfer, Distance Primary Accounts Secondary Accounts Other Accounts Subcontracting Transfer Price

Organization

From	To	Transfer Credit	Purchase Price Variance
B1	M1	520-5390-0000-000	01-520-5210-0000-000
D1	M1	550-5290-0000-000	01-520-5210-0000-000
D2	M1	560-5290-0000-000	01-520-5210-0000-000
DWH	M1	509-5290-0000-000	01-520-5210-0000-000
FST	M1	509-5290-0000-000	01-520-5210-0000-000
H1	M1	815-5290-0000-000	01-520-5210-0000-000
J1	M1	3.3100.825000.0000.000000.000000.00	01-520-5210-0000-000

Organization Name

From: Northwest Electronic Supply

To: Seattle Manufacturing

New Open

Inter-Org PPV is separate from External Vendor PPV

Preferred Approach for OCOGS: IPV

Chart of Accounts	Preferred Data Source	Preferred Approach
Company	Org Parameters, IPV account	Normal setup for IPV account
Cost Center	Org Parameters, IPV account	Normal setup for IPV account
Account	Org Parameters, IPV account	Normal setup for IPV account
Sub-Account	Org Parameters, IPV account	Normal setup for IPV account
Product Group	Item Master COGS Account	Normal setup plus SLA modifications
Location	Org Parameters, IPV account	Normal setup for IPV account
Intercompany	Org Parameters, IPV account	Normal setup for IPV account

IPV Organization Account

Menu path: Cost Management —SLA => Account Assignments => Organization Parameters

Organization Parameters (M1)

Revision, Lot, Serial And LPN | ATP, Pick, Item-Sourcing | Inter-Org Information | Other Accounts

Receiving Accounts

Purchase Price Variance	01-520-5210-0000-000
Invoice Price Variance	01-520-5220-0000-000
Inventory AP Accrual	01-000-2220-0000-000
Encumbrance	

Profit and Loss Accounts

Sales	01-520-4110-0000-000
Cost of Goods Sold	01-520-5110-0000-000

Other Accounts

Project Clearance Account	01-510-1570-0000-000
Deferred COGS Account	01-520-1415-0000-000
Cost Variance Account	
LCM Variance Account	

Used for inventory and OSP purchases

Preferred Approach for OCOGS: Scrap & WIP Scrap

Chart of Accounts	Preferred Data Source	Preferred Approach
Company	WIP Assy Scrap Txn or OSFM WIP Accounting Classes	Normal setup
Cost Center	WIP Assy Scrap Txn or OSFM WIP Accounting Classes	Normal setup
Account	WIP Assy Scrap Txn or OSFM WIP Accounting Classes	Normal setup
Sub-Account	WIP Assy Scrap Txn or OSFM WIP Accounting Classes	Normal setup
Product Group	Item Master COGS Account	Normal setup plus SLA modifications
Location	WIP Assy Scrap Txn or OSFM WIP Accounting Classes	Normal setup
Intercompany	WIP Assy Scrap Txn or OSFM WIP Accounting Classes	Normal setup

WIP Assembly Scrap Setup

Menu path: Work in Process => Setup => Parameters

The screenshot displays the 'Work in Process Parameters (M1)' window. The 'Move Transaction' tab is selected, showing options like 'Require Scrap Account' (unchecked), 'Allow Creation of New Operations' (checked), and 'Allow Moves Over No Move Shop Floor Statuses' (checked). The 'Mobile' sub-tab is also visible, showing the 'Default Scrap Account' section with 'Alias' set to 'SCRAP ADJ' and 'Number' set to '01-520-5341-0000-000'. The 'Transaction Processing Mode' section shows 'Online (B)' selected. A callout box points to the 'Alias' field with the text 'Enter an Inventory Account Alias'. Another callout box points to the 'Require Scrap Account' checkbox with the text 'Used to financially record a scrap variance'.

Work in Process Parameters (M1)

Discrete Repetitive Costing **Move Transaction** Material Intraoperation Outside Processing Scheduling

☐ Require Scrap Account
☒ Allow Creation of New Operations
☒ Allow Moves Over No Move Shop Floor Statuses

Work in Process Parameters (M1)

Costing Move Transaction Material Intraoperation Outside Processing Scheduling **Mobile** Serial Other

Default Scrap Account

Alias SCRAP ADJ
Number 01-520-5341-0000-000

Transaction Processing Mode

☒ Online (B)
☐ Background

Used to financially record a scrap variance

Enter an Inventory Account Alias

Scrap Accounts for WIP Accounting Classes

Menu path: Cost Management —SLA => Account Assignments => WIP Accounting Classes

WIP Accounting Classes (M1)

Class: Discrete
Description: Discrete Job Class
Type: Standard Discrete
Inactive On: []

Accounts

	Valuation	Variance
Material	01-000-1430-0000-000	01-520-5310-0000-000
Material Overhead	01-000-1430-0000-000	
Resource	01-000-1430-0000-000	01-520-5312-0000-000
Outside Processing	01-000-1450-0000-000	01-520-5370-0000-000
Overhead	01-000-1430-0000-000	01-520-5330-0000-000
Standard Cost		01-520-5390-0000-000
Bridging		
Expense		
Estimated Scrap		
Encumbrance		

Used for
OSFM Lot
Based Jobs

Preferred Approach for OCOGS: WIP Variances

Chart of Accounts	Preferred Data Source	Preferred Approach
Company	WIP Accounting Classes	Normal setup for variance accounts
Cost Center	WIP Accounting Classes	Normal setup for variance accounts
Account	WIP Accounting Classes	Normal setup for variance accounts
Sub-Account	WIP Accounting Classes	Normal setup for variance accounts
Product Group	WIP Accounting Classes	Normal setup for variance accounts
Location	WIP Accounting Classes	Normal setup for variance accounts
Intercompany	WIP Accounting Classes	Normal setup for variance accounts

WIP Accounting Classes

Menu path: Cost Management —SLA => Account Assignments => WIP Accounting Classes

WIP Accounting Classes (M1)

Class: Discrete

Description: Discrete Job Class

Type: Standard Discrete

Inactive On: []

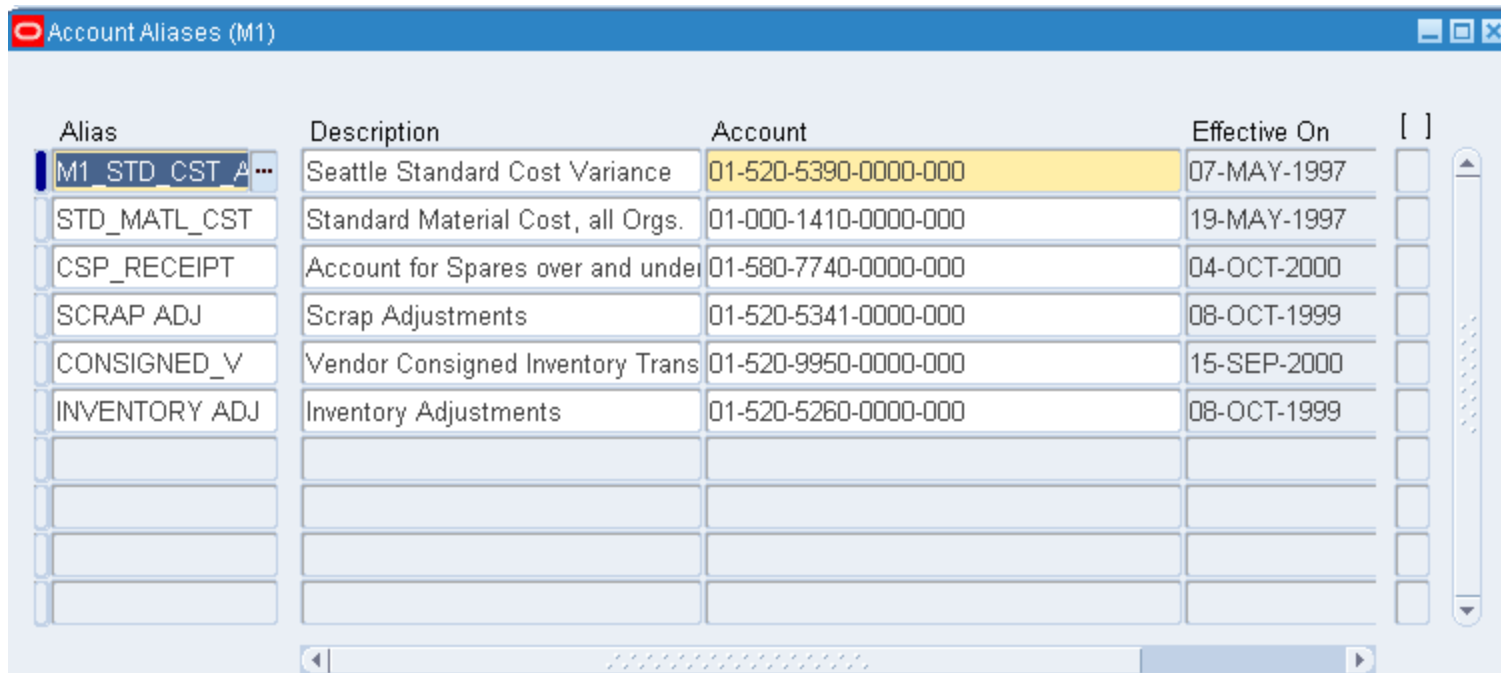
Accounts	Valuation	Variance
Material	01-000-1430-0000-000	01-520-5310-0000-000
Material Overhead	01-000-1430-0000-000	
Resource	01-000-1430-0000-000	01-520-5312-0000-000
Outside Processing	01-000-1450-0000-000	01-520-5370-0000-000
Overhead	01-000-1430-0000-000	01-520-5330-0000-000
Standard Cost		01-520-5390-0000-000
Bridging		
Expense		
Estimated Scrap		
Encumbrance		

Preferred Approach for OCOGS: Account Aliases

Chart of Accounts	Preferred Data Source	Preferred Approach
Company	Account Aliases Define Form	Normal setup for account aliases
Cost Center	Account Aliases Define Form	Normal setup for account aliases
Account	Account Aliases Define Form	Normal setup for account aliases
Sub-Account	Account Aliases Define Form	Normal setup for account aliases
Product Group	Item Master COGS Account	Normal setup plus SLA modifications
Location	Account Aliases Define Form	Normal setup for account aliases
Intercompany	Account Aliases Define Form	Normal setup for account aliases

Account Aliases

Menu path: Cost Management —SLA => Account Assignments => Account Aliases



The screenshot shows the 'Account Aliases (M1)' window. It contains a table with the following columns: Alias, Description, Account, and Effective On. The first row is highlighted in yellow. The table lists several aliases used for inventory transactions.

Alias	Description	Account	Effective On
M1 STD CST A	Seattle Standard Cost Variance	01-520-5390-0000-000	07-MAY-1997
STD_MATL_CST	Standard Material Cost, all Orgs.	01-000-1410-0000-000	19-MAY-1997
CSP_RECEIPT	Account for Spares over and under	01-580-7740-0000-000	04-OCT-2000
SCRAP ADJ	Scrap Adjustments	01-520-5341-0000-000	08-OCT-1999
CONSIGNED_V	Vendor Consigned Inventory Trans	01-520-9950-0000-000	15-SEP-2000
INVENTORY ADJ	Inventory Adjustments	01-520-5260-0000-000	08-OCT-1999

These accounts are used for your inventory account alias transactions, as the Supply Chain/Warehouse staff choose the Account Alias and it supplies the correct accounts

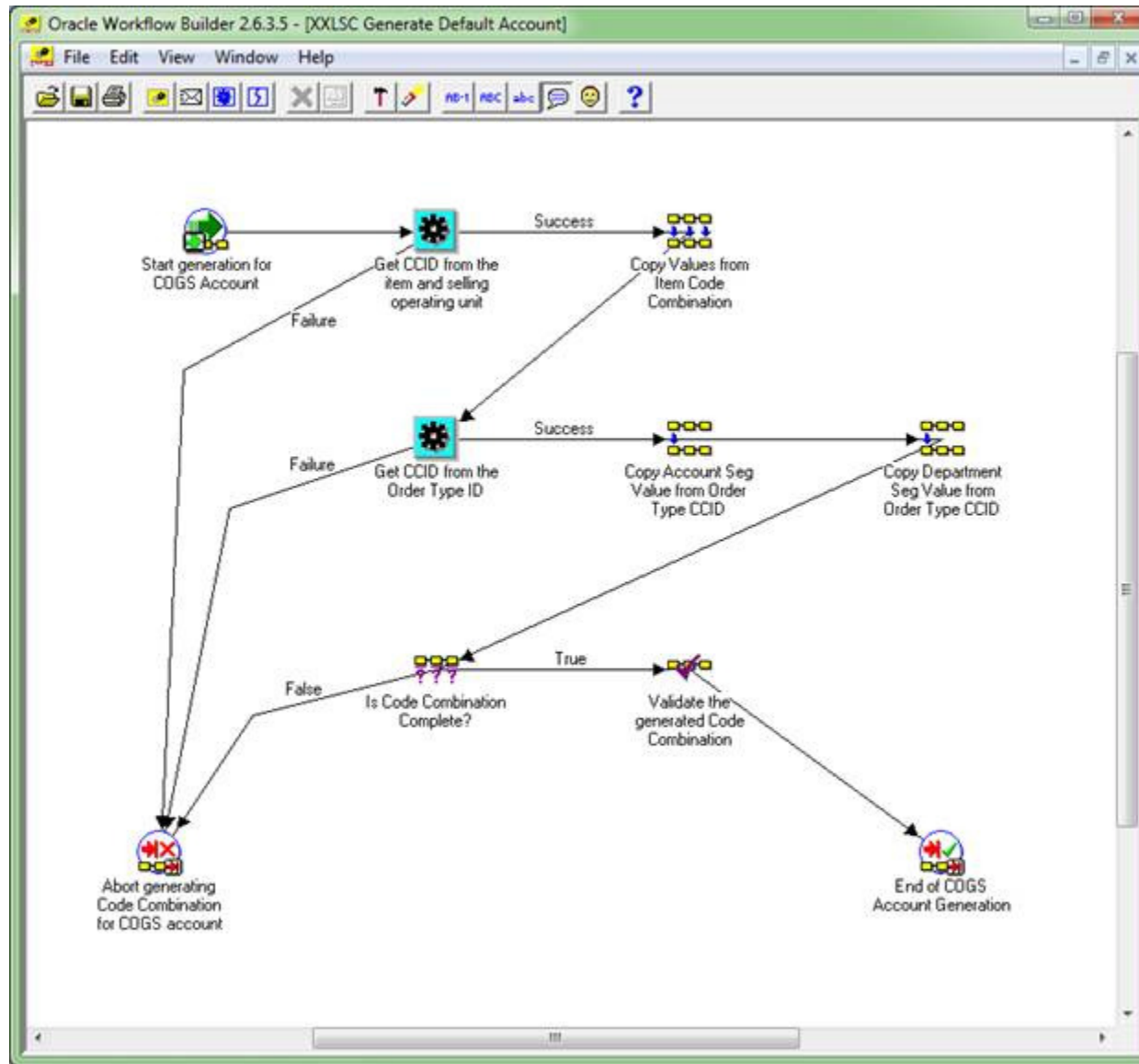
□ **Lessons Learned**

“COGS” Workflows

- Workflows invoked when the shipping (or RMA) transactions are processed for external and internal customer shipments or returns.
- Developers use the Oracle Workflow Builder Tool to modify these workflows
- OM: Generate Cost of Goods Sold Account Workflow
 - Typically used to get the COGS account from the Order Type
- Inventory Cost of Goods Sold Account Workflow
 - Mis-labeled, as delivered by Oracle has nothing to do with COGS
 - Derives the Intercompany A/P Accrual Account, based on the Organization Parameters

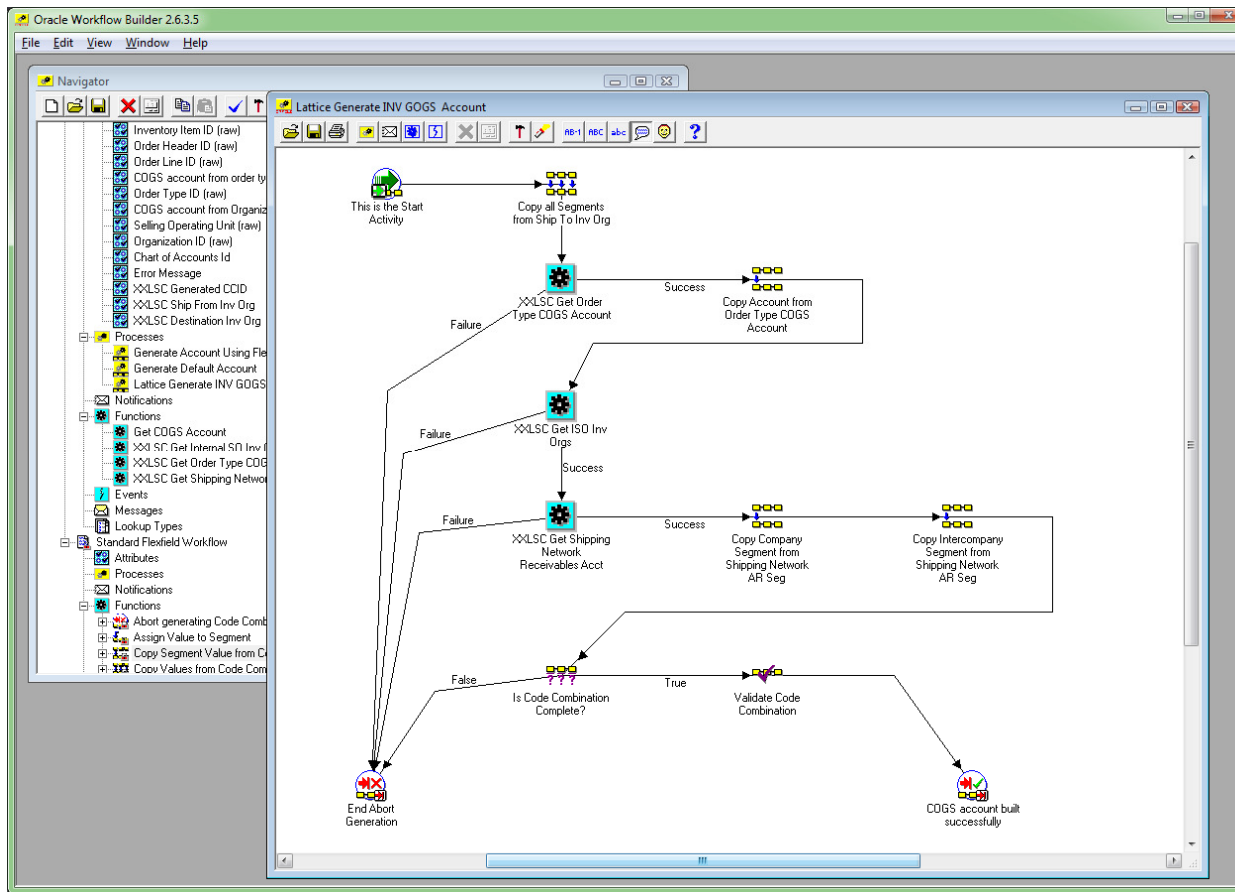
Unless modified, limited use for the
Inventory Cost of Goods Sold Account Workflow

Example OM: Generate Cost of Goods Sold Account Workflow



- Step 1 : Get CCID from the item and selling operating unit
- Step 2 : Copy Values from Item Code Combination
- Step 3 : Get CCID from the Order Type ID
- Step 4 : Copy Account Seg Value from Order Type CCID
- Step 5 : Is Code Combination Complete?
- Step 6 : Validate Code Combination

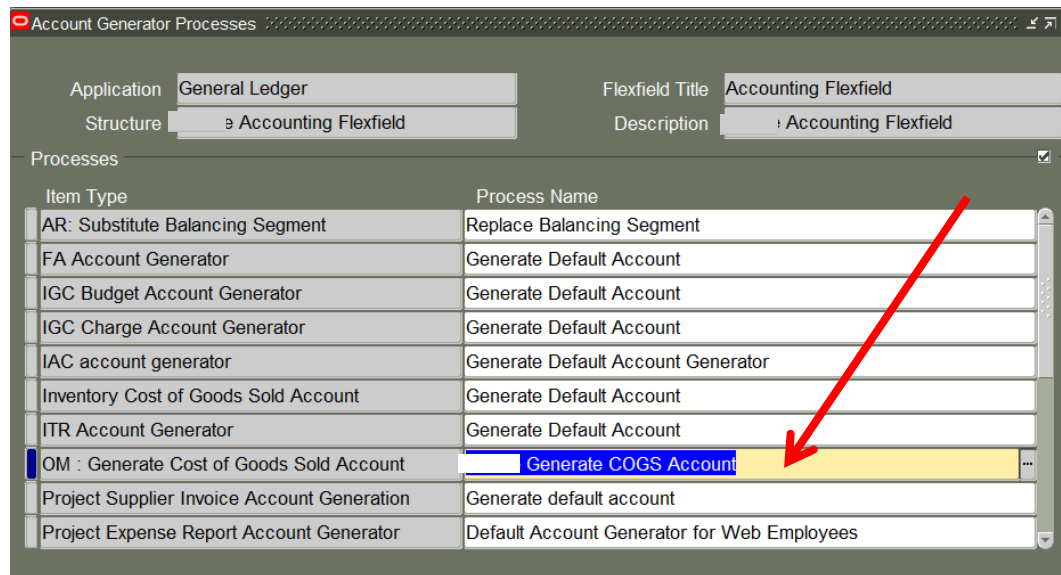
Example: Inventory Cost of Goods Sold Account



- Step 1 : Copy all Segments from Ship To Inv Org
- Step 2 : XXX Get Order Type COGS Account
- Step 3 : Copy Account from Order Type COGS Account
- Step 4 : XXX Get ISO Inv Orgs
- Step 5 : XXX Get Shipping Network Receivables Acct
- Step 6 : Copy Company Segment from Shipping Network AR Seg
- Step 7 : Copy Intercompany Segment from Shipping Network AR Seg
- Step 8 : Is Code Combination Complete?
- Step 9 : Validate Code Combination

COGS Workflow Assignments

- ❑ Must Assign New Workflows to Enable Them



Item Type	Process Name
AR: Substitute Balancing Segment	Replace Balancing Segment
FA Account Generator	Generate Default Account
IGC Budget Account Generator	Generate Default Account
IGC Charge Account Generator	Generate Default Account
IAC account generator	Generate Default Account Generator
Inventory Cost of Goods Sold Account	Generate Default Account
ITR Account Generator	Generate Default Account
OM : Generate Cost of Goods Sold Account	Generate COGS Account
Project Supplier Invoice Account Generation	Generate default account
Project Expense Report Account Generator	Default Account Generator for Web Employees

System Admin => Application => Flexfield => Key => Accounts

COGS Recognition Dependencies

□ Dependencies During Period Close

- This feature introduces a dependency in the Receivables and Costing period close processes
- Costing can process COGS recognition events in a closed inventory period until the Receivables period status is set to CLOSED
- You have to run Create Accounting after you have closed your inventory orgs

Having to remember to run COGS Recognition Processes followed by Create Accounting is not intuitive

R12 Deferred COGS Account

Menu path: Cost Management – SLA => Setup => Account Assignment => Organization Parameters

The screenshot shows the 'Organization Parameters (M1)' window with the 'Other Accounts' tab selected. The window contains three sections: 'Receiving Accounts', 'Profit and Loss Accounts', and 'Other Accounts'. The 'Deferred COGS Account' field in the 'Other Accounts' section is highlighted with an orange arrow.

Section	Account Name	Account Number
Receiving Accounts	Purchase Price Variance	01-520-5210-0000-000
	Invoice Price Variance	01-520-5220-0000-000
	Inventory AP Accrual	01-000-2220-0000-000
	Encumbrance	
Profit and Loss Accounts	Sales	01-520-4110-0000-000
	Cost of Goods Sold	01-520-5110-0000-000
Other Accounts	Project Clearance Account	01-510-1570-0000-000
	Deferred COGS Account	01-520-1415-0000-000
	Cost Variance Account	
	LCM Variance Account	

G/L Cross Validation Rules

❑ Don't Be Too Protective with G/L Cross Validation Rules

- If you insist that journals cannot cross company numbers:
 - COGS workflow may fail
 - Happens when the sales order is booked in OU #1, but, fulfilled from OU#2. If company number comes from the Order Type, the Order Type COGS account will have the Company Number from OU1, but, the credit to inventory will have Company Number from the OU2 inventory organization

Solution:

- 1) Either modify COGS workflow to get the company number from the item master COGS account, or,
- 2) Don't have restrictive G/L Cross Validation Rules and fix using SLA instead.

SLA Configuration for COGS

□ If COGS Has Overhead Costs

- For COGS entries, Material, Material Overhead, Resource and OSP cost elements use the *Cost of Goods Sold* SLA Journal Line Type
- But the COGS journal line for the Overhead cost element uses the **Offset** SLA Journal Line Type

Solution:

- 1) Modify both the Cost of Goods Sold and the Offset journal lines types
- 2) For your ADR (Account Derivation Rule), use a condition “where the Cost Element Name IS **NOT** NULL”
- 3) The A/P Accrual entries also use the OFFSET accounting line type, but, are not assigned to a cost element

SLA Journal Line Types

Example ADR for the Intercompany Segment

Account Derivation Rules

Application: **Cost Management**

Rule Code: **XXX_D**

Rule Name: **XXX_D**

Description: **Derive**

Chart of Accounts: **Transaction Accounting**

Priorities: **Transaction Accounting**

Account Derivation Rule Conditions - Cost Management

Rule Name: **XXX_DERIVE_INV_IC_ACCT**

Priority: **10**

Transaction Chart of Accounts:

Conditions:

Seq (Source	Segment	Operator	Value Type	Independent Value	Value	Segment)	And/Or
10	Accounting Line Type		=	Constant		2			AND
20	(TRANSACTION_SOURCE		=	Constant		7			OR
30	TRANSACTION_SOURCE		=	Constant		8)	AND
40	Cost Element Name		IS NOT NU						

Where to Get More Information / Acknowledgements

❑ Subledger Accounting for COGS:

- Subledger Accounting for Oracle Discrete & EAM Cost Accounting: Product Line, EAM and Expense Accounting Made Easy Through SLA (www.volzconsulting.com)

❑ Workflow Papers:

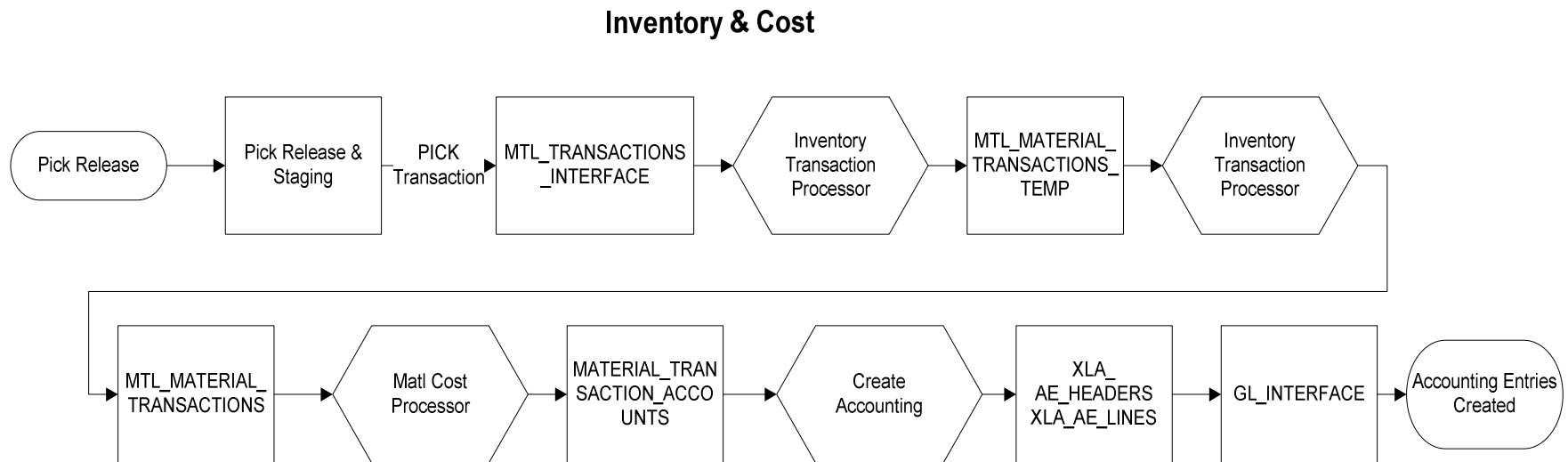
- Karen Brownfield: The ABCs of Workflow for E-Business Suite Release 11i and Release 12 (Oracle Practice Director – Infosemantics)
- <https://books.google.com/books?isbn=0615244580>

❑ Thanks to John Peters:

- For both his insights which contributed to this paper
- And for his amazingly quick effort (less than ten hours!) to configure both the COGS and INV Workflows. John may be reached at john.peters@jrpjr.com.

- Appendix
 - Shipping, Invoicing and COGS Recognition Processes

Step One: Pick Release

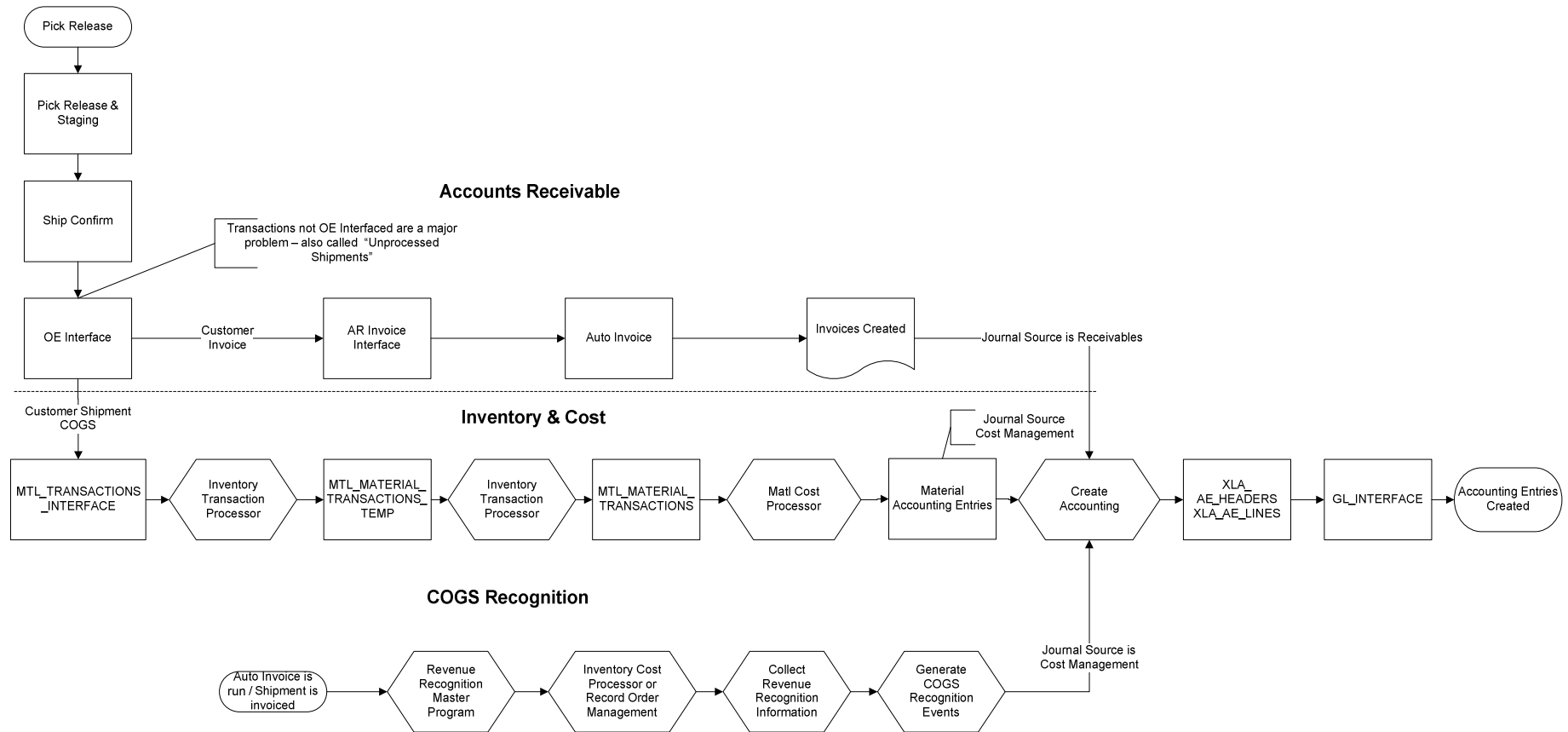


Ship to a Customer – Pick Release Accounting Transactions

□ Pick Release

<u>Account</u>	<u>Debit</u>	<u>Credit</u>
Staging Subinventory account	130	
Subinventory account		130

Step Two: Ship Confirm and OE Interface



Ship to a Customer –Ship Confirm and COGS Recognition Accounting

□ Ship Confirm

Account	Debit	Credit
Deferred Cost of Goods Sold Account	130	
Staging Subinventory account		130

□ COGS Recognition

Account	Debit	Credit
Cost of Goods Sold Account	130	
Deferred Cost of Goods Sold Account		130

With 100% COGS recognition, Deferred
COGS should always be zero

Now What? Revenue Recognition

- ❑ In R12 all customer shipment entries go to deferred COGS
- ❑ Revenue and COGS are explicitly matched
- ❑ You can create a report set to do the following:
 - AR: “Autoinvoice”
 - AR: “Revenue Recognition Master Program”
 - CST: “Inventory Cost Processor” or
“Record Order Management”
 - CST: “Collect Revenue Recognition Information”
 - CST: Then “Generate COGS Recognition Events”
- ❑ Accounting Entries needed to clear deferred COGS
- ❑ Use the COGS Revenue and COGS Matching Report

Invoice the Sales Order

Menu path: Receivables Manager => Interfaces => AutoInvoice

Next Step: Run Revenue Recognition Master Program

Menu path: Receivables Manager => View Requests => Submit a New Request => Revenue Recognition Master

The screenshot displays the Oracle Cost Management Training interface. It features two overlapping dialog boxes and a table of requests.

Submit Request Dialog:

- Run this Request... (Label)
- Name: Revenue Recognition Master Program
- Operating Unit: Vision Operations
- Parameters: (Empty field)
- Language: American English
- At these Times... (Label)
- Run the Job: As Soon as Possible

Parameters Dialog:

- Print Format: Detail
- Maximum Number of Workers: 4
- Buttons: OK, Cancel, Clear, Help

Requests Table:

Request ID	Name	Parent	Phase	Status	Parameters
5838722	Revenue Recognition with p		Pending	Standby	2, D, 204
5838721	Revenue Recognition with p		Pending	Standby	1, D, 204
5838720	Revenue Recognition Mast		Running	Normal	D, 4, 60, 180, 204

Next Step:

Run Inventory Cost Processor or Record Order Management

Menu path: Cost Management – SLA => View Requests => Submit a New Request => Record Order Management

Normally you don't need to run Record Order Management since the Inventory Cost Processor usually runs in the background and it runs this program for you automatically.

The image shows two overlapping Oracle Forms windows. The background window is titled 'Submit Request' and has a tab labeled 'Run this Request...'. It contains several input fields: 'Name' with the value 'Record Order Management Transactions', 'Operating Unit' (empty), 'Parameters' (empty), and 'Language' with the value 'American English'. Below these fields are tabs for 'Language Settings' and 'Backup Options'. At the bottom, under the heading 'At these Times...', there is a 'Run the Job' field with the value 'As Soon as Possible'. The foreground window is titled 'Parameters' and has a 'Ledger' field with the value 'Vision Operations (USA)'. At the bottom of the 'Parameters' window are four buttons: 'OK', 'Cancel', 'Clear', and 'Help'.

Next Step:

- Collect Revenue Recognition Information

Menu path: Cost Management – SLA => View Requests => Submit a New Request =>
Collect Revenue Recognition Information

Submit Request

Run this Request... Copy...

Name: Collect Revenue Recognition Information

Operating Unit: Vision Operations (USA)

Parameters

Language: Ledger: Vision Operations (USA)

Start Date: 01-JAN-2013

End Date: 31-JAN-2013

At these Times... Run the Job

Upon Completion... Save all Output Files

Layout: Options...

Notify: Delivery Opts

Print to: noprint

Help (C) Submit Cancel

Next Step:

- Generate COGS Recognition Events

Menu path: Cost Management – SLA => View Requests => Submit a New Request =>
Generate COGS Recognition Events

Other clients have put all four programs, Revenue Recognition Master Program, Record Order Management, Collect Revenue Recognition Information and Generate COGS Recognition Events in a report set

Submit Request

Run this Request...

Name: Generate COGS Recognition Events

Operating Unit:

Parameters:

Language: American English

Copy...

Ledger: Vision Operations (USA)

At these Times...

Run the Job: As Soon as Possible

OK Cancel Clear Help

So Where Are We Now?

- Shipped to the customer
- Deferred COGS
- And based on customer acceptance (100% in this case), we have recorded entries to Trade COGS

Oops! What About Create Accounting?

- We still need to run Create Accounting
 - In both Cost Management and Receivables
 - EVEN AFTER CLOSING THE INVENTORY ORG !
- This will create the Subledger Accounting entries
- And post to the G/L

How to See COGS Recognition?

- Material transactions inquiry
- COGS Revenue Matching Report

COGS Revenue Matching Report

Menu path: Cost Management – SLA => View Requests => Submit a New Request =>
COGS Revenue Matching Report

The image shows two overlapping Oracle application windows. The background window is titled 'Submit Request' and contains a 'Run this Request...' section with a 'Copy...' button. Below this are four input fields: 'Name' (COGS Revenue Matching Report), 'Operating Unit' (Vision Operations), 'Parameters' (empty), and 'Language' (American English). The foreground window is titled 'Parameters' and contains three input fields: 'Period' (Jan-13), 'Sales Order Issue Date From' (01-JAN-2013), and 'Sales Order Issue Date To' (31-JAN-2013). Below these is a 'Display Matched Lines' field set to 'Yes'. At the bottom of the 'Parameters' window are four buttons: 'OK', 'Cancel', 'Clear', and 'Help'.

Field	Value
Name	COGS Revenue Matching Report
Operating Unit	Vision Operations
Parameters	
Language	American English

Field	Value
Period	Jan-13
Sales Order Issue Date From	01-JAN-2013
Sales Order Issue Date To	31-JAN-2013
Display Matched Lines	Yes

COGS Revenue Matching Report

(this is what your Deferred COGS should look like)

Cost Management **Revenue COGS Matching Report**

Report Date 5/12/2011 13:04
Page 1 of 1

Sales Order Order Date		100000 Customer 3-May-11 Currency				Business World USD									
Order		Invoice			Sales Order Revenue					Cost of Goods Sold				Accounts	
Line	Quantity	Number	Lin	Item	Earned	Unearned	Unbilled	Total	%	Earned	Deferred	Total	%	COGS	Deferred COGS
1	10	10037582	1	TDU-FG001	\$150	\$0	\$0	\$150	100.00%	\$70	\$0	\$70	100.00%	01-517-5110-0000-000	01-517-1415-0000-000
Subtotal					\$150	\$0	\$0	\$150	100.00%	\$70	\$0	\$70	100.00%		

Sales Order Order Date		200000 Customer 3-May-11 Currency				Business World USD									
Order		Invoice			Sales Order Revenue					Cost of Goods Sold				Accounts	
Line	Quantity	Number	Lin	Item	Earned	Unearned	Unbilled	Total	%	Earned	Deferred	Total	%	COGS	Deferred COGS
1	10	10037583	1	TDU-FG001	\$150	\$0	\$0	\$150	100.00%	\$70	\$0	\$70	100.00%	01-517-5110-0000-000	01-517-1415-0000-000
Subtotal					\$150	\$0	\$0	\$150	100.00%	\$70	\$0	\$70	100.00%		



Deferred COGS and COGS Example

□ Non-Inventory Journal Entry

- This example is for an inter-company drop shipment, but works the same for other sales order shipments

Menu path: Cost Management – SLA => View Transactions => Material Distributions

Material Transaction Distributions (M1) - 23609007

Transaction Date	Account	Transaction Value	Item	Revision
19-JAN-2013 00:09	01-510-5110-0000-000	<99.00>	CM51562	
19-JAN-2013 00:09	01-520-1415-0000-000	99.00	CM51562	

Item: CM51562

Description: PC Bag - Double Sided, Leather

Revision:

Account: 01-510-5110-0000-000

Material Transaction Distributions (M1) - 23609007

Transaction Date	Accounting Type	Transaction Source Type	Transaction Source	UOM	Primary Quantity
19-JAN-2013 00:09	Cost of Goods Sold	Sales order	66394.Drop Shipment.	Ea	<1.00>
19-JAN-2013 00:09	Deferred Cost of Goods	Sales order	66394.Drop Shipment.	Ea	<1.00>

Item: CM51562

Description: PC Bag - Double Sided, Leather

Revision:

Account: 01-510-5110-0000-000

UOM: Ea

Quantity: <1.00>

Unit Cost: 99.00000

Value: <99.00>

Sales Order Issue – Material Transactions

Menu path: Cost Management – SLA => View Transactions => Material Transactions

Find Material Transactions (M1)

Transaction Dates: 01-JAN-2013 00:00:00 - 01-FEB-2013 00:00:00 Note inclusive date range

Item: Revision:

Description:

Category Set: Category:

Subinventory: Locator:

Lot: Serial:

Supplier Lot:

Source Type: Sales order

Source: ☒ Include Logical Transactions

Action: ☐ Subinventory Transfer

Transaction Type: ☐ Cost Group Transfer

Transaction Quantities: -

Supplier:

Transferred to Projects:

Consumption Advice:

Costed:

Sales Order Issue – Material Transactions

Menu path: Cost Management – SLA => View Transactions => Material Transactions

Material Transactions (M1)

Location	Intransit	Reason, Reference	Transaction ID	Transaction Type	Consumption Advice
		Item	Source Type	Source	Transaction Type
<input checked="" type="checkbox"/>		CM51562	Sales order	66394.Drop Shipment.O	COGS Recognition
<input type="checkbox"/>		CM51562	Sales order	66394.Drop Shipment.O	Logical Sales Order Issue
<input type="checkbox"/>		CM51562	Inventory		Logical Intercompany Shipment R
<input type="checkbox"/>		CM51562	Inventory		Logical Intercompany Sales Issue
<input type="checkbox"/>		CM51562	Inventory		Logical Intercompany Shipment R
<input type="checkbox"/>		CM51562	Inventory		Logical Intercompany Sales Issue
<input type="checkbox"/>		CM51562	Sales order	66394.Drop Shipment.O	COGS Recognition
<input type="checkbox"/>		CM51562	Sales order	66394.Drop Shipment.O	Logical Sales Order Issue
<input type="checkbox"/>		CM51562	Inventory		Logical Intercompany Shipment R
<input type="checkbox"/>		CM51562	Inventory		Logical Intercompany Sales Issue

Item Description: PC Bag - Double Sided, Leather
Primary UOM: Ea
Secondary UOM:
Date: 26-JAN-2013 23:59:59
Primary Quantity: 2
Secondary Quantity:
Buttons: Distributions, Lgt / Serial

Sales Order Issue – Material Transactions

Menu path: Cost Management – SLA => View Transactions => Material Distributions

Note inclusive date range

Find Material Transaction Distributions

Transaction Dates 01-JAN-2013 00:00:00 - 01-FEB-2013 00:00:00

Account

Item Revision

Category Set Category

Transaction Type ID

Source Type Source

Accounting Type Deferred Cost of Goods S GL Batch

Subinventory Locator

Clear Find

This will get the deferred COGS

At month-end COGS Recognition entries get a time stamp of 23:59:59,
To see these entries you have to query the next day using a timestamp of 00:00:00

Sales Order Issue – Material Transactions

Menu path: Cost Management – SLA => View Transactions => Material Distributions

Material Transaction Distributions (M1)

Account	Location	Type	Currency	Comments
Transaction Date	Account	Transaction Value	Item	Revision Transaction Type
26-JAN-2013 23:59	01-520-1415-0000-000	198.00	CM51562	COGS Recognition
26-JAN-2013 21:27	01-520-1415-0000-000	<198.00>	CM51562	Logical Sales Order Is
20-JAN-2013 01:36	01-520-1415-0000-000	99.00	CM51562	COGS Recognition
20-JAN-2013 01:36	01-520-1415-0000-000	<99.00>	CM51562	Logical Sales Order Is
19-JAN-2013 00:09	01-520-1415-0000-000	99.00	CM51562	COGS Recognition
19-JAN-2013 00:09	01-520-1415-0000-000	<99.00>	CM51562	Logical Sales Order Is
18-JAN-2013 23:59	01-520-1415-0000-000	99.00	CM51562	COGS Recognition
18-JAN-2013 23:43	01-520-1415-0000-000	<99.00>	CM51562	Logical Sales Order Is

Item	CM51562	UOM	Ea
Description	PC Bag - Double Sided, Leather	Quantity	<2.00>
Revision		Unit Cost	99.00000
Account	01-520-1415-0000-000	Value	198.00

Sales Order Issue – Material Transactions

Menu path: Cost Management – SLA => View Transactions => Material Distributions

Note inclusive date range

Find Material Transaction Distributions

Transaction Dates 01-JAN-2013 00:00:00 - 01-FEB-2013 00:00:00

Account

Item Revision

Category Set Category

Transaction Type ID

Source Type Source

Accounting Type Cost of Goods Sold GL Batch

Subinventory Locator

Clear Find

This will get "True" COGS

Sales Order Issue – Material Transactions

Menu path: Cost Management – SLA => View Transactions => Material Distributions

Material Transaction Distributions (M1)

Account	Location	Type	Currency	Comments	
Transaction Date	Accounting Type	Transaction Source Type	Transaction Source	UOM	Primary Quantity
26-JAN-2013 23:59	Cost of Goods Sold	Sales order	66394.Drop Shipment.	Ea	<2.00>
20-JAN-2013 01:38	Cost of Goods Sold	Sales order	66394.Drop Shipment.	Ea	<1.00>
19-JAN-2013 00:09	Cost of Goods Sold	Sales order	66394.Drop Shipment.	Ea	<1.00>
18-JAN-2013 23:59	Cost of Goods Sold	Sales order	66394.Drop Shipment.	Ea	<1.00>

Item	CM51562	UOM	Ea
Description	PC Bag - Double Sided, Leather	Quantity	<2.00>
Revision		Unit Cost	99.00000
Account	01-510-5110-0000-000	Value	<198.00>

Sales Order Issue – Material Transactions

Menu path: Cost Management – SLA => View Transactions => Material Distributions

Material Transaction Distributions (M1)

Account Location Type Currency Comments

Find Material Transaction Distributions

Transaction Dates 01-JAN-2013 00:00:00 - 01-FEB-2013 00:00:00

Account

Item

Category Set

Revision

Category

Transaction Type

Source Type Sales order

ID

Source 66394.Drop Shipment.

Accounting Type

Subinventory

GL Batch

Locator

Clear Find

This example is doing the query by Sales Order number. The source has the SO number and Order Type in it.

Sales Order Issue – Material Transactions

Menu path: Cost Management – SLA => View Transactions => Material Distributions

Material Transaction Distributions (M1)

Transaction Date	Accounting Type	Transaction Source Type	Transaction Source	UOM	Primary Quantity
26-JAN-2013 23:59	Deferred Cost of Goods	Sales order	66394.Drop Shipment	Ea	<2.00>
26-JAN-2013 23:59	Cost of Goods Sold	Sales order			
26-JAN-2013 21:27	Deferred Cost of Goods	Sales order			
26-JAN-2013 21:27	Inv valuation	Sales order			
20-JAN-2013 01:36	Cost of Goods Sold	Sales order			
20-JAN-2013 01:36	Deferred Cost of Goods	Sales order			
20-JAN-2013 01:36	Deferred Cost of Goods	Sales order			
20-JAN-2013 01:36	Inv valuation	Sales order			

Item: CM51562
Description: PC Bag - Double Sided, Leather
Revision:
Account: 01-520-1415-0000-000

Material Transaction Distributions (M1)

Transaction Date	Account	Transaction Value	Item	Revision	Transaction Type
26-JAN-2013 23:59	01-520-1415-0000-000	198.00	CM51562		COGS Recognition
26-JAN-2013 23:59	01-510-5110-0000-000	<198.00>	CM51562		COGS Recognition
26-JAN-2013 21:27	01-520-1415-0000-000	<198.00>	CM51562		Logical Sales Order Is
26-JAN-2013 21:27	01-000-1410-0000-000	198.00	CM51562		Logical Sales Order Is
20-JAN-2013 01:36	01-510-5110-0000-000	<99.00>	CM51562		COGS Recognition
20-JAN-2013 01:36	01-520-1415-0000-000	99.00	CM51562		COGS Recognition
20-JAN-2013 01:36	01-520-1415-0000-000	<99.00>	CM51562		Logical Sales Order Is
20-JAN-2013 01:36	01-000-1410-0000-000	99.00	CM51562		Logical Sales Order Is

Item: CM51562
Description: PC Bag - Double Sided, Leather
Revision:
Account: 01-520-1415-0000-000

UOM: Ea
Quantity: <2.00>
Unit Cost: 99.00000
Value: 198.00

This query returned all of the COGS entries for the SO

Gross Margin Analysis

- ❑ Oracle has a Sales Margin Load and Report features
- ❑ Not dependent on the COGS Recognition programs
- ❑ Not dependent on Create Accounting either
- ❑ First load the month's sale order revenue and COGS (into a summary table CST_MARGIN_SUMMARY)
- ❑ Then run the Margin Analysis Report against this information

Gross Margin Analysis

□ Margin Reporting for what?

Margin Analysis Reports
for Gross Margin

More typically done using
Hyperion (HCPM) and
other analysis tools

Sample Income Statement	
Gross Revenue:	XXXX
Returns:	-XXX
Net Revenue:	XXXX
Less: Cost of Goods Sold:	XXXX
Gross Margin	XXXX
Less Other Cost of Sales:	
Manufacturing Variances	XX
Scrap and Waste	XX
PPV and IPV	XX
Over/(Under) Absorption	XX
Other Variances	XX
Operating Income	XXX
(Before SG&A, interest and taxes)	

Margin Analysis Load Program

Menu path: Cost Management – SLA => Report => Operational Analysis

- First load the monthly revenue and COGS information:

The screenshot shows the 'Request analysis reports (M1)' dialog box. The 'Name' field is 'Margin Analysis Load Run'. The 'Operating Unit' is empty. The 'Parameters' field is empty. The 'Language' is 'American English'. The 'At these Times...' section has 'Run the Job' set to 'As Soon as Possible'. The 'Upon Completion...' section has 'Save all Output' checked. The 'Layout' is empty. The 'Notify' field is empty. The 'Print to' field is 'noprint'. The 'Parameters' sub-dialog is open, showing 'From Date' as '01-DEC-2012', 'To Date' as '31-DEC-2012', 'Overlap Days' as '0', and 'Load Option' as 'Increment'. A callout bubble points to the 'Load Option' field with the text: 'Increment – add to' and 'Refresh – erase and rebuild'.

Run the Margin Analysis Report

Menu path: Cost Management – SLA => Report => Operational Analysis

Request analysis reports (M1)

Run this Request...

Copy...

Name: Margin Analysis Report with Order Management

Operating Unit: Vision Operations

Parameters: Parameters

Language: American English

At these Times...

Run the Job: As Soon as Possible

Upon Completion...

☒ Save all Output Files

Layout:

Notify:

Print to: noprint

Help (?)

Report Option: **Detail**

Configuration Item Details: **No**

Sort Option: **Item**

Order Number:

Item From:

Item To:

Category Set: **Inv.Items** Inventory Category Set

Category From:

Category To:

Margin Percentage From:

Margin Percentage To:

Cost Type:

Currency: **USD** US dollars

Exchange Rate: **1**

Customer Type: **Sold to Customer**

Customer Name:

Sales Representative:

Sales Channel:

Industry:

Sales Territory:

From Date: **01-DEC-2012**

To Date: **31-DEC-2012**

OK Cancel Clear Help

Summary or Detail

Margin Analysis– Sample Summary Report

Vision Operations		Margin Analysis Report						Report Date: 04-Jan-2013 14:15			
Sort by Item		Detailed From 01-DEC-12 To 31-DEC-12 (USD)						Page: 1 of 1			
Model/Item	Description	UOM Category	Average Unit Price	Average Unit Cost	Quantity Invoiced	Quantity Shipped	Sales Revenue	Cost of Goods Sold	Margin		
A18947	Sentinel Multimedia	EA COMP.ASSY	5,092.00000	3,605.75000	327.00	327.00	1,665,084.00	1,179,080.25	486,003.75	29.1	
A54888	Sentinel Standard	EA COMP.ASSY	3,695.00000	2,678.75000	1,467.00	1,467.00	5,420,565.00	3,929,726.25	1,490,838.75	27.5	
Report Total:							7,085,649.00	5,108,806.50	1,976,842.50	27.9	
***** End of Report *****											

Margin Analysis– Sample Detail Report

Vision Operations
Sort by Item

Margin Analysis Report
Detailed From 01-DEC-12 To 31-DEC-12 (USD)

Report Date: 04-Jan-2013 14:15
Page: 1 of 1

Model/Item	Description	UOM Category	Average Unit Price	Average Unit Cost	Quantity Invoiced	Quantity Shipped	Sales Revenue	Cost of Goods Sold	Margin	%
A18947	Sentinel Multimedia	EA COMP.ASSY	5,092.00000	3,605.75000	327.00	327.00	1,665,084.00	1,179,080.25	486,003.75	29.1
Sold to Customer	Order Type	Configuration Item	Order Number	Line Number	Quantity Invoiced	Quantity Shipped	Sales Revenue	Cost of Goods Sold	Margin	%
Business World	Standard		2153	1	120.00	120.00	599,400.00	432,690.00	166,710.00	27.8
Computer Services	Standard		2157	1	87.00	87.00	440,394.00	313,700.25	126,693.75	28.8
Computer Warehouse	Standard		2314	1	75.00	75.00	379,650.00	270,431.25	109,219.00	28.8
U.S. Marine Corps	Standard		2163	1	45.00	45.00	242,640.00	162,258.75	80,381.25	33.1
A54888	Sentinel Standard	EA COMP.ASSY	3,695.00000	2,678.75000	1,467.00	1,467.00	5,420,565.00	3,929,726.25	1,490,838.75	27.5
Sold to Customer	Order Type	Configuration Item	Order Number	Line Number	Quantity Invoiced	Quantity Shipped	Sales Revenue	Cost of Goods Sold	Margin	%
Business World	Standard		2153	2	475.00	475.00	1,660,125.00	1,272,406.25	387,718.75	23.4
Business World	Standard		2154	1	300.00	300.00	1,057,500.00	803,625.00	253,875.00	24.0
Business World	Standard		2286	1	100.00	100.00	426,700.00	267,875.00	158,825.00	37.2
Computer Services	Standard		2157	2	287.00	287.00	1,032,765.00	768,801.25	263,963.75	25.6
Computer Warehouse	Standard		2314	2	125.00	125.00	524,375.00	334,843.75	189,531.25	36.1
U.S. Marine Corps	Standard		2163	2	180.00	180.00	719,100.00	482,175.00	236,925.00	33.0
							Sales Revenue	Cost of Goods Sold	Margin	%
Report Total:							7,085,649.00	5,108,806.50	1,976,842.50	27.9

Common Margin Analysis Report Errors

Menu path: System Administrator => Report => Install => Printer => Register

- ❑ Need to have the correct printer drivers set up:

The screenshot shows an Oracle error window titled "Error" with a red alarm icon. The message reads: "APP-FND-00314: Invalid printer (noprint) and print style (LANDWIDE240) combination." Below the error window is the "Printers" configuration window. It contains a table with three columns: "Printer", "Type", and "Description". The first row has "LANDWIDE240" in the "Printer" column, "LANDWIDE240" in the "Type" column, and "LANDWIDE240" in the "Description" column. A blue callout bubble points to the "Type" column of this row, containing the text: "A printer with LANDWIDE240 format was not defined". At the bottom right of the "Printers" window is a button labeled "Printer Types".

Printer	Type	Description
LANDWIDE240	LANDWIDE240	LANDWIDE240

Printer Types

Margin Analysis Report Errors

Menu path: System Administrator => Concurrent => Program => Define => Margin Analysis Report with Order Management

- And set up the concurrent programs to use this printer:

Concurrent Programs

Program: Margin Analysis Report with Order Management ☒ Enabled

Short Name: CSTROMMA

Application: Bills of Material

Description: Margin Analysis Report

Executable

Name: CSTROMMA

Method: Oracle Reports

Options:

Priority:

Request

Type:

Incrementor:

MLS Function:

☒ Use in SRS ☒ Allow Disabled Values

☐ Run Alone ☒ Restart on System Failure

☐ Enable Trace ☒ NLS Compliant

Output

Format: Text

☒ Save (S)

☒ Print

Columns:

Rows:

Style: Landwide 240

☐ Style Required

Printer: LANDWIDE240

Business Events

☐ Request Submitted (Y) ☐ Request Running ☐ Post Processing Ended

☐ Request On Hold ☐ Program Completed ☐ Request Completed (Z)

☐ Request Resumed ☐ Post Processing Started

Copy to... Session Control Incompatibilities Parameters

Add the new printer here

Custom Margin Analysis Report

□ Use the stored information to create your own reports:

Sample Margin Analysis Report			Parameters:		Ledger: %		G/L Date from: 01-Dec-2012													
Run Date: 09-Oct-2015					Item: %		G/L Date to: 31-Dec-2012													
Ledger	Operating Unit	Org Code	Sold To Cust	Order Number	Order Line	Order Type	G/L Date	Item	Item Description	Product Line	UOM	Unit Price	Unit Cost	Invoice Qty	Ship Qty	Sales Amount	COGS Amount	Margin	Percent	
Vision Operations (US Vision Opera M1	Business World	66384	1	Mixed	31-Dec-12	CM08512	RAM - 512MB	COMPONENT	Ea	250.0000	0.0000	1.0	1.0	250.00	225.00	25.00	10.0			
Vision Operations (US Vision Opera M1	Business World	66384	1	Mixed	31-Dec-12	CM08830	RAM - 256MB	COMPONENT	Ea	150.0000	0.0000	1.0	1.0	150.00	135.00	15.00	10.0			
Vision Operations (US Vision Opera M1	Business World	66384	1	Mixed	31-Dec-12	CM41020	Hard Drive - 120GB	PERIPHERAL	Ea	90.0000	0.0000	1.0	1.0	90.00	81.00	9.00	10.0			
Vision Operations (US Vision Opera M1	Business World	66384	1	Mixed	31-Dec-12	CM54321	Software - Word Processing	SOFTWARE	Ea	95.0000	0.0000	1.0	1.0	95.00	85.50	9.50	10.0			
Vision Operations (US Vision Opera M1	Business World	66384	1	Mixed	31-Dec-12	CM56560	Software - Web Browser	SOFTWARE	Ea	39.0000	0.0000	1.0	1.0	39.00	35.10	3.90	10.0			
Vision Operations (US Vision Opera M1	Business World	66384	1	Mixed	31-Dec-12	CM59311	Software - Spreadsheet	SOFTWARE	Ea	75.0000	0.0000	1.0	1.0	75.00	67.50	7.50	10.0			
Vision Operations (US Vision Opera M1	Business World	66384	1	Mixed	31-Dec-12	CM67433	Floppy Drive - 1.44 MB	PERIPHERAL	Ea	38.0000	0.0000	1.0	1.0	38.00	34.20	3.80	10.0			
Vision Operations (US Vision Opera M1	Business World	66384	1	Mixed	31-Dec-12	CM73946	CD-ROM - 48X	PERIPHERAL	Ea	250.0000	0.0000	1.0	1.0	250.00	225.00	25.00	10.0			
Vision Operations (US Vision Opera M1	Business World	66384	1	Mixed	31-Dec-12	CN92777	Sentinel Custom Desktop	COMPUTER	Ea	999.0000	0.0000	1.0	1.0	999.00	899.10	99.90	10.0			
Vision Operations (US Vision Opera M1	Business World	66385	1	Mixed	31-Dec-12	CM08512	RAM - 512MB	COMPONENT	Ea	250.0000	0.0000	1.0	1.0	250.00	225.00	25.00	10.0			
Vision Operations (US Vision Opera M1	Business World	66385	1	Mixed	31-Dec-12	CM34225	220 V Power Supply	PERIPHERAL	Ea	120.0000	0.0000	1.0	1.0	120.00	108.00	12.00	10.0			
Vision Operations (US Vision Opera M1	Business World	66385	1	Mixed	31-Dec-12	CM41520	Hard Drive - 500GB	PERIPHERAL	Ea	845.0000	0.0000	1.0	1.0	845.00	760.50	84.50	10.0			
Vision Operations (US Vision Opera M1	Business World	66385	1	Mixed	31-Dec-12	CM49954	Software - Graphics	SOFTWARE	Ea	89.0000	0.0000	1.0	1.0	89.00	80.10	8.90	10.0			
Vision Operations (US Vision Opera M1	Business World	66385	1	Mixed	31-Dec-12	CM54321	Software - Word Processing	SOFTWARE	Ea	95.0000	0.0000	1.0	1.0	95.00	85.50	9.50	10.0			
Vision Operations (US Vision Opera M1	Business World	66385	1	Mixed	31-Dec-12	CM56560	Software - Web Browser	SOFTWARE	Ea	39.0000	0.0000	1.0	1.0	39.00	35.10	3.90	10.0			
Vision Operations (US Vision Opera M1	Business World	66385	1	Mixed	31-Dec-12	CM59311	Software - Spreadsheet	SOFTWARE	Ea	75.0000	0.0000	1.0	1.0	75.00	67.50	7.50	10.0			
Vision Operations (US Vision Opera M1	Business World	66385	1	Mixed	31-Dec-12	CM65827	Software - Project Management	SOFTWARE	Ea	79.0000	0.0000	1.0	1.0	79.00	71.10	7.90	10.0			
Vision Operations (US Vision Opera M1	Business World	66385	1	Mixed	31-Dec-12	CM94043	Modem - 56k	COMPONENT	Ea	128.0000	0.0000	1.0	1.0	128.00	115.20	12.80	10.0			
Vision Operations (US Vision Opera M1	Business World	66385	1	Mixed	31-Dec-12	CN97444	Envoy Custom Laptop	COMPUTER	Ea	1,461.0000	0.0000	1.0	1.0	1,461.00	1,314.90	146.10	10.0			
Vision Operations (US Vision Opera M1	Business World	66386	1	Mixed	31-Dec-12	AS99689	Envoy Standard Laptop - Sele	COMPUTER	Ea	1,999.0000	0.0000	3.0	3.0	5,997.00	5,397.30	599.70	10.0			
Vision Operations (US Vision Opera M1	Hillman and Assoc	66388	1	Mixed	31-Dec-12	AS54888	Sentinel Standard Desktop	COMPUTER	Ea	453.0500	0.0000	6.0	6.0	2,718.30	2,446.47	271.83	10.0			

Custom Internal Margin Shipment Report

Internal Shipment Margin Report				Parameters:		Ledger:	%	Transaction Date From:			01-Apr-2011					
Run Date: 05-Mar-2011 15:20						ICP Cost Type: ICP		Transaction Date To:			30-Apr-2011					
		Ship From	Ship To	Item												
Ledger	Operating Unit	Org	Org	Number	Description	Customer	Customer Number	SO Number	SO Line	P/R Number	Order Type	Order Status	Transaction Type	Txn Id	Txn Date	Lot Number
Vision Op	Vision Opera	M1	W1	FS54888	Sentinel Standard	Vision	1021	66140	1	14280	Standard	(CLOSED)	Int Order Intr S	22434327	11-Apr-11	6004130
Vision Op	Vision Opera	M1	W1	FS54888	Sentinel Standard	Vision	1021	66139	1	14281	Standard	(CLOSED)	Int Order Intr S	23336435	13-Apr-11	6004154
Vision Op	Vision Opera	M1	W1	FS54888	Sentinel Standard	Vision	1021	64358	1	14050	Standard	(CLOSED)	Int Order Intr S	22446409	17-Apr-11	6004077

Txn Cost	Curr Conv Rate	Curr Code	Conv. Unit Cost	List Price	Unit Margin	UOM Code	Quantity	COGS Amount	Price List Amount	Margin Amount	Margin Percent	ICP Item Cost	ICP Amount	ICP Less Price List Diff.	ICP Diff. Less COGS
64.1800	1.0000	USD	64.1800	274.1300	(209.9500)	EA	9,050.0000	580,829.00	(2,480,876.50)	(1,900,047.50)	76.6	(209.9500)	(1,900,047.50)	580,829.00	0.00
64.1800	1.0000	USD	64.1800	274.1300	(209.9500)	EA	8,166.0000	524,093.88	(2,238,545.58)	(1,714,451.70)	76.6	(209.9500)	(1,714,451.70)	524,093.88	0.00
64.1800	1.0000	USD	64.1800	274.1300	(209.9500)	EA	8,039.0000	515,943.02	(2,203,731.07)	(1,687,788.05)	76.6	(209.9500)	(1,687,788.05)	515,943.02	0.00

Use this report to see internal margins on shipped internal orders. If tracking monthly ICP/PII amounts in a cost type you can also track your ICP/PII amounts.

(This report is not based on the Margin Load information.)

Summary

- ❑ COGS Recognition solves the question “Did I invoice everything I shipped”
- ❑ COGS Recognition has many moving parts (use the report set)
- ❑ Run Create Accounting in Inventory after A/R is closed
- ❑ Deferred COGS should have a zero balance at month-end (WITH NO MANUAL JOURNALS)
- ❑ Recommendation:
Let Oracle create the margin load information and use custom margin reports for better reporting

Any Questions?



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