How to Setup, Transact and Use Outside Processing

OAUG Cost Mgmt SIG Meeting
May 20, 2014

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Introduction

- Learn about the outside processing processes with Oracle EBS
- Find out about alternate methods
- Note some of common workarounds
- Discuss current problems you may have
Agenda

- Welcome to Our Session!
- Cost Management SIG Business
- How to Setup, Transact and Use Outside Processing
  - Scenario
  - OSP Setup
  - OSP Transactions: PO Receipt/OSP into WIP
  - OSP Transaction Inquiries for Receiving & WIP
  - OSP Value and Distribution Reporting
  - Alternate OSP Solutions
- Conclusions
OAUG Cost Management SIG Business
- Oracle Conferences (http://oaug.org/communities/announcements-news)

- Below is a sample, for the latest information go to:
  - http://oaug.org/communities/announcements-news

- OAUG Connection Point® — AppsTech
  - July 22-23, 2014
  - Pittsburgh Marriott City Center, Pittsburgh, PA

- 2014 NorCal OAUG Training Day
  - August 26, 2014
  - San Jose DoubleTree Hotel, San Jose, CA

- OpenWorld 2014
  - September 28—October 2, 2014
  - Moscone Center, San Francisco, CA
OAUG Cost Management SIG Business
- June Elections

- June Elections for OAUG Cost SIG Officers:
  - President, Vice-Presidents (2), Membership Chair (1)

- President (SIG Coordinator):
  - Runs the Cost Mgmt SIG, organizes speakers for monthly webinars
  - Sets Up SIG meetings at Collaborate and Oracle OpenWorld
  - Meets with Oracle Cost Development on enhancements and product issues

- Vice-Presidents:
  - Shares in the above tasks, substitutes for President on monthly webinars as needed
  - (New! Desired!) LinkedIn OAUG Cost Management Q&A Forum
  - (New! Desired!) Organizes Enhancement Request Feedback from Members

- Membership Chair:
  - Keeps track of membership lists
  - Updates OAUG Cost Management Website
## OAUG Cost Management SIG Business
- Cost Management SIG 2014 Election Timeline

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Send email notice to all members announcing the opening for the call for candidates</td>
<td>May 26</td>
</tr>
<tr>
<td>Send reminder email to all members regarding call for candidates</td>
<td>June 4</td>
</tr>
<tr>
<td>Close call for candidates &amp; collect candidate bios by:</td>
<td>Midnight June 6</td>
</tr>
<tr>
<td>Send out ballots</td>
<td>June 11</td>
</tr>
<tr>
<td>Send out ballot reminder</td>
<td>June 18</td>
</tr>
<tr>
<td>Close elections</td>
<td>Midnight June 20</td>
</tr>
<tr>
<td>Notify candidates of results</td>
<td>June 23</td>
</tr>
<tr>
<td>Election results notice to all members</td>
<td>June 26</td>
</tr>
</tbody>
</table>
Scenario and Overall Process
Why, What, How?

- Why have outside processing?

- You receive goods into receiving, inspect and deliver?
  - Process PO Receipt/OSP into WIP

- How can you see its progress?

- How can you see the results?

- What is the financial accounting?
Outside Processing Process Flow For Assemblies

- **Buyer**
  - 2.0 Create Requisition Processes
  - 3.0 Manage Supplier Deliveries
  - 5.7 Review Supplier Performance

- **Suppliers**
  - 4.0 Schedule and Deliver Purchase Order Requirements

- **Receiver**
  - Inspect? Yes → 5.0 Receive Items requiring Inspection
  - Inspect receipt
  - Accept? Yes → 7.0 Receive to WIP
  - No → 6.0 Reject from Inspection
    - No → Return to Supplier?
      - Yes → Adjust Receiving Process
      - No → Inventory Control Process
    - Yes → Receiving Process

- **Prod Control**
  - Start
  - 1.0 Move into OSP Operation
  - 8.0 Increase to WIP Value
    - WIP Complete
    - 9.0 Finished Goods Subinventory
      - Customer Distribution Center
Types of Supported OSP:

- **Discrete Work Order OSP**
  - Work order task requires services from outside supplier
  - Looks like a P/R, PO setup but receive a service into WIP

- **SubContract Manufacturing**
  - New functionality starting in Release 12.1
  - Requires separate licensing from Oracle
  - Four flavors:
    - Partial Outsourcing
    - Buy/Sell Outsourcing
    - Full (Non-Chargeable) Outsourcing
    - Chargeable / Skikyu Outsourcing (PacRim countries)
  - From Collaborate14 see the following presentation:
    - Outsourced Manufacturing for Discrete Manufacturing Industries in Oracle E-Business Suite

- **OSP Not Supported For:**
  - Flow Manufacturing (Oracle MetaLink/MOS Doc ID 732866.1)
  - Work-Orderless (Oracle MetaLink/MOS Doc ID 1464310.1)
Background Information for Purchase Orders

- May have multiple lines per PO
- May have multiple scheduled receipts and PO releases per line
- May have multiple PO distributions per line or scheduled receipt
- Four stored accounts per PO distribution
Types of Receipts

- **Items Vs. No Items:**
  - Expense Receipts may or may not have an item number
  - Inventory Receipts may be for an expense item or inventory asset item
  - WIP/OSP is for both an OSP item and a WIP resource at the same time

- **Three Types of PO Destinations:**
  - Inventory
  - Shop Floor (WIP / OSP)
  - Expense

- **Direct Vs. Two-Step (Receive then Deliver separately):**
  - The receiving routing (item master setting) allows you to pre-select if inspection is required

- **Unplanned:**
  - You can receive goods or services temporarily as an unordered receipt
## PO Account Sources
(Standard Workflow / Account Generator Rules)

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Expense Destination</th>
<th>Inventory / WIP Destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charge Account</td>
<td>Cost Center or Expense Account</td>
<td>Matl / WIP Job OSP Account</td>
</tr>
<tr>
<td>Accrual Account</td>
<td>Expense A/P Accrual Account</td>
<td>Inventory A/P Accrual Account</td>
</tr>
<tr>
<td>Variance (IPV) Account</td>
<td>Cost Center or Expense Account</td>
<td>Inventory IPV Account</td>
</tr>
<tr>
<td>Budget Account</td>
<td>Expense Budget Account</td>
<td>Default Subinv/Org Encumbrance Account</td>
</tr>
</tbody>
</table>
OSP Setup
Outside Processing Setup

1. Enable the OSP Workflow
2. Create the OSP item in the Master Organization
3. Create one OSP resources for scheduling to be used on all OSP routings (optional)
4. Create a unique OSP resource for each assembly being built (needed for costing and needed for the Import Requisition program to create the purchase requisition)
5. Create the OSP routing
6. Rollup the new routings and Cost Update
7. Create the work order
8. Move into the outside processing operation (and run Import Reqs)
9. Run AutoCreate POs
Outside Processing Item Controls
- Two Concepts at the Same time

- **WIP/OSP is for both:**
  - An OSP item
  - And a WIP resource

- **OSP Item Controls:**
  - User Item Type: Outside Processing
  - Not Stockable
  - Not an Inventory Item
  - Not Transactable
  - Not Costed
  - No Inventory Value (represents a service)
Outside Processing Profile Controls
- WIP: Enable Outside Processing Workflow

Menu path: System Administrator => Profile => System

After lines are created by the OSP Shop Floor Move in the PO_REQUISITION_INTERFACE, this profile enables the OSP workflow to fire the Requisition Import concurrent program automatically.
Outside Processing Item Controls
- Main Item Controls

Menu path: Inventory => Items => Organization Items => Main tab

Standard Oracle OSP procedures requires a unique OSP resource for each OSP item

Can be helpful to put “real” item number in the description of the resource, for example, use the same inventory number with a suffix like a -S
Outside Processing Item Controls
- Inventory Item Controls

Menu path: Inventory => Items => Organization Items => Inventory tab
Outside Processing Item Controls
- Cost Controls

Menu path: Inventory => Items => Organization Items => Costing tab

Costs are from the OSP resource, not the item.
Outside Processing Item Controls
- Purchasing Controls

Menu path: Inventory => Items => Organization Items => Purchasing tab

Unit Type: Assembly or Resource

**Assembly:** You purchase an outside processing item based on the number of assemblies you ship to the supplier.

**Resource:** You purchase an outside processing item based on the number of assemblies times the resource usage rate or amount.
Outside Processing Item Controls
- Lead Times

Menu path: Inventory => Items => Organization Items => Lead Times tab

Use the item lead times to schedule the OSP service, including the time it takes to create the P/R, PO and receive the service from the Supplier.
Set Up the OSP Resource
Menu path: Cost Management – SLA => Setup => Sub-Elements => Resources

You can also use a non-costed resource for scheduling lead times on the routing. Non-costed resources have a time-based UOM for scheduling purposes. Could be DAY, HR, etc.
Set Up the OSP Resource
Menu path: Cost Management – SLA => Setup => Subelements => Resources

This example assumes OSP resource has the standard rate checked. If the resource definition has standard rate checked (Yes), then the WIP job earns OSP at the standard cost.

For OSP resources, the Absorption Account defaults to the Receiving Account. This is normal behavior. See what happens when it is changed!

This example assumes OSP resource has the standard rate checked. If the resource definition has standard rate checked (Yes), then the WIP job earns OSP at the standard cost.
Set Up the OSP Resource
Menu path: Cost Management – SLA => Setup => Subelements => Resources

- **OSP Resource Limitations:**
  - Need to create a unique OSP resource for each assembly being built (for costing and for the Import Requisition program to create the P/R)
  - Should use a naming convention for OSP resources for your company. An example would be to start every OSP Resource with OP and a sequential number.
  - But be careful, Resource Name field is limited to 10 positions.

- **OSP Resource Units of Measure:**
  - Don’t use a time-based UOM for Costing (HR, DAY, etc.), the resource unit cost will vary with the hours on the routing
  - Don’t use a currency based resource (USD, GBP, CAD, EUR, etc.) as the purchase requisition will not be created
  - Use fixed, per item UOMs, such as EA, EACH and such
Set Up the Routing
Menu path: Bills of Material => Routings => Routings
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This ensures the Cost Rollup will cost the OSP operation into your results.
Set Up the Routing Resources

Menu path: Bills of Material => Routings => Routings => Operation Resources

In WIP, when you move into the OSP operation a requisition line is sent to the Open Requisitions table.
Rollup Up the New Routing

Menu path: Cost Management – SLA => Supply Chain Costing => Supply Chain Cost Rollup
**Rollup Up the New Routing**

**Menu path:** Cost Management – SLA => Supply Chain Costing => Supply Chain Cost Rollup

---

**Organization:** M1  
**Assembly:** MC31749  
**Standard Steel Case**

**Include In Rollup**

<table>
<thead>
<tr>
<th>Level</th>
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<th>Description/ Org/ Department</th>
<th>Last</th>
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<th>Shrink/ Rate Or Amount</th>
<th>Item Unit Cost/ Extended Cost</th>
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<tr>
<td>0</td>
<td></td>
<td>MC31749</td>
<td>Standard Steel M1</td>
<td>A</td>
<td>Yes</td>
<td>Item</td>
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<td>28.55833 USD</td>
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<td>RW94713</td>
<td>Sheet Metal M1</td>
<td>A</td>
<td>No</td>
<td>Item 1.00 100 FT2</td>
<td>7.00</td>
<td>0.60000 USD</td>
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**Cost Type:** Pending  
**Revision Date:** 2014/05/07 23:59:59  
**Currency Code:** USD  
**Category:** COMPONENT,MECHANICAL  
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Rollup Up the New Routing
Menu path: Cost Management => Item Costs => Item Costs => Views => Sub-element by Operation

The $1.50 comes from the Pending Cost Type for the resource.
Create the Work Order

Menu path: Work in Process => Discrete => Discrete Jobs

Both Count Point and Autocharge need to be checked
Work Order Scheduling
Menu path: Work in Process => Discrete => Discrete Jobs

4 days lead time is from the OSP item OP98997
Move into the OSP Operation to Start P/R Process

Menu path: Work in Process => Move Transactions => Move Transactions

Automatically kicked off when moved into Queue

Requisition Import Run Report  Date: 07-MAY-14
Number of approved requisitions created = 1
Number of unapproved requisitions created = 0
Number of interface lines in error = 0
End of Report
Move into the OSP Operation to Start P/R Process

Menu path: Work in Process => Discrete => Discrete Jobs

New for Release 12, have to be set up as an employee to perform the shop floor move.
Purchase Requisition Creation
Menu path: Purchasing Super User => Requisitions => Requisition Summary

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Approval Status</th>
<th>Creation Date</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>15906</td>
<td></td>
<td>Approved</td>
<td>07-MAY-2014</td>
<td>USD</td>
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</tbody>
</table>

Requisition Import Run Report     Date: 07-MAY-14
Number of approved requisitions created = 1
Number of unapproved requisitions created = 0
Number of interface lines in error = 0
End of Report
Purchase Requisition Creation

☐ P/R Creation Timing:
  • The timing of the creation of the purchase requisition is based on the setting of the WIP parameter **Requisition Creation Time**.
  • At Job/Schedule Release, a purchase requisition is created for all outside processing operations on a job or schedule when you release the job or schedule.
  • At Operation, a purchase requisition is created when you move into the Queue intraoperation step of an outside processing operation.
  • You then use Purchasing's Autocreate feature to convert these requisitions to purchase orders or releases against blanket agreements.
  • Manual, requires you to manually create purchase requisitions in Oracle Purchasing.
Purchase Order Creation
Menu path: Purchasing Super User => Purchase Orders => Autocreate

- Can also add to existing PO or Release
- List Price was set to zero
Purchase Order Creation
Menu path: Purchasing Super User => Purchase Orders => Autocreate
Purchase Order Creation
Menu path: Purchasing Super User => Purchase Orders => Autocreate

1) Change unit price
2) Approve PO
**Purchase Order Creation**

Menu path: Purchasing Super User => Purchase Orders => Autocreate

<table>
<thead>
<tr>
<th>Num</th>
<th>Org</th>
<th>Ship-To</th>
<th>UOM</th>
<th>Quantity</th>
<th>Promised Date</th>
<th>Need By</th>
<th>Original</th>
<th>Promised</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>M1</td>
<td>M1-Seattle Mfg</td>
<td>Each</td>
<td>100</td>
<td>12-MAY-2014 14:2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**PO Shipment** is for the OSP Item

**PO Distribution** holds the Accrual, Variance (IPV) and Charge accounts. Charge account for OSP is not used; OSP Account on the work order is used.

"Shop Floor" destination types is for OSP
Purchase Order Creation

Menu path: Purchasing Super User => Purchase Orders => Autocreate

PO Distribution tied to the work order, operation and OSP resource
Purchase Order Review
Menu path: Purchasing Super User => Purchase Orders => Purchase Order Summary

For Purchasing, OSP is an OSP item that you receive. For WIP, OSP is an OSP resource that you earn. OSP is both an item and a resource at the same time.

Purchasing calls Outside Processing a “Shop Floor” Destination
## Purchase Order Review

Menu path: Purchasing Super User => Purchase Orders => Purchase Order Summary => Shipments

![Image of Purchase Order Review](image)

### Shipment Details

<table>
<thead>
<tr>
<th>Num</th>
<th>Org</th>
<th>Ship-To</th>
<th>UOM</th>
<th>Quantity</th>
<th>Promised Date</th>
<th>Need-By</th>
<th>Original Promise</th>
</tr>
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<tbody>
<tr>
<td>M1</td>
<td>M1 - Seattle Mfg</td>
<td>Each</td>
<td>100</td>
<td></td>
<td>12-MAY-2014 14:2:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Line Num**: 1  **Item**: OP98997  **Description**: Anodizing Outside Process

[Click here for Distributions]

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*Slide 45*
# Purchase Order Review

Menu path: Purchasing Super User => Purchase Orders => Purchase Order Summary => Shipments => Distributions

## Distributions - 6574

<table>
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<td><strong>Num</strong></td>
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## Distributions - 6574

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**DOUGLAS VOLZ Consulting, Inc.**
WIP Outside Processing PO Receipt
Receive the OSP Service
Menu path: Purchasing Super User => Receiving => Receipts

Don’t forget to click here. If you do not you will create a PO Receiving “Shipment Header” transaction but no Receiving Shipment lines and no receiving transaction.
Receive the OSP Service
– Transaction Processing Options

Menu path: System Administrator => Profile => System

- **RCV: Processing Mode Profile**
  - **Batch** – the receiving forms insert transaction information into the receiving interface tables. The receiving forms take into account all pending transactions, but Purchasing does not update the transaction history, source documents, and supply information until the transactions are processed from the receiving interface tables.
  - **Immediate** – when you save your work, the receiving forms call the Receiving Transaction Processor for the group of transactions you have entered since you last saved your work.
  - **On-Line** – gives best online messages but may hold up the screen refresh, the receiving forms calls the Receiving Transaction Processor when you save your work, for each transaction.
Where Can You See This OSP Receipt?

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

For Shop Floor destinations, the Deliver transaction has no accounting in PO/Receiving (WIP has the OSP resource accounting)

PO Receive transaction has the PO Accrual Accounting entry
Where Can You See This OSP Receipt?

Menu path: Cost Management – SLA => View Transactions => Receiving Transactions => Tools => View Accounting

PO Receive transaction has the PO Accrual Accounting entry
Where Can You See This OSP Receipt?

Menu path: Cost Management – SLA => View Transactions => Resource Transactions
Where Can You See This OSP Receipt?


Receiving Inspection accounting entry

Says Resource absorption but it is really "Receiving Inspection"
Where Can You See This OSP Receipt?

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

Why Not $170 into and out of Receiving?

WIP Value is correct, 100 units completed at $1.50 standard cost

Menu path: Purchasing Super User => Purchase Orders => Purchase Orders => Actions => Manage Tax

Nonrecoverable Tax Settings
Where Do These WIP Accounts Come From

Menu path: Cost Management – SLA => Setup => Sub-Elements => Resources

This account is not used for the Resource Cost Worker hit the Receiving Inspection Account, not the Absorption Account.

This account is used for OSP PPV.
Where Do These WIP Accounts Come From

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

These accounts are being shared with Receiving and Inventory – DON’T DO THIS
## OSP Destinations
### Purchase Order Accounting Accrual Summary by T Account

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Receiving Value</th>
<th>Inventory A/P Accrual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt</td>
<td>181.73</td>
<td>181.73</td>
</tr>
<tr>
<td>Delivery to WIP</td>
<td>181.73</td>
<td>181.73</td>
</tr>
<tr>
<td>Invoice Match</td>
<td></td>
<td>181.73</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WIP OSP Value</th>
<th>Purchase Price Variance</th>
<th>Trade Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>150.00</td>
<td>31.73</td>
<td>181.73</td>
</tr>
</tbody>
</table>

---

*If self-assessing state taxes, would have a second line for accruing self-assessed taxes*
Process PO Receipt for OSP
Process OSP PO Receipt into WIP (Oracle WIP)

Start

Enter PO Delivery Transaction

Receiving Transaction Processor

RCV_TRANSACTIONS

WIP Cost Transaction Processor

WIP_TRANSACTION_ACCOUNTS

Create Accounting

XLA_AE_HEADERS

Accounting Entries Created

Supply is relieved since the goods are going into WIP

The Cost Resource Worker creates the resource/overhead entries, & the accounting for resources and resource overheads

Purchasing creates shadow delivery transaction (only the receipt is accounted for in Purchasing) and WIP creates the accounted for OSP “delivery” transaction

RCV_SHIPMENT_LINES

MTL_SUPPLY

RCV_SHIPMENT_HEADERS

WIP_TRANSACTIONS

WIP_PERIOD_BALANCES

GL_INTERFACE
So Where Are We Now?

- We have setup and received Outside Processing

- How do we see Outside Processing Transactions on Reports?
  - Receiving Account Distribution Detail Report
  - WIP Account Detail Report
  - WIP Account Summary Report

- How do we see Receiving Value?
  - Receiving Value Report
  - All Inventories Value Report
Receiving Value Report
Menu path: Cost Management -> SLA -> Reports -> Valuation Reports -> Receiving Value
Receiving Value Report

Menu path: Cost Management – SLA Vision Operations => Reports => Valuation Reports => Receiving Value

Vision Operations (USA)

Receiving Value Report
Test Report for Cost SIG Meeting

As of Date: 15-JUN-2011 00:28:51
Sort By: Item
Report Option: Detailed
Currency: USD
Exchange Rate: 1
Category Set: Purchasing
Categories From: All
Items From: To
Organization Name: Seattle Manufacturing
Quantities by Revision: No
Include One Time Items: No
Include Period End Accruals: No

Vision Operations (USA)
Sort by Item=

Category Set: Purchasing

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Category</th>
<th>Unit</th>
<th>Quantity</th>
<th>Average Unit Price</th>
<th>Total Purchase Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>75100002</td>
<td>B/W Cartridge Carrier</td>
<td>MISC,MISC</td>
<td>Each</td>
<td>20.00</td>
<td>10.00</td>
<td>200.00</td>
</tr>
<tr>
<td></td>
<td>Receipt Date: 28-JAN-11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Receipt Number: 23747</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shipment Location: M1- Seattle Mfg</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8345482</td>
<td>FILTER-OIL,ELEC,8345482, LUBE OIL, FOR 20-</td>
<td></td>
<td>Each</td>
<td>250.00</td>
<td>076.00</td>
<td>2,750.00</td>
</tr>
</tbody>
</table>

Vision Operations (USA)
Sort by Item=

Category Set: Purchasing

Report Total: 104,657.80
Receiving Errors

### Receiving Errors


<table>
<thead>
<tr>
<th>Error in Shipment Line Information (in RCV_TRANSACTIONS_INTERFACE)</th>
<th>INTERFACE_TRANSACTION_ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Error Message</td>
<td>Your inventory organization is not properly set up with the accounting information</td>
</tr>
</tbody>
</table>

This error occurred for the following records:

<table>
<thead>
<tr>
<th>Interface Transaction Id</th>
<th>4030911</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor Name</td>
<td></td>
</tr>
<tr>
<td>Vendor Number</td>
<td></td>
</tr>
<tr>
<td>Shipment Number</td>
<td>11</td>
</tr>
<tr>
<td>Transaction Type</td>
<td>RECEIVE</td>
</tr>
<tr>
<td>Transaction Date</td>
<td>05-JAN-2011 06:28:49</td>
</tr>
<tr>
<td>Creation Date</td>
<td>05-JAN-2011 06:28:45</td>
</tr>
<tr>
<td>Created By</td>
<td>1025097</td>
</tr>
<tr>
<td>To Organization Code</td>
<td></td>
</tr>
<tr>
<td>Ship To Location Code</td>
<td></td>
</tr>
<tr>
<td>Document Number</td>
<td></td>
</tr>
<tr>
<td>Release Number</td>
<td></td>
</tr>
<tr>
<td>Document Line Number</td>
<td></td>
</tr>
<tr>
<td>Document Shipment Line Number</td>
<td></td>
</tr>
<tr>
<td>Vendor Item Number</td>
<td></td>
</tr>
<tr>
<td>Item Number</td>
<td></td>
</tr>
<tr>
<td>Substitute Item Number</td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>J &amp; B Garments Item</td>
</tr>
<tr>
<td>Expected Receipt Date</td>
<td>04-JAN-2011 03:32:10</td>
</tr>
<tr>
<td>Quantity</td>
<td>50</td>
</tr>
<tr>
<td>Unit Of Measure</td>
<td>Each</td>
</tr>
<tr>
<td>Quantity Invoiced</td>
<td></td>
</tr>
</tbody>
</table>
Receiving Errors
– Period Close Pending Transactions Report

Receiving Errors
– Period Close Pending Transactions Report

Period Close Pending Transactions Report

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**ORACLE Cost Management**

**Period Close Pending Transactions Report**

**Report Parameters**
- Organization Code: M1
- Period Name: Jun-11
- Resolution Type: All
- Transaction Type: Pending Receiving

| Interface Transaction Id | Header Interface Item Id | Group Id | Transaction Id | Transaction Type | Transaction Date | Processing Status | Transaction Status | Auto Transaction Code | Receipt Source Code | Source Document Code | Ship To Location | Document Number | Header Id | PO Number | Line Subinv Identity | Column Name | Error Message |
|-------------------------|-------------------------|---------|----------------|------------------|------------------|------------------|--------------------|---------------------|------------------|------------------|----------------|-------------|----------|-------------------|--------------|--------------|
| 680794                  | MDP0001                 | 30756   | RECEIVE        | 02-JUN-06        | COMPLETED ERROR  | DELIVER          | VENDOR             | PO                  | M1 - Seattle Mg   |                 | 65432         | 68162      |                    |              |              |
| 680795                  | MDP0002                 | 30756   | RECEIVE        | 02-JUN-06        | COMPLETED ERROR  | DELIVER          | VENDOR             | PO                  | M1 - Seattle Mg   |                 | 65432         | 68163      |                    |              |              |
| 680796                  | MDP0003                 | 30756   | RECEIVE        | 02-JUN-06        | COMPLETED ERROR  | DELIVER          | VENDOR             | PO                  | M1 - Seattle Mg   |                 | 65432         | 68164      |                    |              |              |
| 680797                  | MDP0004                 | 30756   | RECEIVE        | 02-JUN-06        | COMPLETED ERROR  | DELIVER          | VENDOR             | PO                  | M1 - Seattle Mg   |                 | 65432         | 68165      |                    |              |              |
| 680798                  | MDP0005                 | 30756   | RECEIVE        | 02-JUN-06        | COMPLETED ERROR  | DELIVER          | VENDOR             | PO                  | M1 - Seattle Mg   |                 | 65432         | 68166      |                    |              |              |
| 680799                  | MDP0006                 | 30756   | RECEIVE        | 02-JUN-06        | COMPLETED ERROR  | DELIVER          | VENDOR             | PO                  | M1 - Seattle Mg   |                 | 65432         | 68167      |                    |              |              |
| 680800                  | MDP0007                 | 30756   | RECEIVE        | 02-JUN-06        | COMPLETED ERROR  | DELIVER          | VENDOR             | PO                  | M1 - Seattle Mg   |                 | 65432         | 68168      |                    |              |              |
Outside Processing Solutions

1. Use Standard Functionality – Requires OSP Item and OSP Resource

2. Use Standard Functionality But Avoid Having new OSP resources for each OSP Item

3. Use Expense POs for Outside Processing

4. Use Inventory POs for OSP
2) Alternate OSP Solutions
Use Standard Functionality But Avoid Having new OSP resources for each OSP Item

- Standard functionality requires too many OSP resources. How to avoid having a new OSP resource for each OSP Item:
  - Use OSP in normal way but link OSP resource to an OSP dummy item
  - Write a database trigger or concurrent program to correctly populate the assembly_item_id into the purchase requisition open interface table

- **Advantages:**
  - Only need the number of resources required to correctly set the cost of the vendor service. And you could name the resource by vendor name and operation sequence. The OSP resource is still set to “PO MOVE” autocharge type.
  - OSP purchase order is linked to work order, with the appropriate leadtime scheduling.
  - Standard Oracle process plus the Cost Rollup includes OSP costs
  - Personnel at receiving dock able to see the work order the receipt goes to.

- **Disadvantages:**
  - As needed, to avoid directly tying the assembly being built with the OSP process, may need to automate the creation of OSP items
  - May still experience OSP receiving errors
3) Alternate OSP Solutions
Use Expense POs for Outside Processing

- **Charge Expense POs and Relieve the Expense by:**
  - Charge a non-osp resource as the units are built on the routing
  - Charge the vendor service on EXPENSE purchase orders, hitting the same or similar account number that the “dummy” OSP resource credits (resource absorption account)

- **Advantages:**
  - Cost rollup includes OSP cost for the assembly
  - Limited setup needed, don’t need “dummy” OSP item or OSP receipt or link between OSP resource and OSP item, smaller number of OSP resources to setup
  - Assembly includes the lead time on the dummy OSP resource on the routing
  - Don’t have the interface/transaction issues common with the OSP PO receipt, avoid using the shop floor move interface which creates a WIP costing entry

- **Disadvantages:**
  - OSP purchase order is NOT linked to work order
  - Personnel at receiving dock not able to see the work order the receipt goes to
  - Have to manually set up Expense PO for the vendor service
  - “Muddy up” the OSP Absorption Account and create another reconciliation needed for the account
4) Alternate OSP Solutions
Use Inventory POs for Outside Processing

- **Earn the OSP cost on the routing by:**
  - Better variation for avoiding Oracle OSP setup. The cost of the OSP service and the leadtime for the OSP service is setup using the same item on the BOM
  - Receiving personnel receive the OSP item into a OSP subinventory and the OSP item quantities are backflushed into WIP or manually “pushed” to the WIP jobs

- **Advantages:**
  - Bypasses the OSP interface/transaction issues common with the OSP PO receipt
  - Cost rollup includes OSP cost for the assembly
  - Limited setup needed, don’t need “dummy” OSP item or OSP receipt or link between OSP resource and OSP item, smaller number of OSP resources to setup
  - Assembly includes the lead time on the dummy OSP resource on the routing
  - Planning can automatically give purchase order recommendations for the OSP service, per the leadtime for the OSP items
  - No special receiving instructions needed for OSP, works just like a normal Inventory receipt into a subinventory, much easier for CLIENT to understand

- **Disadvantages:**
  - OSP purchase order is NOT linked to work order
  - Need to set up dummy OSP items on the bills of material
Common Cost Mgmt Customizations for OSP & Receiving

- **Multi-Org Reporting for:**
  - Receiving Account Summary Report
  - WIP Account Summary Report
  - Receiving Value Report (listing OSP information)
  - Receiving Interface Errors (and the other interface tables as well)
  - WIP Resource Efficiency Reports
    (see which WIP jobs have not earned OSP, so you don’t close them early)

- **Replace Missing R11i Functionality**
  - Receiving Value by Destination Account Report
    (needed when you accrue expenses at time of receipt)
Conclusions

- Outside Processing can be very useful but it involves lots of setup steps and can be difficult to use without proper training.

- Careful OSP training for Purchasing, Production Control and Receiving staff is essential.

- Careful monitoring of interface tables is also required, OSP can get stuck in 2 tables: `RCV_TRANSACTIONS_INTERFACE`, and `WIP_COST_TXN_INTERFACE`.

- Many companies use custom reports, especially for to report additional OSP information on Receiving Value, Receiving Interface and distribution accounting reports.
Where to get more information

- Oracle Cost Management SIG Minutes
  http://www.volzconsulting.com/oaugcostsig.html
  - July 2010: WIIFM Release 12 New Cost Features
  - March 2011: R12 A/P Accruals
  - June 2011: Receiving as it Relates to Cost Management
  - April 2012: R11i & R12 Open Interfaces for Month-End Close

- Oracle Corporation
  - Metalink/My Oracle Support:
    Outside Processing Frequently Asked Questions (Doc ID 1282909.1)
  - Oracle Cost Management User Guide
  - Oracle Purchasing User Guide
  - Oracle Work in Process Guide on Outside Processing, Chapter 11
Acknowledgements

- You, the OAUG Cost Mgmt SIG, thanks for attending this session
Any Questions?

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Douglas Volz (doug@volzconsulting.com)

### Professional Background

Doug Volz is a Senior Architect and Business Advisor for Oracle EBS projects, specializing in Cost Management and Intercompany processes. He has over 35 years accumulated experience, including 5 years in Oracle Development (co-designing Oracle Cost Management), 19 years implementing Oracle EBS in multiple countries and 12 years in industry for Cost and Accounting Management positions. His Manufacturing and Cost systems experience covers project management, software design/development, delivery and consulting services, for both Oracle Corporation and multiple international consulting firms. Prior to his systems career, Mr. Volz also held management accounting positions for telecommunications, defense and electronics companies.

In his consulting roles, Doug has served over 100 clients. Many of these were multi-org, multi-currency with global footprints and intercompany accounting requirements. Countries include US, Mexico, UK, Netherlands, Belgium, Taiwan, PRC, Norway, Japan, Italy, Switzerland and Germany.

Doug has been recognized as the 2014 OAUG Member of the Year. He leads the OAUG Cost Management Special Interest Group and freely gives out valued business advice to his SIG members and to the Oracle community at large. Doug also presents at OAUG Collaborate, UKOUG and Oracle OpenWorld conferences. In addition he advises and participates on Oracle Customer Advisory Boards and frequently meets with the Oracle Cost Development team.

### Core Expertise

- Multi-organization, Multi-currency Global Implementations
- Cost Accounting Business Solutions
- Project Management and Senior Project Advisor
- Core manufacturing and distribution processes
  - Cost Management
  - Inventory
  - Bills of Material
  - WIP

### Experience

- Sample of clients served:
  - Beckman Coulter (US)
  - Celgene (US, Switzerland)
  - Garlock Sealing Tech. (US, Germany)
  - Logitech (US, Taiwan, P.R.C.)
  - Matsushita (UK, Mexico)
  - NTL (UK, now Virgin Media)
  - Onninen AS (Norway)
End of Presentation