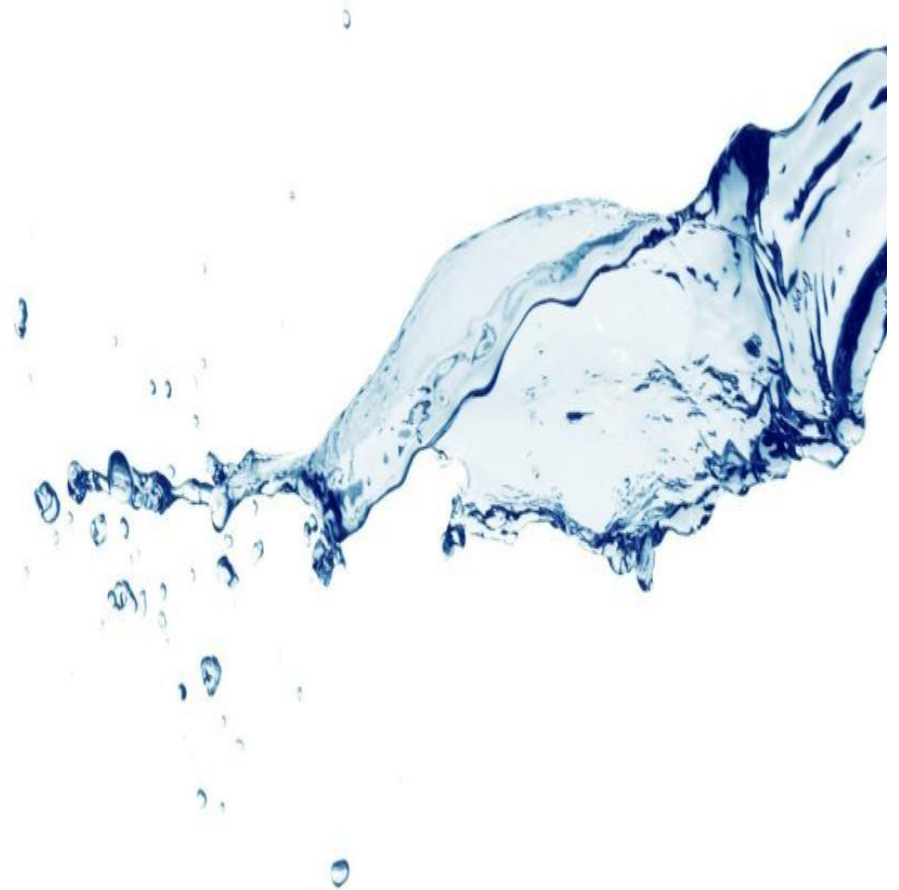**Deloitte.**

Interplant Costing using Oracle Sourcing Rules with Oracle Supply Chain Cost Rollup in Oracle R12

OAUG Cost Management SIG
February 17, 2015

Contents

Presenters

Cisco Reyes
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Summary of Experience

Cisco is a Specialist Master in the Dallas office of Deloitte Consulting.. He is a seasoned systems integrator and advisor for Oracle EBS engagements, with a particular interest in Oracle Discrete Manufacturing and Cost Management. He has sixteen years of consulting experiences. His project experience includes leading successful delivery for full life cycle Oracle EBS implementations and manufacturing transformations projects leveraging technology as a key enabler. He has designed product cost solutions using Oracle Discrete Costing.

Atul Krishna
Oracle Package Technologies
Deloitte Consulting, LLP
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Summary of Experience

Atul is a Senior Consultant with more than 7 years of experience in supply chain management function. He has worked on large scale implementations of Oracle supply chain modules for clients across manufacturing industry vertical. He brings in expertise in Process Analysis, Process Redesign, Gap-Analysis and Data Migration strategy He also has extensive experience in various oracle application implementation methodologies and project management. He has worked across various geographies and in multi-cultural environment showing strong teamwork and leadership skills.

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Key Awards

2014

- Applications Partner of the Year — Global

- Applications Partner of the Year — North America

- ERP Applications Partner of the Year — North America

- Human Capital Management Applications Partner of the Year — North America

- Applications Partner of the Year — Latin America

2013

- Industry Partner of the Year — Global

- Oracle Excellence awards for:
    - Manufacturing & Distribution
    - Security & Identity

2012

- Applications Partner of the Year — Global

- Oracle North American Excellence awards for:
    - Cloud Computing
    - Consumer & Retail Industry
    - Manufacturing & Distribution
    - Oil & Gas Industry
    - Supply Chain Management
    - Global Systems Integrator (SI) Applications Momentum

2011

- Middleware Partner of the Year — Global

- Oracle North American Titan awards for:
    - Cloud Computing
    - Communications, Media & Entertainment Industry
    - Consumer & Retail Industry
    - Financial/Enterprise Performance Management
    - Global Systems Integrator (SI) Applications Momentum
    - Oracle WebCenter

2010

- Applications Partner of the Year — Global

- Oracle North American Titan Awards for:
    - Global SI Apps Momentum
    - Consumer Industry Solution
    - Manufacturing and Distribution Solution
    - Oracle Red Stack Solution

Executive Summary

Responsibilities exist for cost accounts to maintain interplant item costs – finished good costs recognized between plants. The current cost rollup process impacts 25 manufacturing plants and distribution centers and touches up to 425K items during the cost rollup process. This scope will increase with the Oracle EBS 12.1.3 global implementation.

This presentation discusses the features used to leverage out of the box functionality for the R12 Supply Chain Cost Rollup (SCCR). The implemented solution meets the client needs by providing:

- An effective global costing solution that provides timely and accurate product costs
- Flexibility to maintain one-off cost changes based on materiality and correction of errors
- Flexibility to perform a cost rollup and/or a cost update of an individual new item (item with zero frozen/standard cost) without waiting for the next systematic scheduled cost rollup/cost update
- Integration of consistent cost data across the enterprise
- Minimizing the use of custom programs

Project Background

Client Snapshot

- A global leader in the manufacturing of filtration systems

- Industry: Diversified Machinery

- Revenue: $2.4 billion

- Employees: 12,500

- Products: Industrial Products and Engine Products

Project Overview

- Initial Start: October 2012
- Initiative: implement Oracle EBS R12.1.3 as the global solution across all regions
- Objectives: Providing a common systems platform to support growth
- Streamlining and standardizing transactional business processes
- Providing information visibility across geographies and businesses
- Enabling new business capabilities and corresponding productivity gains

Project Scope

- Discrete Manufacturing
- Product Information Management
- Order Management and Shipping
- Finance
- Advanced Supply Chain Planning,
- Quality
- Procurement

Problem Definition

Our client relies upon accurate product cost information as the basis for many of its pricing estimates used during the quoting and selling cycle of its products. From a completed business case, several opportunities were identified for the PTM processes.

One opportunity was to improve access and visibility to cost information to equip management with the ability to make more informed pricing decisions and identify focused cost reduction opportunities.

Improvement opportunities

Develop consistent method for capturing cost

Reduce the manual effort and reliance on custom tools to perform costing and cost analysis activities

Establish standards for bill of materials (BOM) structure, routing structure, and work center definition

High-level Solution

In today's organization where global sourcing is used extensively to drive cost for an item, the Oracle SCCR solution provides for an effective way to maintain standard cost across multiple locations and manufacturing sites and internal buying organizations.

The Supply Chain BOM provides an enhancement over traditional assembly cost rollup by pulling costs from source organizations. The SCCR provides the methods for an organization to simulate cost of an item in a destination organization when it is sourced out of different make/buy organizations.

Integrated supply chain cost:

- Costing
- Sourcing rules
- Master data organization

should be integrated

- Source of each item should be item identified either through sourcing rule or through BOM

- Item should be accurately identified as a make or a buy item in each integrated organization

- Additional mark-up should be identified either through an interplant mark-up at each organization level or through transfer pricing rules (This is an optional requirement)
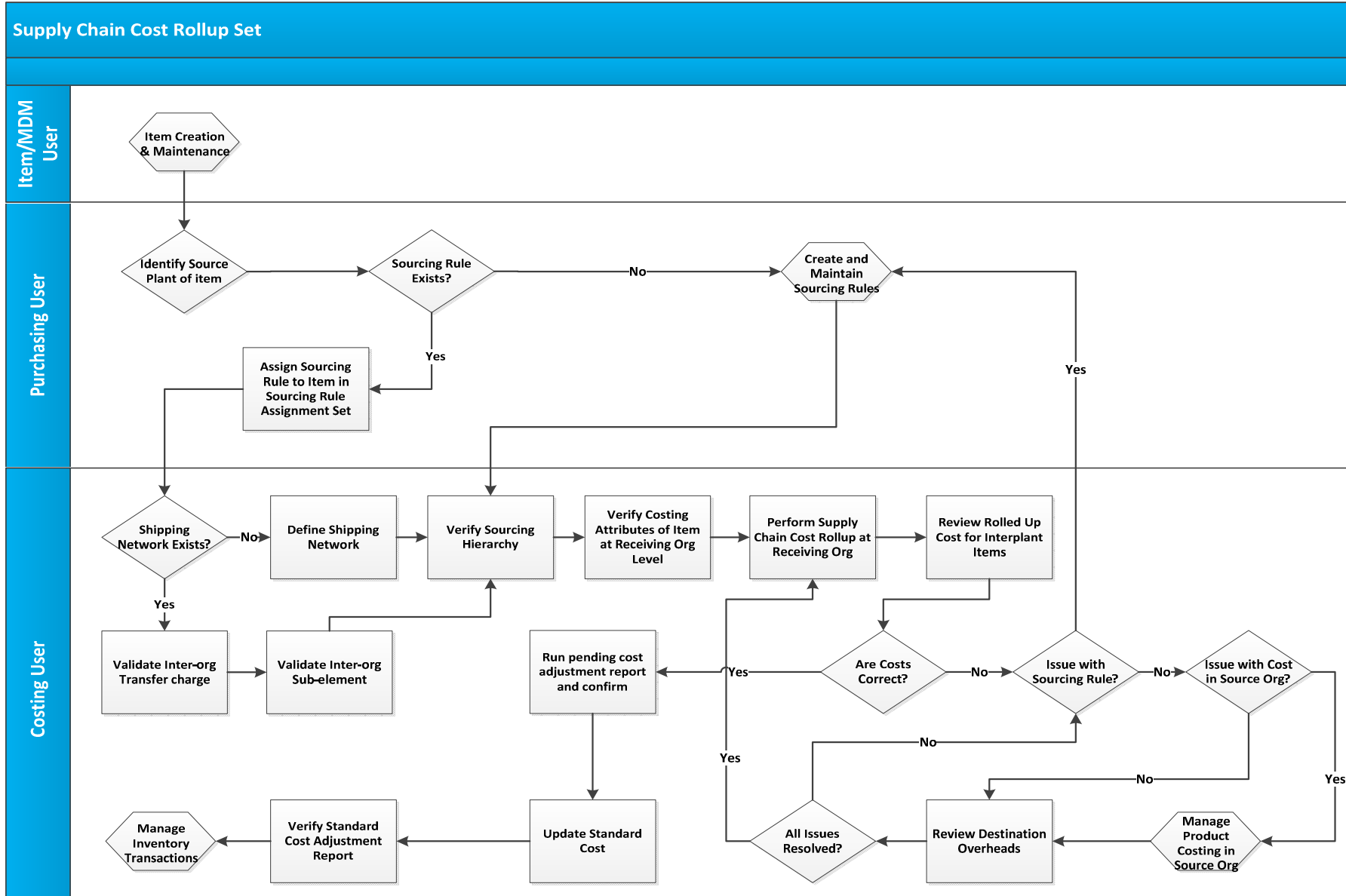
Interplant Costing-Key Features

Key features of Oracle interplant costing solution are as follows

Business Need	Key Features	Value Proposition
Global Sourcing	• Create multiple sources for an item to simulate final cost	• Find the best source of components for the final assembly
Cross Currency sourcing	• Final cost can be obtained even from plants maintaining component cost in different ledger currency	• Aids global sourcing and responds to currency fluctuation
Overhead Absorption	• Overheads can be absorbed at each node of the supply chain, thus being a true representation of final cost	• Absorb analysis of overheads
Cost Visibility	• Supply Chain cost rollup report provides visibility of cost added at each level at element level • You can save the details of the buy item costs by selecting Yes in the Preserve Buy Cost Details parameter	• Aids business Intelligence and cost analysis
Blended Cost	• Use of percentage based allocation can provide for blended cost based on multiple sources	• Analysis of single source of item vs. multiple source

High-level Solution

Supply Chain Cost Rollup Set

Item/MDM User
- Item Creation & Maintenance

Purchasing User
- Identify Source Plant of item
- Sourcing Rule Exists?
  - No → Create and Maintain Sourcing Rules
  - Yes → Assign Sourcing Rule to Item in Sourcing Rule Assignment Set

Costing User
- Shipping Network Exists?
  - No → Define Shipping Network
  - Yes → Validate Inter-org Transfer charge → Validate Inter-org Sub-element
- Verify Sourcing Hierarchy
- Verify Costing Attributes of Item at Receiving Org Level
- Perform Supply Chain Cost Rollup at Receiving Org
- Review Rolled Up Cost for Interplant Items
- Run pending cost adjustment report and confirm
- Are Costs Correct?
  - Yes → Run pending cost adjustment report and confirm
  - No → Issue with Sourcing Rule?
    - No → Issue with Cost in Source Org?
- Update Standard Cost
- Verify Standard Cost Adjustment Report
- Manage Inventory Transactions
- All Issues Resolved?
- Review Destination Overheads
- Manage Product Costing in Source Org

Solution details

Supply Chain Cost Rollup

SCCR process can be used to roll up costs across multiple orgs connected to sourcing rules:

- Supports MFG where component items are manufactured in different orgs

- Rollup process uses Bill of Distribution and Sourcing rules defined in MRP

- Bill of Material is the representation of components that are used for an assembly or a subassembly

- Supply Chain Bill of Material combines the existing concept of the BOM as well as including the Supply Chain sourcing rules that exist

- Supply Chain Cost Rollup can be performed for items specifically belonging to one organization or for all organizations included in the Supply Chain

- Can setup mark ups for inter-org transfer costs, and transportation costs in the shipping networks

Supply Chain Costing – Key Concepts

Sourcing Rule

- A use of sourcing rule allows for rollup of cost when components of an assembly are sourced out of different organizations
- The concept further allows for partial sourcing of components from multiple organizations
- Each component can have its own different BOM in different organizations and it can be included in the rollup

Bills of Distribution

- BOM's are a representation of all components that go into manufacturing of an assembly. This does not include sourcing information for each component
- BOM's used for SCCR combines the concept for SCCR and sourcing rule to create a Bills of Distribution

Prerequisites for Performing Supply Chain Costing

Below is a listing of the steps followed to utilize the SCCR:

1. Cost type should be available multiple organizations and it should allow for cost updates.

Prerequisites (cont'd)

2. A set of sourcing rules or bills of distribution need to be defined, which can be used for the cost rollup.

Transfer from 208 org to 262 org:
- Receiving Org = 262 (Distribution Org)
- Shipping Org = 208 (Manufacturing Org)
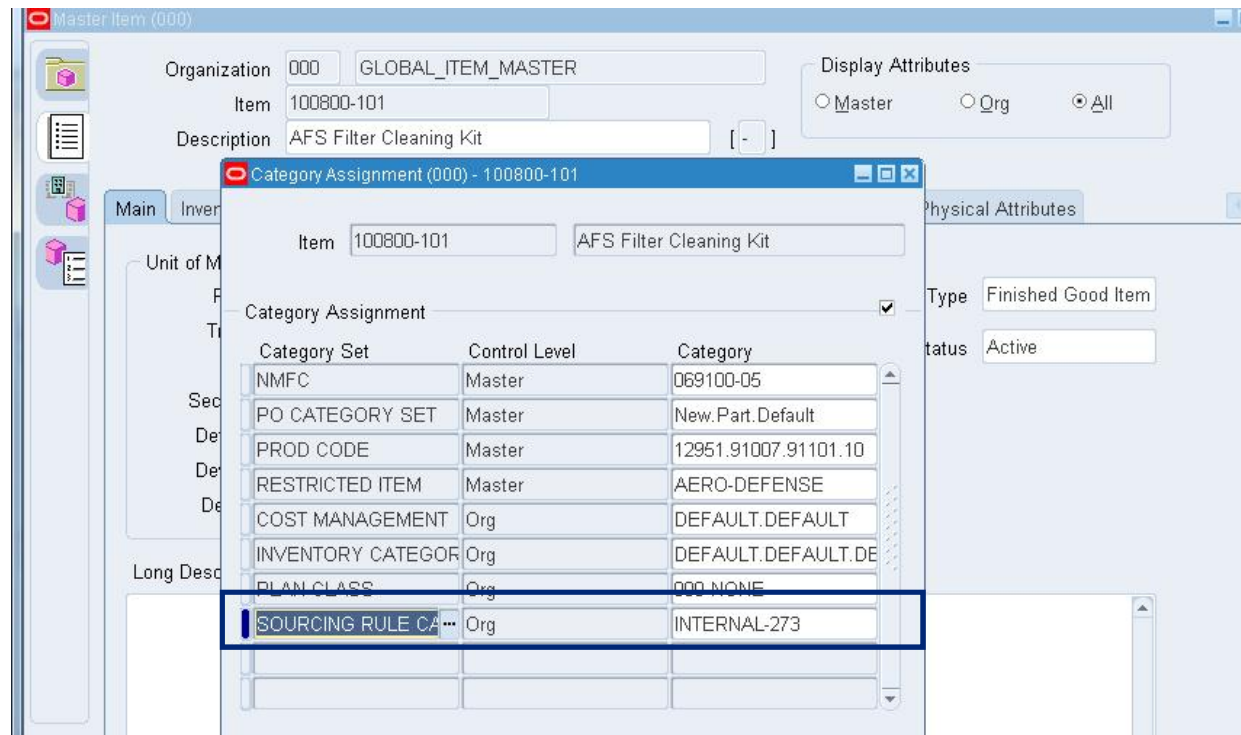 - Transfer from 208 at 100%

Prerequisites (cont'd)

3. An assignment set is defined that associates items/item category to a sourcing rule. This assignment is used during SCCR to identify source for an item.

Item Category Assignment - MDM

In order to create the sourcing rule assignment, there are two suggested ways:

- Assign Sourcing rule to Item/Org
- Assign Sourcing Rule to Item Category

For our client, we suggested use of item category which defines primary internal source of that Item. Our sourcing rule was created with 100% allocation and assigned to Item category. This simplified the design for the Bill of distribution.

Prerequisites (cont'd)

4. Create Shipping Networks: Note that the mark-up cost related to inter-organization transfer charge is included in the SCCR. This mark-up is retrieved from the inter-organization parameters.

Setup inter-org transfer charge

Impacts SCCR

In this scenario will increase cost in receiving org by 10%

Prerequisites (cont'd)

5. Create Material Overhead Subelement for inter-organization transfer charge.

Overheads (262)

Field	Value
Overhead	OMC
Cost Element	Material Overhead
Description	OMC MARKUP
Absorption Account	707.262999.554140.99.99.999.99999.999
Default Basis	Total Value
Default Activity	
Expenditure Type	MATERIAL OVERHEAD [ ]
Inactive On	
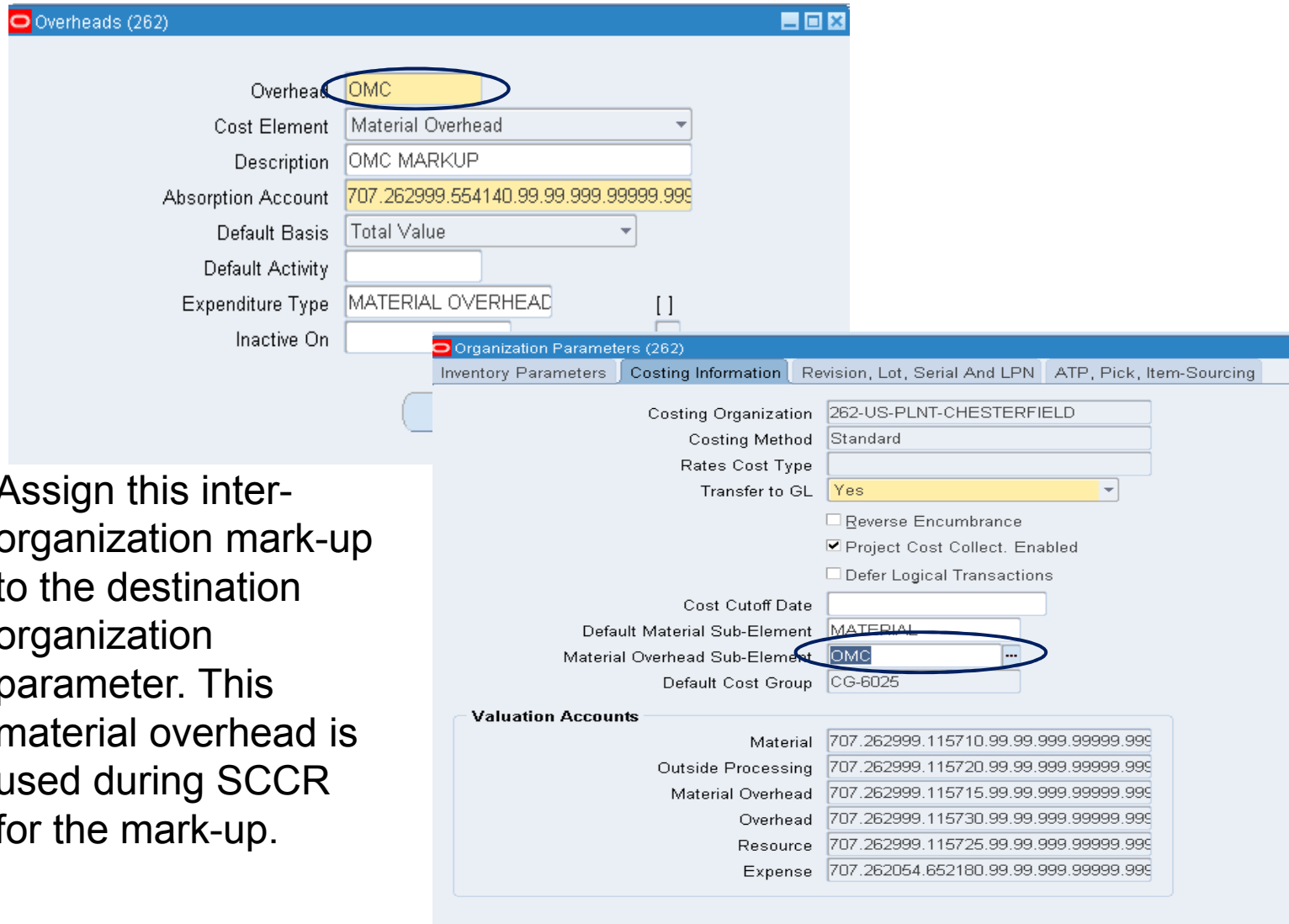
6. Assign this inter-organization mark-up to the destination organization parameter. This material overhead is used during SCCR for the mark-up.

Organization Parameters (262)

Inventory Parameters | Costing Information | Revision, Lot, Serial And LPN | ATP, Pick, Item-Sourcing

Field	Value
Costing Organization	262-US-PLNT-CHESTERFIELD
Costing Method	Standard
Rates Cost Type	
Transfer to GL	Yes

☐ Reverse Encumbrance
☑ Project Cost Collect. Enabled
☐ Defer Logical Transactions

Field	Value
Cost Cutoff Date	
Default Material Sub-Element	MATERIAL
Material Overhead Sub-Element	OMC
Default Cost Group	CG-6025

Valuation Accounts

Field	Value
Material	707.262999.115710.99.99.999.99999.999
Outside Processing	707.262999.115720.99.99.999.99999.999
Material Overhead	707.262999.115715.99.99.999.99999.999
Overhead	707.262999.115730.99.99.999.99999.999
Resource	707.262999.115725.99.99.999.99999.999
Expense	707.262054.652180.99.99.999.99999.999

Supply Chain Bill

As reflected earlier, the SCCR uses the concept of supply chain bill to rollup cost. It combines the concept of sourcing rule and BOM to define the sourced cost for an item. In the indented bill, you can see the source of each item in the BOM. This is reflected below in the Supply Chain Bill form.

Executing the SCCR

While running the SCCR, make sure to select the desired Sourcing Assignment set to be used for SCCR. The parameters to submit the SCCR are reflected below.

Supply Chain Cost Rollup (262)

Run this Request...

Copy...

Name	Supply Chain Cost Rollup - Print Report
Operating Unit	
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 (C)

Parameters

Cost Type	CURRENT	CURRENT COST TYPE
Organization	262	262-US-PLNT-CHESTERFIELD
Assignment Set		SCCR ASSIGNMENT SET
Buy Cost Type	CURRENT	CURRENT COST TYPE
Preserve Buy Cost Details	No	
Conversion Type	Corporate	Corporate Exchange Ra
Rollup Option	Full cost rollup	
Range	Specific item	
Report Type	Detail Indented	
Material Detail	Yes	
Material Overhead Detail	Yes	
Routing Detail	Yes	
Report Number of Levels	20	
Effective Date	18-FEB-2014 23:59:59	
Include Unimplemented ECOs	No	

OK | Cancel | Clear | Help

Parameters
- Several default values
- Many values are optional

Select parameters for our process:
- Cost Type:
- ORG:
- Assignment Set:
- Item:

- **Users can select a sourcing rule assignment set during SCCR**

- **This provides flexibility to the user to simulate costing through sourcing an item from different sources**

Supply Chain BOM Report Output

Supply Chain Bills of Material Indented Cost Report

```
           Rollup ID:  244035
         Description:
           Cost Type:  CURRENT
       Buy Cost Type:  CURRENT
Preserve Buy Cost Details:  No
        Organization:  262  262-US-PLNT-CHESTERFIELD
      Assignment Set:      SCCR ASSIGNMENT SET
     Conversion Type:  Corporate
         Report Type:  Detail Indented
     Material Detail:  Yes
Material Overhead Detail:  Yes
      Routing Detail:  Yes
        Report Level:  21
       Rollup Option:  Full cost rollup
               Range:  Specific item
      Effective Date:  2014/02/18 23:59:59
Include Unimplemented ECOs:  No
       Alternate BOM:
   Alternate Routing:
    Engineering Bill:  No
     Lot Size Option:  Use Existing Lot Size
    Lot Size Setting:
                Item:  100800-101
           Item From:
             Item To:
        Category Set:  COST MANAGEMENT
            Category:
```

```
Rollup ID: 244035                                                                                    Report Date: 18-FEB-2014 23:51:55
                              Supply Chain Bills of Material Indented Cost Report                         Page: 2

   Cost Type: CURRENT
Buy Cost Type: CURRENT                                                                              Revision Date: 2014/02/18 23:59:59
Assignment Set:     SCCR ASSIGNMENT SET                                                             Alternate BOM:
Conversion Type: Corporate                                                                          Alternate Routing:
```

Supply Chain BOM Report Output (cont'd)

```
..2        100201-000   AFS Air Filte 273    000   Yes Yes No  Item         EA      1.00    0.00    1.00    192.81050           USD
   10  Resource   LAB05ASSY  273105MFG           Yes   Item         HR      2.00    1.00    2.00    25.78000    0.00000
   10   Overhead   FIX05RIV   273105MFG                 Res units    USD    20.43    2.00   20.43                0.00000
   10   Overhead   VAR05RIV   273105MFG                 Res units    USD    22.51    2.00   22.51                0.00000
   10  Resource   LAB05BRAKE 273105MFG           Yes   Item         HR      0.00    1.00    0.00    25.78000    0.00000
   10   Overhead   FIX05RIV   273105MFG                 Res units    USD    20.43    0.00   20.43                0.00000
   10   Overhead   VAR05RIV   273105MFG                 Res units    USD    22.51    0.00   22.51                0.00000
   10  Resource   LAB05BURN  273105MFG           Yes   Item         HR      0.00    1.00    0.00    25.78000    0.00000
   10   Overhead   FIX05RIV   273105MFG                 Res units    USD    20.43    0.00   20.43                0.00000
   10   Overhead   VAR05RIV   273105MFG                 Res units    USD    22.51    0.00   22.51                0.00000
   10  Resource   LAB05DRILL 273105MFG           Yes   Item         HR      0.00    1.00    0.00    25.78000    0.00000
        Rollup ID: 244035                                                        Report Date: 18-FEB-2014 23:51:55
                                        Supply Chain Bills of Material Indented Cost Report                    Page: 3
     Cost Type: CURRENT
 Buy Cost Type: CURRENT                                                          Revision Date: 2014/02/18 23:59:59
 Assignment Set:    SCCR ASSIGNMENT SET                                          Alternate BOM:
 Conversion Type: Corporate                                                      Alternate Routing:


 Organization: 262              262-US-PLNT-CHESTERFIELD                             Currency Code: USD
     Assembly: 100800-101       AFS Filter Cleaning Kit             Category: FINISHED GOODS.DEFAULT    UOM: EA
```

Level	Op Seq	Item/ Cost Element	Description/ Sub-Element	Org/ Department	Last Rev	Include In Rollup	Based On Rollup	Asset/ Costed Phtm	Yield/ Basis	Planning %		Quantity/ Or Amount	Shrink/ Basis Factor	Extended Qty/ Rate Or Amount	Item Unit Cost/ Res Unit Cost	Extended Cost	Currency Code
..2		100201-000	AFS Air Filte	273	000	Yes	Yes	No	Item			1.00	0.00	1.00	192.81050		
	10	Overhead	FIX05RIV	273105MFG					Res units		USD	20.43	0.00	20.43		0.00000	
	10	Overhead	VAR05RIV	273105MFG					Res units		USD	22.51	0.00	22.51		0.00000	
	10	Resource	LAB05FAB	273105MFG			Yes		Item		HR	0.00	1.00	0.00	25.78000	0.00000	
	10	Overhead	FIX05RIV	273105MFG					Res units		USD	20.43	0.00	20.43		0.00000	
	10	Overhead	VAR05RIV	273105MFG					Res units		USD	22.51	0.00	22.51		0.00000	
	10	Resource	LAB05PNTR	273105MFG			Yes		Item		HR	0.00	1.00	0.00	25.78000	0.00000	
	10	Overhead	FIX05RIV	273105MFG					Res units		USD	20.43	0.00	20.43		0.00000	
	10	Overhead	VAR05RIV	273105MFG					Res units		USD	22.51	0.00	22.51		0.00000	
	10	Resource	LAB05SAW	273105MFG			Yes		Item		HR	0.20	1.00	0.20	25.78000	0.00000	
	10	Overhead	FIX05RIV	273105MFG					Res units		USD	20.43	0.20	20.43		0.00000	
	10	Overhead	VAR05RIV	273105MFG					Res units		USD	22.51	0.20	22.51		0.00000	
	10	Resource	LAB05WASH	273105MFG			Yes		Item		HR	0.00	1.00	0.00	25.78000	0.00000	
	10	Overhead	FIX05RIV	273105MFG					Res units		USD	20.43	0.00	20.43		0.00000	
	10	Overhead	VAR05RIV	273105MFG					Res units		USD	22.51	0.00	22.51		0.00000	
	10	Resource	LAB05WELD	273105MFG			Yes		Item		HR	0.00	1.00	0.00	25.78000	0.00000	
	10	Overhead	FIX05RIV	273105MFG					Res units		USD	20.43	0.00	20.43		0.00000	
	10	Overhead	VAR05RIV	273105MFG					Res units		USD	22.51	0.00	22.51		0.00000	
...3	1	1E1704	URETHANE, 1/4	273	000	Yes	No	Yes No	Item	1.00	100	FT2	3.20	0.00	1.00	13.00828	USD
		Material	MATERIAL						Item		USD	12.52	1.00	12.52		0.00000	

Supply Chain BOM Report Output (cont'd)

```
Organization: 262                    262-US-PLNT-CHESTERFIELD                                          Currency Code: USD
    Assembly: 100800-101             AFS Filter Cleaning Kit                    Category: FINISHED GOODS.DEFAULT      UOM: EA
```

Level	Op Seq	Item/ Cost Element	Description/ Sub-Element	Org/ Department	Last Rev	Include In Rollup	Based On Rollup	Asset/Costed	Phtm	Yield/ Basis	Planning %	UOM	Quantity/ Rate Or Amount	Shrink/ Basis Factor	Extended Qty/ Rate Or Amount	Item Unit Cost/ Res Unit Cost	Extended Cost	Currency Code
0		100800-101	AFS Filter Cl	262	000	Yes	Yes	No	Item			EA	1.00	0.00	1.00	276.17460		USD
	11	Resource	LAB02AFS	262502DENG			Yes		Item			HR	0.00	1.00	0.00	41.79000	0.00000	
	301	Resource	LAB07AFS	262107ASSY			Yes		Item			HR	0.50	1.00	0.50	22.59000	11.29500	
	301	Overhead	FIX07AFS	262107ASSY					Res value			USD	1.22	11.30	1.22		13.79458	
	301	Overhead	VAR07AFS	262107ASSY					Res value			USD	0.25	11.30	0.25		2.77970	
.1	1	2099-0016	16 oz Nalgene	262	000	Yes	No	Yes No	Item	1.00	100	EA	1.00	0.00	1.00	5.06859		USD
		Material	MATERIAL						Item			USD	4.57	1.00	4.57		4.57000	
		Material Overh	FIX07MOH						Ttl value			USD	0.11	4.57	0.11		0.49859	
.1	1	3ZC31	Sprayer - 2 g	262	000	Yes	No	Yes No	Item	1.00	100	EA	1.00	0.00	1.00	69.10802		USD
		Material	MATERIAL						Item			USD	62.31	1.00	62.31		62.31000	
		Material Overh	FIX07MOH						Ttl value			USD	0.11	62.31	0.11		6.79802	
.1	1	712401-0001	16 oz bottle	262	000	Yes	No	Yes No	Item	1.00	100	EA	1.00	0.00	1.00	2.27366		USD
		Material	MATERIAL						Item			USD	2.05	1.00	2.05		2.05000	
		Material Overh	FIX07MOH						Ttl value			USD	0.11	2.05	0.11		0.22366	
.1	1	MALCO S2	Seamer Pliers	262	000	Yes	No	Yes No	Item	1.00	100	EA	1.00	0.00	1.00	38.66323		USD
		Material	MATERIAL						Item			USD	34.86	1.00	34.86		34.86000	
		Material Overh	FIX07MOH						Ttl value			USD	0.11	34.86	0.11		3.80323	
.1	1	MALCO S6	Seamer Pliers	262	000	Yes	No	Yes No	Item	1.00	100	EA	1.00	0.00	1.00	72.12477		USD
		Material	MATERIAL						Item			USD	65.03	1.00	65.03		65.03000	
		Material Overh	FIX07MOH						Ttl value			USD	0.11	65.03	0.11		7.09477	
.1	1	100101-000	AFS Air Filte	262	D	Yes	No	Yes No	Item	1.00	100	EA	1.00	0.00	1.00	33.05118		USD
		Material	MATERIAL						Item			USD	29.80	1.00	29.80		29.80000	
		Material Overh	FIX07MOH						Ttl value			USD	0.11	29.80	0.11		3.25118	
..2		100101-000	AFS Air Filte	208	000		No	Yes No	Item			EA	1.00	0.00	1.00	2.87820		USD
		Material	MATERIAL						Item			USD	2.34	1.00	2.34		0.00000	
		Material Overh	INTLFRT						Ttl value			USD	0.23	2.34	0.23		0.00000	
.1	1	100201-000	AFS Air Filte	262	D	Yes	No	Yes No	Item	1.00	100	EA	1.00	0.00	1.00	28.01587		USD
		Material	MATERIAL						Item			USD	25.26	1.00	25.26		25.26000	
		Material Overh	FIX07MOH						Ttl value			USD	0.11	25.26	0.11		2.75587	

Supply Chain BOM Report Output (cont'd)

```
   10   Overhead      FIX05RIV    273105MFG              Res units    USD      20.43     0.00     20.43                    0.00000
   10   Overhead      VAR05RIV    273105MFG              Res units    USD      22.51     0.00     22.51                    0.00000

.3   1   1E1704       URETHANE, 1/4 273   000  Yes No  Yes No  Item  1.00  100 FT2   3.20     0.00      1.00    13.00828           USD
        Material      MATERIAL                           Item         USD      12.52     1.00     12.52                    0.00000
        Material Overh DOMFRT                            Ttl value    USD       0.04    12.52      0.04                    0.00000

                                                                                                            --------------- ---
                                                                                                                  276.17460 USD
                                                                                                            =============== ===

                 Cost Element    Standard Cost    Report Value    Difference    Percent
              ------------------  -------------   -------------   -------------  ----------

                      Material      223.88000      223.88000       0.00000         0.0
             Material Overhead       24.42532       24.42532       0.00000         0.0
                      Resource       11.29500       11.29500       0.00000         0.0
             Outside Processing       0.00000        0.00000       0.00000         0.0
                      Overhead       16.57428       16.57428       0.00000         0.0
                                 -------------   -------------   -------------  ----------
                        Total      276.17460      276.17460       0.00000
                                 =============   =============   =============  ==========

         * This cost may include this level material, material overhead or routing costs.
         # This cost includes previous levels not displayed on the report.
         Rollup ID: 244035                                                              Report Date: 18-FEB-2014 23:51:55
                                      Supply Chain Bills of Material Indented Cost Report        Page: 4
        Cost Type: CURRENT
    Buy Cost Type: CURRENT                                                              Revision Date: 2014/02/18 23:59:59
    Assignment Set:    SCCR ASSIGNMENT SET                                              Alternate BOM:
    Conversion Type: Corporate                                                         Alternate Routing:


   Organization: 262                    262-US-PLNT-CHESTERFIELD                                   Currency Code: USD
      Assembly: 100800-101              AFS Filter Cleaning Kit          Category: FINISHED GOODS.DEFAULT      UOM: EA
      The costs are computed based on the following sourcing rules:                                          Currency
                                                                                                                Code
                  Receipt Org/   Description/            Vendor       Ship         Source      Source     Effective    Cost        Total |
      Item        Source Type    Source Org or Vendor    Site         Method       Percent  Item Unit Cost     Cost  Percent  Item Unit Cost |
   -------------- -------------  ----------------------- ----------- ------------ ---------- ------------- ------------- ------- -------------- ---
   100201-000     262            AFS Air Filter Cleaner 1 Gallo                                                                  28.01587 USD
                  Transfer From  273                                              100.0      0.00000       0.00000      0.0
                  User-Defined or Overhead Costs                                                          28.01587    100.0

   100101-000     262            AFS Air Filter Oil 1 Gallon                                                                    33.05118 USD
                  Transfer From  208                                              100.0      0.00000       0.00000      0.0
                  User-Defined or Overhead Costs                                                          33.05118    100.0

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                                           ***** End of Report *****
```

SCCR Schedule

Ensure that rollup schedule follows the path of supply chain:

- The path of supply chain is rollup should be run first in organization, which is the source, and then followed up in the destination org as far as possible.

- A good example of following the supply chain path is to run SCCR in a manufacturing unit first before running it at a distribution center
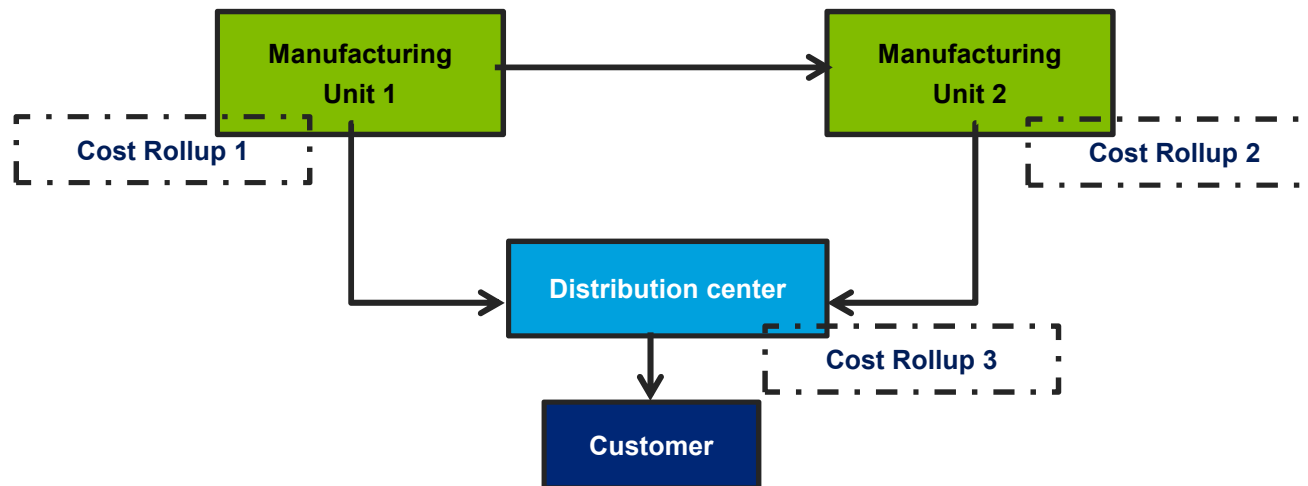
Supply Chain Item Costs

The benefit of running rollup in this sequence is that an organization wide sequence of rollup results in capturing real cost at the end of the supply chain (i.e., when the finished good finally reaches the customer).

Some organization that have inventory orgs supplying to each other(as was the case with our client), run cost rollup in a cyclical fashion multiple times to get actual cost in each inventory org.

Final cost after rollup would reflect as below as per the above example. While viewing cost you can check Cost summary by level, which would reflect the cost collected from previous level.

Supply Chain Item Costs (cont'd)

Because of Rollup Option selection - Full cost rollup, cost is rolled-up in previous level orgs as shown below, thus reflecting actual cost across the supply chain path.

Supply Chain Item Costs (cont'd)

Below is the cost for a component from first level, the cost of which can be seen in the full cost rollup.

After the SCCR's are complete, cost accounting is ready to perform the cost update. This establishes the frozen standard cost. Once the standard cost is set, you are able to cost inventory, work in process, BOM, receipts, and shipments.

Business Benefits

Organizations can derive the following benefits by maintaining the SCCR instead of the traditional assembly cost rollup:

Centralized Buying Organization

- This helps in determining correct sourcing decisions
- Promotes a philosophy of strategic costing in the organization

Cost Driven Organizations

- Supply chain-costing works as an important tool for cost analysis and cost reduction efforts by identifying non-value added costs across the supply chain

Savings to the Organization

- Cost management helps evaluate supplier quotes and supports and reports on the progress of strategic sourcing from a cost management perspective
- Supply chain costing helps cost management and sourcing organizations integrate their process

Product Development

- During new product development, supply chain cost management helps in identifying the best combination of Make/Buy organization decisions to bring down the cost of new product

Summary

By implementing Oracle Discrete Manufacturing and leveraging the SCCR features from the Cost Management module, our client has been able to improve accuracy and visibility of cost information across the enterprise.

With these improvements:

- They have complemented the ability to make more informed pricing decisions and to help obtain cost reduction goals

- The R12 SCCR process has eliminated unnecessary steps that were followed in the Oracle 11i cost rollup processes.

- The supply chain standard costing solution deployed with Oracle R12 has provided enhanced possibilities to model and simulate alternatives for sourcing, producing, distributing, and delivering products to end customers.

- Overall, the solution has provided timely and effective product cost information across the extended global supply chain

Thank You!

Deloitte.