Oracle

SCM Cloud

Using Supply Chain Cost Management

Release 12

ORACLE®

Oracle® SCM Cloud Using Supply Chain Cost Management

Part Number E74093-05

Contents

ORACLE®

Preface

This preface introduces information sources that can help you use the application.

Oracle Applications Help

Use the help icon ? to access Oracle Applications Help in the application. If you don't see any help icons on your page, click the Show Help icon ? in the global header. Not all pages have help icons. You can also access Oracle Applications Help at https://fusionhelp.oracle.com.

Using Applications Help

▶ **Watch:** This video tutorial shows you how to find help and use help features.

Additional Resources

- **Community:** Use **Oracle Applications Customer Connect** to get information from experts at Oracle, the partner community, and other users.

- **Guides and Videos:** Go to the **Oracle Help Center** to find guides and videos.

- **Training:** Take courses on Oracle Cloud from **Oracle University** .

Documentation Accessibility

For information about Oracle's commitment to accessibility, see the **Oracle Accessibility Program** .

Comments and Suggestions

Please give us feedback about Oracle Applications Help and guides! You can send e-mail to: oracle_fusion_applications_help_ww_grp@oracle.com.

ORACLE®

1 **Manage Receipt Accounting**

Receipt Accounting: Overview

Oracle Fusion Receipt Accounting is used to create, manage, review, and audit purchase accruals. It includes the following features:

- Create Receipt Accounting Distributions
- Review Receipt Accounting Distributions
- Clear Receipt Accrual Balances
- Manage Accrual Clearing Rules
- Adjust Receipt Accrual Balances
- Audit Receipt Accrual Clearing Balances
- Review Journal Entries

The Receipt Accounting business processes encompass the Record Receipt Accounting and Review Receipt Accounting activities.

Related Topics

- Budgetary Control and Encumbrance Accounting: Explained

- Enabling Encumbrance Accounting: Critical Choices

Record and Review Receipt Accounting

Receipt Accounting Tasks and Accounting Events: Explained

Use Receipt Accounting to:

- Create accruals for purchase order receipts that are expensed or shipped to inventory.
- Create accruals for intercompany trade flows.
- Create receipt inspection accounting for purchase order and interorganization receipt flows.
- Support budgetary control and encumbrance accounting

Receipt Accounting also has tools to help you reconcile the accrual clearing accounts as the accruals are offset by the accounts payable accounting when invoices are processed.

ORACLE®

The following discusses how to use Receipt Accounting.

```
┌──────────────────┐    ┌──────────────────┐
│ Transfer Accounts│    │    Transfer      │
│ Payable Invoices │    │ Transactions and │
│ to Cost          │    │ Tax Determinants │
│ Accounting       │    │ to Receipt       │
│                  │    │ Accounting       │
└──────────────────┘    └──────────────────┘

        ┌──────────────────┐    ┌──────────────────┐
        │ Create Uninvoiced│ →  │ Create Receipt   │
        │ Receipt Accruals │    │ Accounting       │
        │                  │    │ Distributions    │
        └──────────────────┘    └──────────────────┘

┌──────────────┐  ┌──────────────┐  ┌──────────────┐
│ Match Receipt│  │ Clear Receipt│  │ Adjust       │
│ Accruals     │  │ Accrual      │  │ Receipt      │
│              │  │ Balances     │  │ Accrual      │
│              │  │              │  │ Balances     │
└──────────────┘  └──────────────┘  └──────────────┘

┌──────────────┐                    ┌──────────────┐
│ Audit Receipt│                    │ Review       │
│ Accrual      │                    │ Receipt      │
│ Clearing     │                    │ Accounting   │
│ Balances     │                    │ Distributions│
└──────────────┘                    └──────────────┘
```

ORACLE
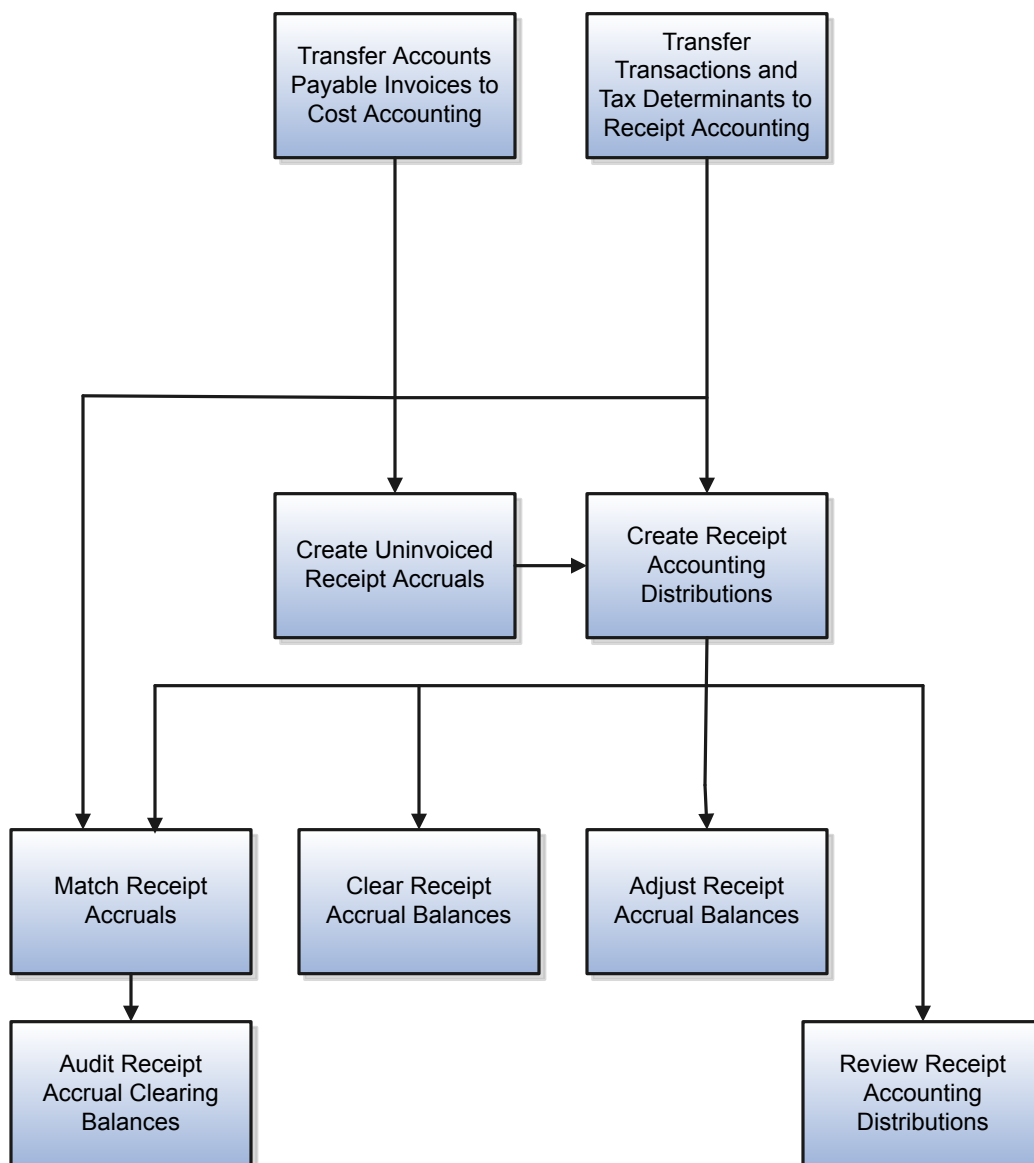
Receipt Accounting Tasks and Accounting Events

The following table describes the Receipt Accounting tasks and processes to support receipt, inventory, and manufacturing accounting, and the sequence in which the tasks should be executed.

Task	Navigation	Resulting Events
Transfer receipt transactions and tax determinants from Receiving to Receipt Accounting.	Scheduled Processes work area > Schedule New Process > Transfer Transactions from Receiving to Costing	• All receiving transactions are transferred from the Receiving application to the Receipt Accounting application, along with the tax determinants and related information that is present on receipts. • Receipt transactions are then ready in the Receipt Accounting application for further processing.
Transfer accounts payable transactions from Payables to Receipt Accounting.	Scheduled Processes work area > Schedule New Process > Transfer Costs to Cost Management	• All payable invoices that are accounted are transferred from the Accounts Payable application to the Receipt Accounting application. • Payable Invoices are then ready in the Receipt Accounting application for further processing.
Create accounting distributions for receipts of accrue at receipt purchase orders.	Scheduled Processes work area > Schedule New Process > Create Receipt Accounting Distributions	• Accruals for all types of purchases • Accrual accounting distributions at the time of receipt or return of goods and services • Trade accrual distributions for global procurement, interorganization transfers, and cross-business unit shipments to customers • Accounting distributions for expense destination deliveries of purchases marked for accrual at receipt. These purchases are typically for services procurement, one-time item purchases, and expense usage purchases. • Variance calculations such as IPV, ERV, TRV, TERV, and TIPV from accounted invoice distributions • Accounting distributions for invoice variances • Staging of variances into receiving inspection for subsequent wash by the inventory and expense revaluation processes • Accounting distributions for inventory and expense revaluations • Tax amounts are recalculated for all receipt transactions. Taxes are calculated by calling the Tax application programming interface. • Tax accounting distributions • Budgetary control and encumbrance accounting. You can enable and perform budgetary control, encumbrance accounting, or both.

ORACLE®

Task	Navigation	Resulting Events
		Budgetary control and encumbrance accounting are optional tasks, and are enabled in Financials.
Create period end uninvoiced receipt accruals.	**Receipt Accounting work area - Create Uninvoiced Receipt Accruals**	• Provisional expense accruals for purchases not marked for accrual at receipt
Create subledger accounting.	**Receipt Accounting work area - Create Accounting**	• Journal entries for receipt accounting distributions
Review accrual distributions and tax calculations.	**Receipt Accounting work area - Review Receipt Accounting Distributions**	• Review accrual distributions and tax calculations.
Clear receipt accruals.	**Receipt Accounting work area - Clear Receipt Accrual Balances**	• Automatic clearing of accrual balances based on predefined rules • Staging of information for revaluation of inventory and expenses by cost accounting and receipt accounting processes
Generate and view reconciliation reports.	**Scheduled Processes work area - Schedule New Process - Accrual Reconciliation report** **Scheduled Processes work area - Scheduled Processes - Accrual Clearing report**	• Accrual Reconciliation report • Accrual Clearing report
Create receipt accounting distributions.	**Receipt Accounting work area - Create Receipt Accounting Distributions**	• Accounting distributions for cleared accrual balances • Revaluation and expense adjustment entries for invoice variances or accrual clearing events that modify acquisition costs for purchases
Review uncleared accrual balances and perform adjustments.	**Receipt Accounting work area - Adjust Receipt Accrual Balances**	• Staging for manual intervention for exceptions of high material value • Manual accrual clearing • Manual adjustments and reversals of prior accrual clearing adjustments • Automatic creation of accounting distributions for these adjustments
Match purchase order receipt accruals with invoices from payables.	**Receipt Accounting work area - Match Receipt Accruals**	• Manual reconciliation of accrual balances • Review and audit accrual balances that were final accounted.
Review accrual clearing balances.	**Receipt Accounting work area - Audit Receipt Accrual Clearing Balances**	• Audit the General Ledger accounted accrual balances on a periodic basis.

Related Topics

- Budgetary Control and Encumbrance Accounting: Explained

ORACLE®

- Enabling Encumbrance Accounting: Critical Choices

- Accrual Reversals: Explained

Receipt Accrual, Reconciliation, and Clearing: Explained

When goods are interfaced from Receiving to Oracle Fusion Receipt Accounting, Receipt Accounting recognizes the liability to the vendor, and creates accruals for receipts destined for inventory or expense. For consigned purchases, the supplier accrual is booked upon change of ownership.

Receipt Accounting then reconciles these accrual balances against the corresponding invoices from accounts payable and clears them to inventory valuation.

The following discusses receipt accruals, their reconciliation, and clearing.

Receipt Accrual Creation

When goods are received and delivered to inventory or expense destinations, the receipt accounting application creates accrued liability balances for the estimated cost of purchase order receipts. The application creates accruals for:

- Inventory destination receipts, which are always accrued on receipt

- Expense destination receipts, which are accrued on receipt, or at period end if the vendor invoice has not yet been processed

When it processes the vendor invoice, Accounts Payable creates the actual vendor liability and offsets the accrual balances. The accrued liability account typically has high volumes of entries going through it, and may have remaining balances that must be justified if the account payable invoice has not yet been processed; or if the Account Payable invoice has been processed, any remaining balance must be resolved and cleared. Receipt Accounting provides tools to help with this reconciliation.

Receipt Accrual Reconciliation and Clearing

Some of the remaining balance in the accrued liability account can be automatically cleared by Receipt Accounting and Cost Accounting to the appropriate purchase expense or asset account, based on your predefined clearing rules. However, some of this balance will represent uninvoiced quantities, or other discrepancies which you will want to resolve and clear manually.

Example 1: Assume that the purchase order receipt is for 100 units at $5 each; the application creates a credit to the accrued liability account in the amount of $500. When the corresponding invoice arrives from the vendor, it reflects 100 units at $6 each; the application debits the accrued liability account in the amount of $600. The difference of $100 automatically clears and flows to inventory valuation.

Example 2: Assume that the quantity received is 99.4, and the quantity on the vendor invoice is 100. The processor does not always know if that is the final invoice or if more invoices are pending for the uninvoiced quantity. If small variations are normal, you can set up rules to automatically clear small variations, while large variations are verified manually. If there is a predefined rule for the treatment of such a discrepancy, the application automatically clears the difference to inventory valuation. However if no such rule exists, then you must clear it manually.

Audit Receipt Accrual Clearing Balances

After accrual balances are cleared to the appropriate expense or asset account, you can review and audit the final accounting distributions generated by Receipt Accounting.

Receipt Accrual Clearing Rules: Explained

Define accrual clearing rules to clear accrual balances automatically. Accrual balances are often of unknown origin and unpredictable. With accrual clearing rules you can specify when accrual balances should be cleared and written off. The Clear Receipt Accrual process scans for applicable rules on the transactions, and clears the balances when rule criteria are met.

The following discusses the creation of accrual clearing rules using predefined attributes, and illustrates the results with an example.

Predefined Attributes

The attributes are available under the Accrual Line tree in the Conditions browser:

Attribute Name	Description
CmrPODistributionID	Purchase order structure is based on the hierarchy of purchase order header->purchase order line->purchase order schedule->purchase order distribution. The accounting for purchase order transaction is at the lowest level of purchase order distribution. The accrual and charge account codes are defined at this level. Invoices are matched and accrual is offset at the PO distribution level. This attribute represents the PO distribution ID on the PO document.
Percentage Over-Invoiced	At each purchase order distribution level, receipt accounting tracks the original ordered quantity, total received quantity, and total invoiced quantity. Percentage Over-Invoiced Quantity represents the condition: IF (Net Rct qty - Invoice Qty) < 0 then ABS(NetRecptQty - InvoiceQty)/ NetRecptQty
Percentage Uninvoiced	At each purchase order distribution level, receipt accounting tracks the original ordered quantity, total received quantity, and total invoiced quantity. Percentage Uninvoiced Quantity represents the condition: IF (Net Rct qty - Invoice Qty) > 0 then ABS(NetRecptQty - InvoiceQty)/ NetRecptQty
PO Status	Status of the purchase order document. If PO status is Finally Closed then it is treated as Closed and accrual is cleared automatically. For all other PO statuses, user can define the rules. Possible values: Closed Or Open
PO Match Option	Invoice match option defined on the purchase order schedule. It can be PO or Receipt.
Invoice Age	Days or time since the latest invoice was recorded for a purchase order distribution.
Receipt Age	Days or time since the latest receipt was recorded for a purchase order distribution.
Over-Invoiced Quantity	When the invoiced quantity is greater than the ordered quantity, it represents the difference between the two: IF (Net Rct qty - Invoice Qty) < 0 then Over Invoiced Quantity = ABS(InvoiceQty - NetRecptQty)

Attribute Name	Description
Under-Invoiced Quantity	When the invoiced quantity is less than the ordered quantity, it represents the difference between the two: IF (Net Rct qty - Invoice Qty) > 0 then Under Invoiced Quantity = ABS(NetRecptQty - InvoiceQty)
Percentage PO accrual amount	The balance in the accrual account for a PO distribution divided by the accrual value for the ordered quantity: Sum(accruals in CMR and AP)/PO amount PO amount = Net Order Qty * PO Price
Accrual Clear Amount	Absolute value of balance in an accrual account for a PO distribution.
AP Accrual Amount	Absolute value of balance (net of invoices and debit memos) in an accrual account in Payables Subledger for a PO distribution.
CMR Accrual Amount	Absolute value of balance (net of receipts, corrections and returns) in an accrual account in Receipt Accounting Subledger for a PO distribution.
Supplier	Supplier name on the purchase order document.
Supplier Site	Supplier site code on the purchase order document.
Item	Item on the purchase order line.
Item Category	Item category on the purchase order line.

Example

This example illustrates the distributions for a purchase order with associated receipts and invoices:

These are the purchase order details:

PO Header	Supplier	Supplier Site	Status
PO#1234	Advanced Network Devices	New York	Open/ Close/Final Close

Item	Item Category	PO Price	Ordered Quantity
AS54888	Raw Materials	100 USD	100 EA

Schedule	Order Quantity	Match Option	Status
1	100 EA	Order or Receipt	Open

ORACLE®

Receipts	Ordered Quantity	Received Quantity	Invoiced Quantity	Accrual Account	Status
Receipt 1	60	58	55	01-2210	Open
Receipt 2	40	40	45	01-2220	Open

These are the purchase order distributions and accrual balances:

PO Distribution	CMR Accrual Amount (A)	AP Accrual Account (B)	Accrual Clear Amount (C) = (A-B)	Under-Invoiced Quantity	Over-Invoiced Quantity	Percentage Under-Invoiced	Percentage Over-Invoiced	Percentage PO Accrual Amount (C)/ Ordered Quantity*PO Price
Distribution 1	58*100 USD = 5800 USD	55*100 USD = 5500 USD	300 USD	60 - 55 = 5		5/58*100 = 8.62%		300 USD/60*100 = 5%
Distribution 2	40*100 USD = 4000 USD	45*100 USD = 4500 USD	(500) USD		45-40 = 5		5/40*100 = 12.50 %	500 USD/40*100 = 12.50 %

Rule 1:

Attribute	Operator	Value	Conditions
PO Status	=	OPEN	And
Percentage Under-Invoiced	Less Than	10%	

Results: The PO Status and the Percentage Under-Invoiced values meet the criteria of Rule 1; therefore the accrual balance of 300 USD is automatically cleared.

PO Distribution	CMR Accrual Amount (A)	AP Accrual Account (B)	Accrual Clear Amount (C) = (A-B)	Under-Invoiced Quantity	Over-Invoiced Quantity	Percentage Under-Invoiced	Percentage Over-Invoiced	Percentage PO Accrual Amount (C)/ Ordered Quantity*PO Price
Distribution 1	58*100 USD = 5800 USD	55*100 USD = 5500 USD	300 USD	60 - 55 = 5		5/58*100 = 8.62%		300 USD/60*100 = 5%

Rule 2

Attribute	Operator	Value	Conditions
PO Status	=	OPEN	And

Attribute	Operator	Value	Conditions
Accrual Clear Amount	Less Than	Absolute (1000) USD	Or
Percentage Under-Invoiced	Less Than	10%	Or
Percentage Over-Invoiced	Less Than	10%	

Results: The PO Status, Percentage Under-Invoiced, and Accrual Clear Amount Absolute values meet the criteria of Rule 2; therefore the accrual balances of 300 USD and (500) USD are automatically cleared.

PO Distribution	CMR Accrual Amount (A)	AP Accrual Account (B)	Accrual Clear Amount (C) = (A-B)	Under-Invoiced Quantity	Over-Invoiced Quantity	Percentage Under-Invoiced	Percentage Over-Invoiced	Percentage PO Accrual Amount (C)/ Ordered Quantity*PO Price
Distribution 1	58*100 USD = 5800 USD	55*100 USD = 5500 USD	300 USD	60 - 55 = 5		5/58*100 = 8.62%		300 USD/60*100 = 5%
Distribution 2	40*100 USD = 4000 USD	45*100 USD = 4500 USD	(500) USD		45-40 = 5		5/40*100 = 12.50 %	500 USD/40*100 = 12.50 %

Receipt Accounting Cutoff Dates: Explained

The accrual cutoff date enables you to control when backdated receipts are accounted.

The following describes how Receipt Accounting uses offset days to determine the accrual cutoff date for processing backdated receipts.

Using Offset Days

Offset days define the grace period for processing backdated transactions in the prior GL period. You can indicate the number of offset days for a business unit in the Receipt Accounting work area, on the Manage Accrual Clearing Rules page, Manage Accrual Cutoff Rules tab. Receipt Accounting uses the offset days to calculate the accrual cutoff date.

For example, assume the number of offset days is 3, then the accrual cutoff date for processing receipts in the October GL period is November 3:

- A receipt that is backdated to October 31 but is processed on November 3 is accounted in October
- A receipt that is backdated to October 31 but is processed on November 4 is accounted in the November GL period

If the offset days are not defined, then the backdated receipts are processed in the prior GL period until the period is closed.

ORACLE®

Closing a Receipt Accounting Period

▶ **Watch:** This video tutorial shows you how to process receipt accruals in preparation for the closing of a receipt accounting period. It also shows you how to schedule receipt accounting processes to run automatically.

Consigned Inventory Accounting in a Simple Purchase Order: Example

When an organization receives a shipment of goods under a consignment purchase order, the ownership of the goods remains with the supplier even after they are in the custody of the buyer. Ownership passes from the supplier to the buyer when the inventory is consumed.

When the inventory is consumed, two events occur: First there is a transfer of ownership to the buyer and the consigned goods become owned inventory for a brief period of time, then the owned inventory is depleted.

The following example illustrates:

- The physical and financial flow of consigned inventory under a consigned purchase order (PO).

- The transaction that flows from Oracle Fusion Inventory Management into Oracle Fusion Cost Accounting and Oracle Fusion Receipt Accounting.

- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.

- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods under a consigned purchase order to inventory organization M1-Seattle.

ORACLE®

This diagram illustrates the flow of consigned inventory:

```
                    ┌─────────────────────────────┐
            ┌ ─ ─ ─▶│         Supplier            │
            ┊       │  Advanced Network Devices   │
            ┊       │       (AND-Fresno)          │
            ┊       └─────────────────────────────┘
            ┊                    │
            ┊            Physical Flow
            ┊                    │
            ┊                    ▼
  Financial Flow   ┌─────────────────────────────┐
            ┊      │ Inventory Organization M1-Seattle │
            ┊      │   Consigned Owner = AND-Fresno  │
            ┊      │   Contingent Owner = M1-Seattle │
            ┊      └─────────────────────────────┘
            ┊                    │
            ┊              Ownership
            ┊               Change
            ┊                    │
            ┊                    ▼
            ┊      ┌─────────────────────────────┐
            └ ─ ─ ─│ Inventory Organization M1-Seattle │
                   │      Owner = M1-Seattle     │
                   └─────────────────────────────┘
```

Transaction from Oracle Fusion Inventory Management

Cost Accounting and Receipt Accounting receive the following transaction from Inventory:

- Supplier Advanced Network Devices (AND-Fresno).

- Consignment Purchase Order #1000.

- Purchase Order price USD 100.

ORACLE®

- Ship-to organization is M1-Seattle which is the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.

- Receipt and put away transactions performed in M1-Seattle inventory organization in consigned status.

- When the goods are consumed ownership changes from supplier AND-Fresno to inventory organization M1-Seattle.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow from supplier AND-Fresno to inventory organization M1-Seattle.

Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the receipt of goods.

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD		PO Price
Cost Accounting	PO Delivery	Consigned Inventory	100	USD		PO Price
Cost Accounting	PO Delivery	Consigned Clearing	-100	USD		PO Price

Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD	Material	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	-100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		PO Price

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price

Organization M1-Seattle returns goods to supplier AND-Fresno. The following are accounting entries for the return flow from M1-Seattle to AND-Fresno.

ORACLE®

AND-Fresno
Supplier

Physical Flow

M1:PO Return to Vendor
Dr Consigned Accrual
Cr Consigned Clearing

M1:PO Return to Receiving
Dr Consigned Clearing
Cr Consigned Inventory

M1-Seattle
Consigned Owner

Ownership Change

M1:Transfer to Cons (Recpt)
Dr Consigned Inventory
Cr Consigned Inventory Offset

M1:Consigned Recpt Consumption
Dr Consigned Clearing
Cr Consigned Accrual

M1:Trade Return Accrual
Dr Accrual
Cr Trade Clearing

M1- Seattle
Owner

M1:Trade In-Transit Return
Dr Trade Clearing
Cr Trade In-Transit

M1:Transfer to Cons (Issue)
Dr Trade In-Transit
Cr Inventory Valuation

Legend
Cons = Consigned
Recpt = Receipt

Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the change of ownership from M1-Seattle to supplier AND-Fresno.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned (Receipt)	Consigned Inventory	100	USD		PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned (Receipt)	Consigned Inventory Offset	-100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	-100	USD		PO Price
Receipt Accounting	Trade Return Accrual	Accrual	100	USD		PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD		
Receipt Accounting	Trade In-Transit Return	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD		PO Price
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Cost Variance*	5	USD		
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	-105	USD	Material	Current Cost

* Inventory is received at the current cost, and the difference between transfer price and cost is booked as cost variance.

Receipt Accounting generates accounting entries under inventory organization M1-Seattle for the return of consigned goods from M1-Seattle to AND-Fresno.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Return to Vendor	Consigned Accrual	100	USD		PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Return to Vendor	Consigned Clearing	-100	USD		PO Price
Receipt Accounting	PO Return to Receiving	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Return to Receiving	Consigned Inventory	-100	USD		PO Price

Related Topics

- Cost Profiles, Default Cost Profiles, and Item Cost Profiles: Explained

- Consigned Inventory Lifecycle: Explained

- Consigned Inventory: Explained

Consigned Inventory Accounting of an Interorganization Transfer Across Business Units: Example

An interorganization transfer is a trade transaction involving the movement of goods or services between organizations in the supply chain. The following is an example of accounting performed by Oracle Fusion Cost Accounting and Oracle Fusion Receipt Accounting in a simple purchase order with an interorganization transfer of goods across profit center business units. The goods remain in consigned status until ownership changes in the receiving organization.

This example illustrates:

- Transactions captured in Oracle Fusion Inventory and interfaced to Cost Accounting and Receipt Accounting.
- Transactions captured in Oracle Fusion Supply Chain Financial Orchestration and interfaced to Cost Accounting and Receipt Accounting.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

ORACLE®

Scenario

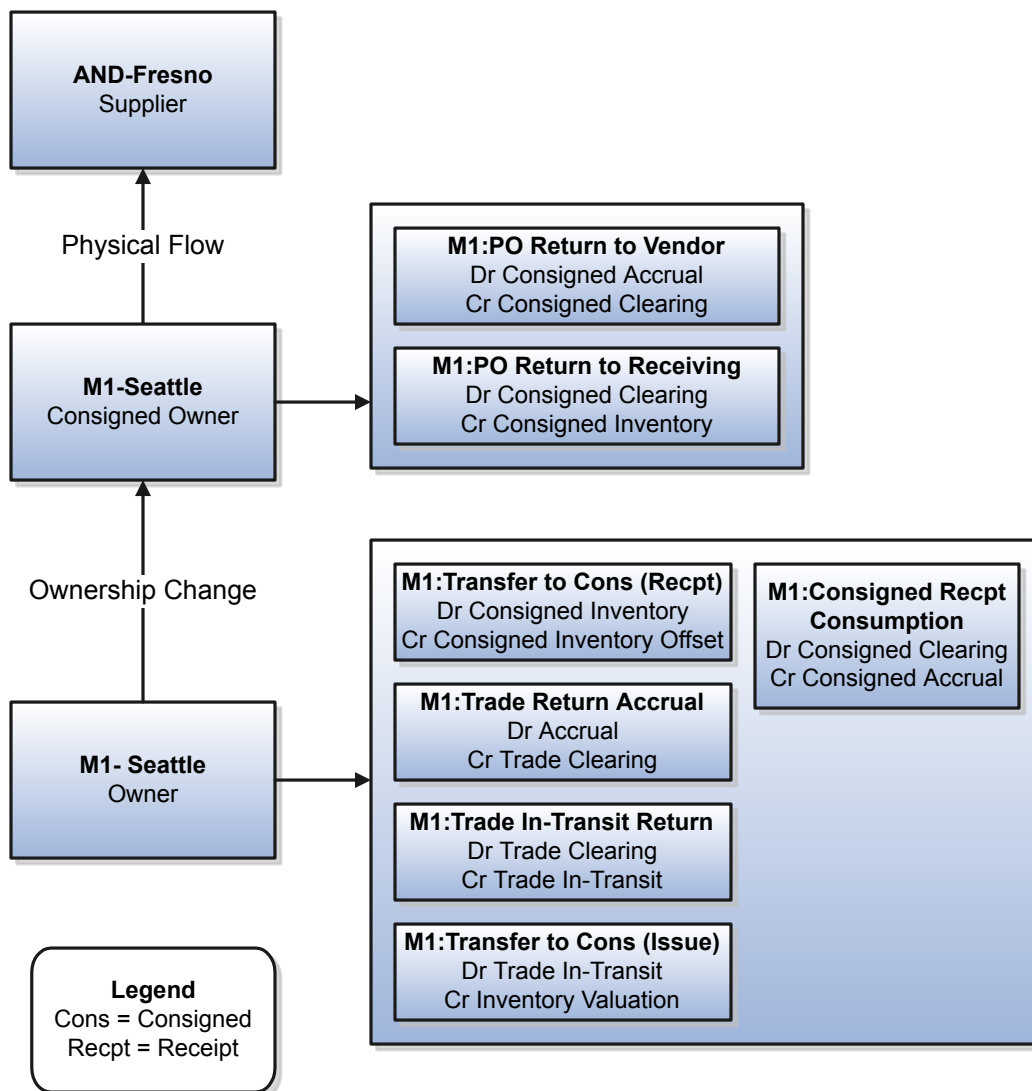Supplier Advanced Network Devices (AND-Fresno) ships the goods in consigned status to inventory organization M1-Seattle, who in turn transfers the consigned goods to inventory organization M2-LA. Inventory organizations, M1-Seattle and M2-LA, are in different business units.

Interfaced Transactions

Oracle Fusion Inventory sends the following transactions to Receipt Accounting and Cost Accounting:

- Supplier Advanced Network Devices (AND-Fresno).

- Consignment Purchase Order #1000.

- Purchase Order price USD 100.

- Ship-to organization is M1-Seattle which is the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.

- Receipt and put away transactions performed in M1-Seattle inventory organization in consigned status.

- Goods transferred in consigned status from inventory organization M1-Seattle to M2-LA.

- When the goods are consumed ownership changes from supplier AND-Fresno to inventory organization M2-LA via M1-Seattle.

Oracle Fusion Supply Chain Financial Orchestration sets up the trade agreement, accounting rule sets, and associated purchase orders, and the information flows into Receipt Accounting and Cost Accounting. The transfer from M1-Seattle to M2-LA is based on trade agreement SFO #123 which has the following terms:

- Intercompany transfer price is USD 120.

- Intercompany invoicing is set to Yes.

- Profit tracking is set to Yes.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.

AND-Fresno Supplier	**M1:PO Receipt** Dr Consigned Clearing Cr Consigned Accrual	**M1:PO Delivery** Dr Consigned Inventory Cr Consigned Clearing

Physical Flow

M1-Seattle Consigned Owner	**M1:In-Transit Shipment** Dr Consigned In-Transit Cr Consigned Inventory	**M2:Consigned Trade In-Transit Receipt** Dr Consigned In-Transit Cr Consigned Clearing
	M1:Consigned Trade In-Transit Issue Dr Consigned Receivable Cr Consigned In-Transit	**M2:In-Transit Receipt** Dr Consigned Inspection Cr Consigned In-Transit
	M2:Consigned Trade Receipt Accrual Dr Consigned Clearing Cr Consigned Payable	**M2:In-Transit Delivery** Dr Consigned Inventory Cr Consigned Inspection

Physical Flow

M2-LA
Consigned Owner

Ownership Change

M2-LA Owner	**M2:Transfer to Owned Issue** Dr Consigned Inv Offset Cr Consigned Inventory	**M2:Trade Recpt Accrual** Dr Trade Clearing Cr IC Accrual
	M1:Trade Receipt Accrual Dr Trade Clearing Cr Accrual	**M2:Trade In-Transit Receipt** Dr Trade In-Transit MAT Dr Trade In-Transit GP Cr Trade Clearing
	M1:Trade In-Transit Recpt Dr Trade In-Transit Cr Trade Clearing	**M2:Transfer to Owned (Receipt)** Dr Inv Valuation MAT Dr Inv Valuation GP Cr Trade In-Transit MAT Cr Trade In-Transit GP
	M1:Trade In-Transit Issue Dr IC COGS Cr Trade In-Transit	

Legend
Inv = Inventory
IC = Intercompany
COGS = Cost of Goods Sold
MAT = Material
GP = Gross Profit
Recpt = Receipt

Receipt Accounting generates distributions under inventory organization M1-Seattle for the shipment from supplier AND-Fresno to M1-Seattle.

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD		PO Price

Cost Accounting generates distributions under inventory organization M1-Seattle for the interorganization transfer from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Consigned In-Transit	100	USD		PO Price
Cost Accounting	In-Transit Shipment	Consigned Inventory	-100	USD		PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned Receivable	100	USD		PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned In-Transit	-100	USD		PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the interorganization transfer from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Consigned Trade Receipt Accrual	Consigned In-Transit	-100	USD		PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned Trade In-Transit Receipt	Consigned Clearing	100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Trade Clearing	-100	USD		PO Price
Cost Accounting	In-Transit Receipt	Consigned Inspection	100	USD		PO Price
Cost Accounting	In-Transit Receipt	Consigned In-Transit	-100	USD		PO Price
Cost Accounting	In-Transit Delivery	Consigned Inventory	100	USD		PO Price
Cost Accounting	In-Transit Delivery	Consigned Inspection	-100	USD		PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

ORACLE

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD		PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	120	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-120	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	20	USD	Gross Profit	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-120	USD		Transfer Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	20	USD	Gross Profit	Internal Markup
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-20	USD	Gross Profit	Internal Markup

Inventory organization M2-LA returns the goods to supplier AND-Fresno. The return of the consignment is executed in two parts:

- An interorganization transfer from M2-LA to M1-Seattle. The accounting is the same as simple purchase order return transactions.

- A consignment return from M1-Seattle to the supplier. The accounting is the same as regular return to vendor transactions.

Related Topics

- Consigned Inventory Lifecycle: Explained

- Consigned Inventory: Explained

Consigned Inventory Accounting of an Interorganization Transfer Within the Same Business Unit: Example

An intraorganization transfer is a trade transaction involving the movement of goods or services between organizations in the supply chain. The following is an example of accounting performed by Oracle Fusion Cost Accounting and Oracle Fusion Receipt Accounting for an interorganization transfer of goods within the same profit center business unit.

This example illustrates:

- Transactions captured in Oracle Fusion Inventory and interfaced to Cost Accounting and Receipt Accounting.

- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.

- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods in consigned status to inventory organization M3-NY, who in turn transfers the goods to inventory organization M4-NJ. Inventory organizations, M3-NY and M4-NJ, are within the same business unit.

```
                        ┌─────────────────────────┐
                        │       Supplier          │
            ┌ ─ ─ ─ ─ ─▶│ Advanced Network Devices│
            ╎           │     (AND-Fresno)        │
            ╎           └─────────────────────────┘
            ╎                       │
  Financial Flow                Physical Flow
            ╎                       │
            ╎                       ▼
            ╎           ┌─────────────────────────┐
            └ ─ ─ ─ ─ ─▶│ Inventory Organization M3-NY │
         ┌ ─ ─ ─ ─ ─ ─ ▶│ Consigned Owner = AND-Fresno │
         ╎              │ Contingent Owner = M3-NY     │
         ╎              └─────────────────────────┘
         ╎                          │
         ╎                      Physical Flow
         ╎                          │
         ╎                          ▼
         ╎              ┌─────────────────────────┐
         ╎              │ Inventory Organization M4-NJ │
  Financial Flow        │ Consigned Owner = AND-Fresno │
         ╎              │ Contingent Owner = M4-NJ     │
         ╎              └─────────────────────────┘
         ╎                          │
         ╎                      Ownership
         ╎                       Change
         ╎                          │
         ╎                          ▼
         ╎              ┌─────────────────────────┐
         └ ─ ─ ─ ─ ─ ─ ▶│ Inventory Organization M4-NJ │
                        │     Owner = M4-NJ        │
                        └─────────────────────────┘
```

Interfaced Transactions

Cost Accounting and Receipt Accounting receive the following transaction from Oracle Fusion Inventory:

- Consignment Purchase Order (PO) #1000.

- Purchase Order price USD 100.

- Ship-to organization is M3-NY which is also the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.

- Receipt and put away transactions are performed in M3-NY in consigned status.

- Goods are transferred in consigned status from M3-NY to M4-NJ.

- Ownership changes from supplier to M4-NJ via M3-NY when the goods are consumed.

Cost Accounting generates transactions for:

- Ownership changes from supplier AND-Fresno to inventory organization M3-NY and from M3-NY to M4-NJ.

- Transfer of goods from M3-NY to M4-NJ. The transfer is at cost because the organizations are within the same profit center business unit.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.

Receipt Accounting generates distributions under inventory organization M3-NY for the shipment from supplier AND-Fresno to M3-NY.

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD		PO Price

Cost Accounting generates distributions under inventory organization M3-NY for the interorganization transfer from M3-NY to organization M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Consigned In-Transit	100	USD		PO Price
Cost Accounting	In-Transit Shipment	Consigned Inventory	-100	USD		PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned Receivable	100	USD		PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned In-Transit	-100	USD		PO Price

Cost Accounting generates distributions under inventory organization M4-NJ for the interorganization transfer from M3-NY to M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Consigned Trade Receipt Accrual	Consigned Clearing	100	USD		PO Price
Cost Accounting	Consigned Trade Receipt Accrual	Consigned Payable	-100	USD		PO Price

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Consigned Trade In-Transit Receipt	Consigned In-Transit	100	USD		PO Price
Cost Accounting	Consigned Trade In-Transit Receipt	Consigned Clearing	-100	USD		PO Price
Cost Accounting	In-Transit Receipt	Consigned Inspection	100	USD		PO Price
Cost Accounting	In-Transit Receipt	Consigned In-Transit	-100	USD		PO Price
Cost Accounting	In-Transit Delivery	Consigned Inventory	100	USD		PO Price
Cost Accounting	In-Transit Delivery	Consigned Inspection	-100	USD		PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M3-NY for the change of ownership from supplier AND-Fresno to M3-NY.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Interorganization Receivable	100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

ORACLE®

Receipt Accounting and Cost Accounting generate distributions under inventory organization M4-NJ for the change of ownership from M3-NY to M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD		PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Interorganization Payable	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price

Inventory organization M4-NJ returns goods to supplier AND-Fresno. The return of the consignment is executed in two parts:

- An interorganization transfer from M4-NJ to M3-NY. The accounting is the same as simple purchase order return transactions.

- A consignment return from M3-NY to the supplier. The accounting is the same as regular return to vendor transactions.

Related Topics

- Consigned Inventory Lifecycle: Explained

- Consigned Inventory: Explained

ORACLE®

Consigned Inventory Accounting in a Global Purchase Order: Example

Most large enterprises use a global procurement approach to their purchasing needs, where a central buying organization buys goods from suppliers on behalf of the internal organizations. This includes trade transactions involving consigned inventory executed under a global purchase order. Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting process these consigned inventory transactions and generate subledger journal entries.

The following example illustrates:

- The physical and financial flow of consigned inventory in a global purchase order.

- Transactions that flow from Oracle Fusion Inventory into Cost Accounting and Receipt Accounting.

- Transactions that flow from Oracle Fusion Supply Chain Financial Orchestration into Cost Accounting and Receipt Accounting.

- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.

- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods in consigned status to inventory organization M2-LA, via the purchasing trade organization M1-Seattle.

```
                    ┌─────────────────────────┐
                    │        Supplier         │
                    │ Advanced Network Devices │
                    │      (AND-Fresno)       │
                    └─────────────────────────┘

        Financial                        Physical
          Flow                             Flow

                    ┌─────────────────────────┐
                    │   Sold-to Legal Entity   │
                    │ Sold-to Profit Center BU 1│
                    │ Purchasing Trade Org = M1-Seattle │
                    └─────────────────────────┘


                    ┌─────────────────────────┐
                    │     Profit Center BU 2   │
                    │  Ship-To Inventory Org M2-LA │
        Financial   │ Consigned Owner = AND-Fresno │
          Flow      │  Contingent Owner = M2-LA │
                    └─────────────────────────┘

                         Ownership
                          Change

    ┌──────────────┐  ┌─────────────────────────┐
    │   Legend     │  │     Profit Center BU 2   │
    │ BU = Business Unit │ Inventory Organization M2-LA │
    │ Org = Organization │   Owner = M2-LA       │
    └──────────────┘  └─────────────────────────┘
```

Interfaced Transactions

Cost Accounting and Receipt Accounting receive the following transaction from Oracle Fusion Inventory:

- Consignment Purchase Order (PO) #1000.
- Purchase Order price USD 100.

ORACLE

- Sold-to Legal Entity is LE1.

- Ship-to organization is M2-LA which is also the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.

- Receipt and put away transactions performed in M2-LA in consigned status.

- Ownership changes from supplier AND-Fresno to M2-LA via M1-Seattle when the goods are consumed.

The trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting. The shipment from supplier to inventory organization M2-LA is based on trade agreement GP #123 which has the following terms:

- Intercompany transfer price is USD 120.

- Intercompany invoicing is set to Yes.

- Profit tracking is set to Yes.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.

```
┌─────────────────┐      ┌──────────────────────────────────────────────────────────────────┐
│   AND-Fresno    │      │  ┌─────────────────────┐    ┌─────────────────────┐              │
│    Supplier     │      │  │ M2:Transfer to Owned│    │ M2:Consigned Receipt│              │
│                 │      │  │        Issue        │    │     Consignment     │              │
└─────────────────┘      │  │ Dr Consigned Inv    │    │ Dr Consigned Accrual│              │
                         │  │    Offset           │    │ Cr Consigned Clearing│             │
                         │  │ Cr Consigned Inventory│  └─────────────────────┘              │
         Ownership       │  └─────────────────────┘                                         │
         Change          │  ┌─────────────────────┐    ┌─────────────────────┐              │
                         │  │ M1:Trade Receipt    │    │ M2:Trade Recpt      │              │
                         │  │     Accrual         │    │     Accrual         │              │
                         │  │ Dr Trade Clearing   │    │ Dr Trade Clearing   │              │
                         │  │ Cr Accrual          │    │ Cr IC Accrual       │              │
                         │  └─────────────────────┘    └─────────────────────┘              │
┌─────────────────┐      │  ┌─────────────────────┐    ┌─────────────────────┐              │
│   M1-Seattle    │      │  │ M1:Trade In-Transit │    │ M2:Trade In-Transit │              │
│     Owner       │      │  │       Recpt         │    │       Recpt         │              │
│                 │      │  │ Dr Trade In-Transit │    │ Dr Trade In-Transit MAT│           │
└─────────────────┘      │  │ Cr Trade Clearing   │    │ Dr Trade In-Transit GP│            │
                         │  └─────────────────────┘    │ Cr Trade Clearing   │              │
         Ownership       │  ┌─────────────────────┐    └─────────────────────┘              │
         Change          │  │ M1:Trade In-Transit │    ┌─────────────────────┐              │
                         │  │       Issue         │    │ M2:Transfer to Owned│              │
                         │  │ Dr IC COGS          │    │      (Receipt)      │              │
                         │  │ Cr Trade In-Transit │    │ Dr Inv Valuation MAT│              │
                         │  └─────────────────────┘    │ Dr Inv Valuation GP │              │
 Physical                │                             │ Cr Trade In-Transit MAT│           │
 Flow                    │                             │ Cr Trade In-Transit GP│            │
                         │                             └─────────────────────┘              │
┌─────────────────┐      └──────────────────────────────────────────────────────────────────┘
│     M2-LA       │      ┌──────────────────────────────────────────────┐
│ Consigned Owner=│      │  ┌─────────────────────┐  ┌─────────────────┐│
│   AND-Fresno    │      │  │   M2:PO Receipt     │  │  M2:PO Delivery ││
│ Contingent Owner=│     │  │ Dr Consigned Clearing│ │ Dr Consigned Inventory│
│     M2-LA       │      │  │ Cr Consigned Accrual│  │ Cr Consigned Clearing│
└─────────────────┘      │  └─────────────────────┘  └─────────────────┘│
                         └──────────────────────────────────────────────┘
┌─────────────────────────┐
│        Legend           │
│ Inv = Inventory         │
│ IC = Intercompany       │
│ COGS = Cost of Goods Sold│
│ Recpt = Receipt         │
│ MAT = Material          │
│ GP = Gross Profit       │
└─────────────────────────┘
```
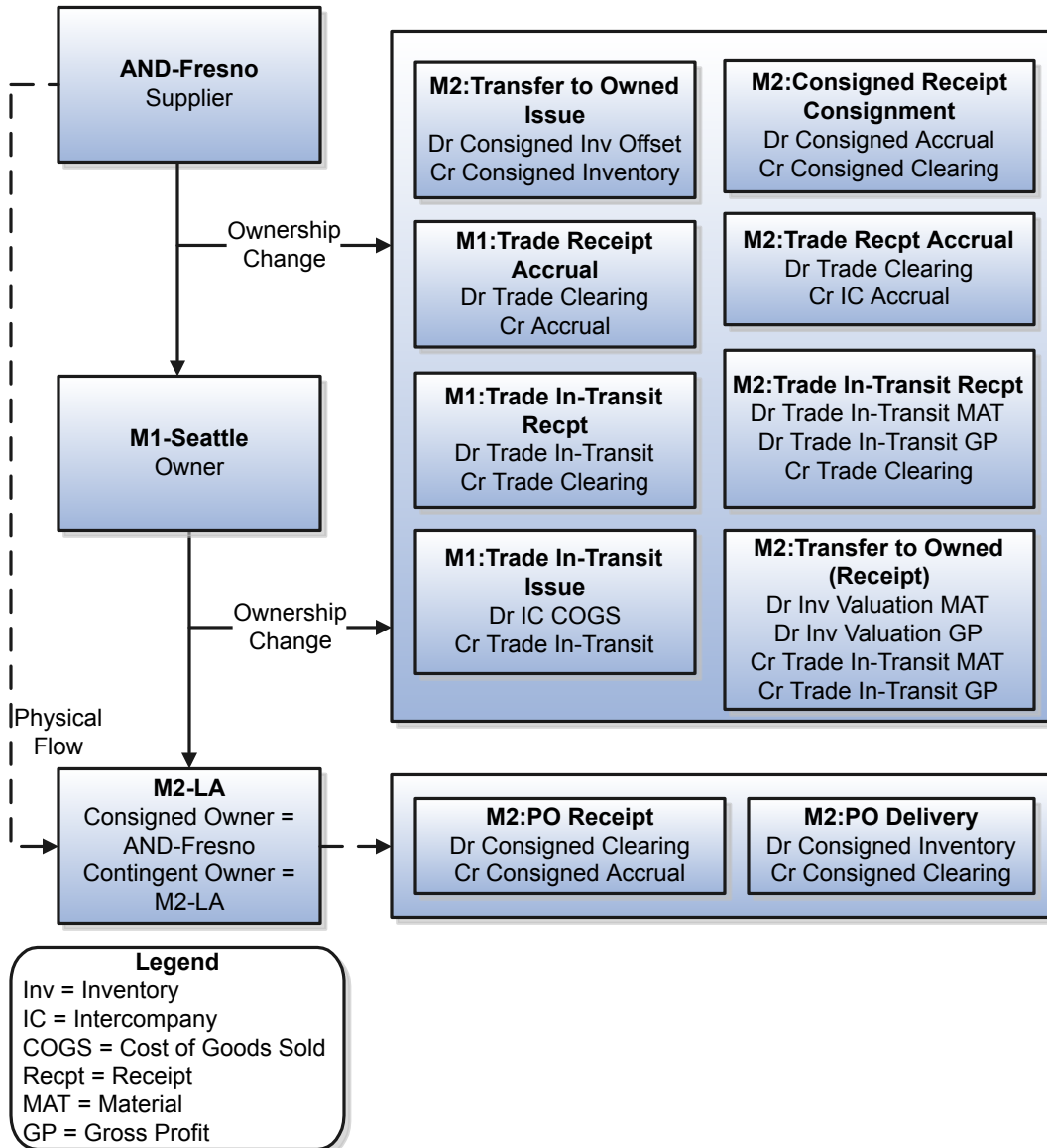
Receipt Accounting generates distributions under inventory organization M2-LA for the consigned shipment from supplier AND-Fresno to M2-LA.

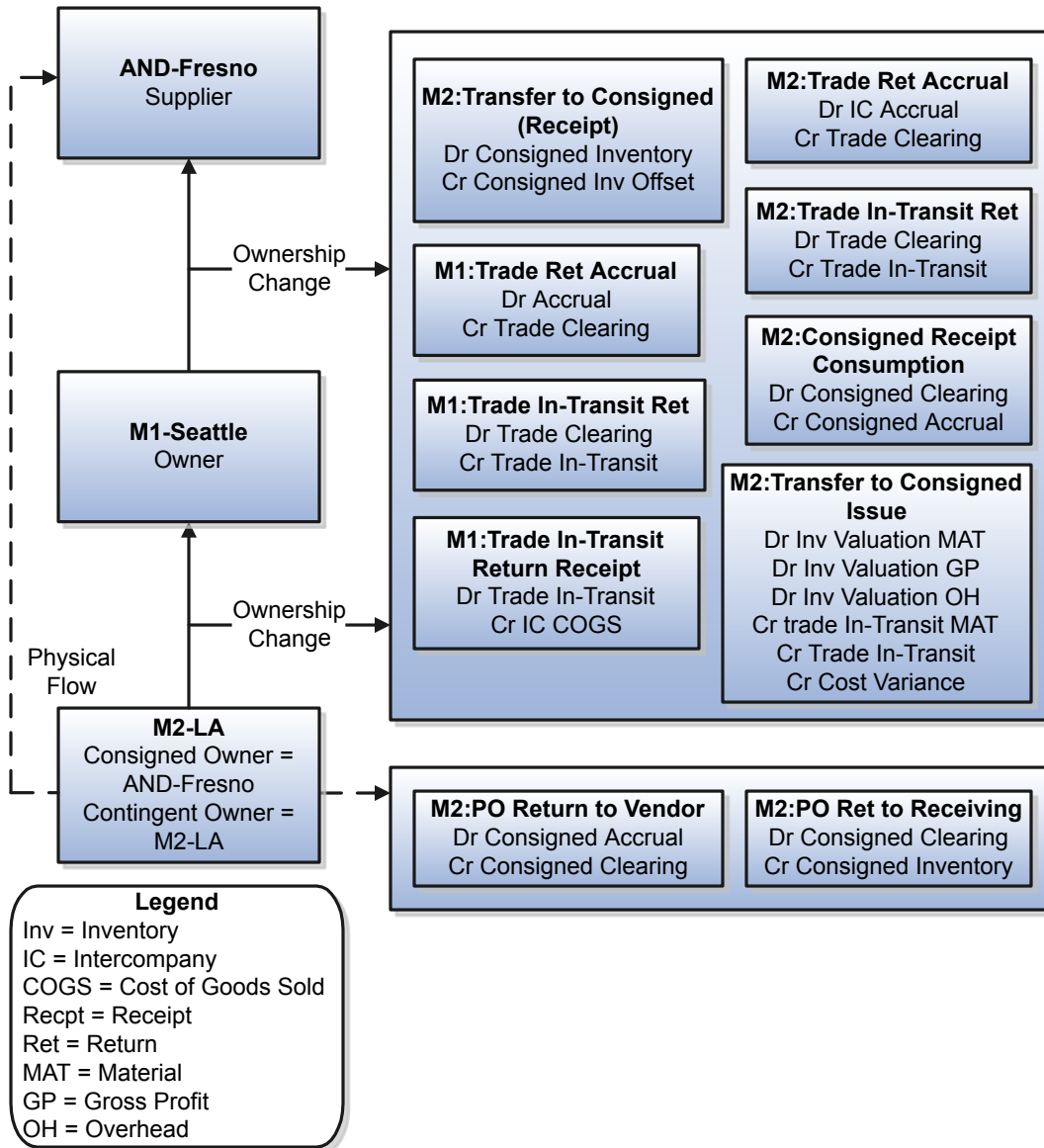| Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD		PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD		PO Price
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD		PO Price
Receipt Accounting	Trade In-Transit Receipt	Trade clearing	-100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M1-Seattle to M2-LA.

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD		PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	-100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	120	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-120	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	20	USD	Gross Profit	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-120	USD		Transfer Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	20	USD	Gross Profit	Internal Markup
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-20	USD	Gross Profit	Internal Markup

Organization M2-LA returns goods to supplier AND-Fresno. The following are accounting entries for the return flow.

ORACLE

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M2-LA to M1-Seattle:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned Receipt	Consigned Inventory	100	USD		PO Price

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned Receipt	Consigned Inventory Offset	-100	USD		PO Price
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	120	USD		Transfer Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-120	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	120	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-20	USD	Gross Profit	Internal Markup
Cost Accounting	Consigned Receipt Consumption	Consigned Clearing	100	USD		PO Price
Cost Accounting	Consigned Receipt Consumption	Consigned Accrual	-100	USD		PO Price
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	20	USD	Gross Profit	Internal Markup
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	10	USD	Overhead	
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	-20	USD	Gross Profit	Internal Markup
Cost Accounting	Transfer to Consigned Issue	Cost Variance*	-10	USD		

ORACLE

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-LA for the change of ownership from M1-LA to supplier AND-Fresno:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Accrual	100	USD		PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD		PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD		PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-100	USD		PO Price

Receipt Accounting generates distributions under inventory organization M2-LA for the return shipment from M2-LA to supplier AND-Fresno:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Return to Vendor	Consigned Accrual	100	USD		PO Price
Receipt Accounting	PO Return to Vendor	Consigned Clearing	-100	USD		PO Price
Receipt Accounting	PO Return to Receiving	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Return to Receiving	Consigned Inventory	-100	USD		PO Price

ORACLE®

Related Topics

- Consigned Inventory Lifecycle: Explained

- Consigned Inventory: Explained

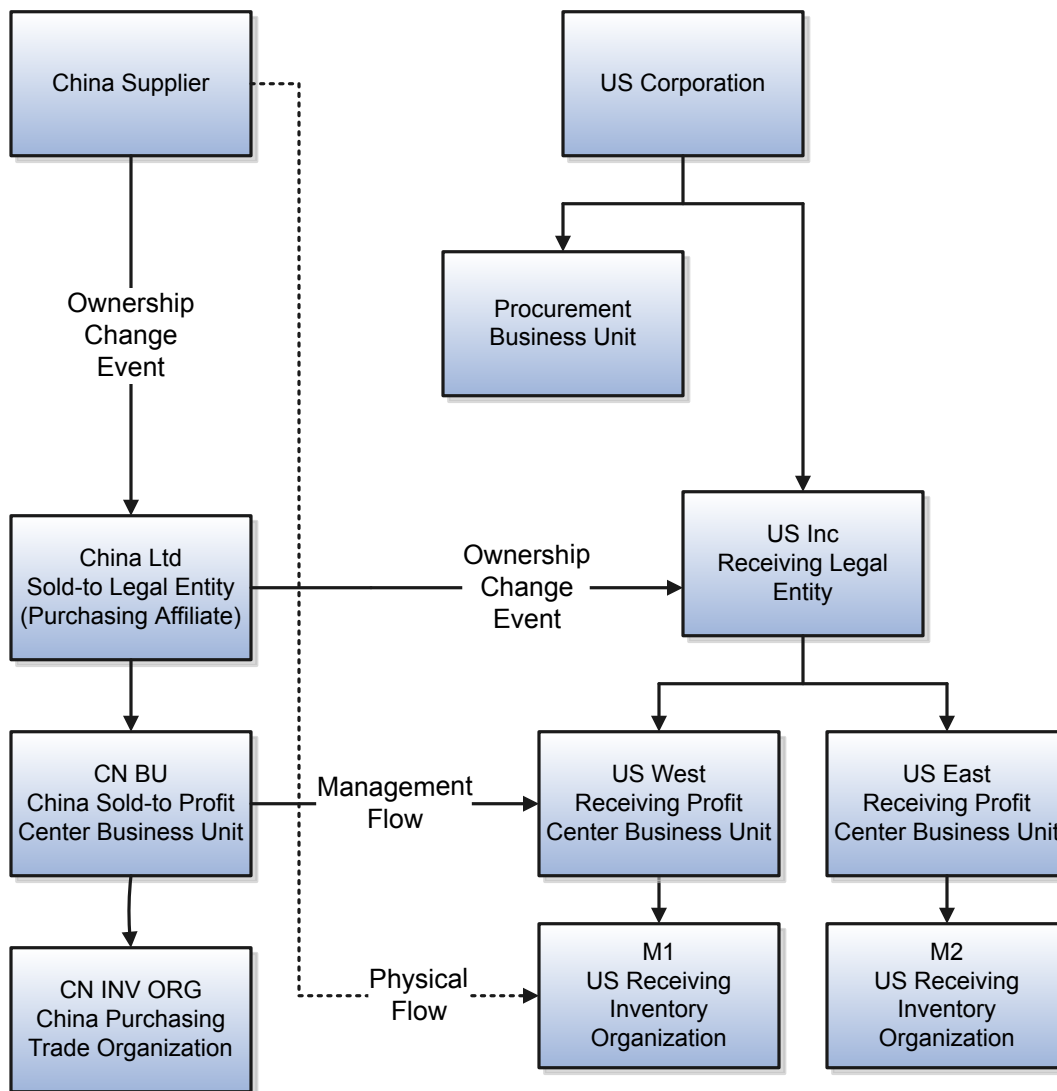# Global Procurement Trade Accounting: Overview

Companies often design their legal structure for financial efficiency as well as efficiencies in the physical flow of goods through the supply chain. Typically, the most optimal financial movement of goods is different from the most optimal physical movement of goods. For example, the purchase requisitions from a group of subsidiary companies could be routed through a single international purchasing company who deals with the suppliers. As a result, the legal owners of the purchasing organizations will be different from the legal owners of the receiving organizations. This form of purchasing is known as global procurement.

The following discusses:

- Global procurement trade flows

- Trade agreements and accounting rule sets

- Agreements converted to purchase orders

- Commonly used terms

Global Procurement Trade Flows

This diagram illustrates a typical global procurement trade flow, in this case between a US corporation and its China supplier. The US corporation has a central procurement business unit which creates trade agreements and purchase orders on behalf of its subsidiaries.

```
China Supplier ------------┐            US Corporation
                           ¦                  │
                           ¦                  ▼
      Ownership            ¦            Procurement
       Change              ¦            Business Unit
        Event              ¦
          │                ¦                  │
          ▼                ¦                  ▼
    China Ltd       Ownership         US Inc
  Sold-to Legal     Change          Receiving Legal
     Entity          Event             Entity
 (Purchasing Affiliate) ──────────▶
          │                                   │
          ▼                          ┌────────┴────────┐
     CN BU        Management         ▼                 ▼
China Sold-to Profit  Flow      US West          US East
Center Business Unit ────────▶  Receiving Profit  Receiving Profit
          │                     Center Business Unit  Center Business Unit
          ▼                          │                 │
   CN INV ORG      Physical          ▼                 ▼
China Purchasing    Flow            M1                M2
Trade Organization ·······▶   US Receiving      US Receiving
                              Inventory          Inventory
                              Organization       Organization
```

The China supplier drop ships the goods directly to the US receiving inventory organization M1. However for legal and accounting purposes, the trade flows from the China supplier through the China sold-to legal entity (China Ltd), to the US receiving legal entity (US Inc). For management and profit tracking purposes, the trade flows from the China sold-to profit center business unit CN BU to the US receiving profit center business unit US West.

ORACLE

Financial Trade Agreements and Accounting Rule Sets

A trade agreement defines the parties in the trade relationship. In this example the trade agreement is between the US corporation and the China supplier, and it defines the buying, selling, sold-to, and receiving legal entities, profit center business units, inventory organizations, and trade organizations.

The accounting rule sets define source documents and accounting that is required in the legal and financial flow, also known as the ownership change event flow. A rule set is associated with a financial route, and financial routes can have different accounting rule sets.

The following illustrates a trade agreement setup for the US corporation:

- Agreement #: GP001
- Type: Procurement
- Supplier Ownership Change: ASN (Advance Shipment Notice)
- Primary Trade Relationship #: PTR1
- Sold-to Legal Entity: China Ltd.
- Sold-to Business Unit: CN BU
- Deliver-to Legal Entity: US Inc.
- Deliver-to Business Unit: US West
- Financial Trade Relationship #: FTR1
- From Legal Entity: China Ltd.
- From Business Unit: CN BU
- From Organization: CN INV ORG
- To Legal Entity: US Inc.
- To Business Unit: US West
- To Organization: M1
- Profit Tracking: Yes
- Invoicing: Yes
- Obligation Currency: CNY
- Rate Type: Corporate
- Transfer Pricing: Purchase Order - 10%
- Purchase Order/Sales Order: No

Trade Agreement Converted to Purchase Orders

The trade agreement is used to create purchase orders. The following illustrates a purchase order created under the US Corporation trade agreement # GP001:

- Document Type: Purchase Order
- Document #: PO-GP001
- Document Line #: 1
- Document Line Detail: 1.1
- Document Line Distribution #: 1.1.1

- Item: SFO-CST_ASSET
- Quantity: 100
- UOM: Each
- Currency: CNY
- Price: 650
- Sold-to Legal Entity: China Ltd.
- Trade Organization: CN INV ORG
- Deliver-to Organization: M1
- Primary Trade Relationship #: PTR1

Global Procurement Common Terms

The following terms are commonly used in global procurement trading:

Terms	Definitions and Rules
buy-sell relationship	Relationship between two business units where one acts as a buyer and the other as a seller of goods or services. The seller records the revenue, cost of sale, and receivables. The buyer records the payables and inventory or expense. A buy-sell trade between internal business units is settled through the transfer price.
asset item	Inventory item where the cost of acquisition is valued as an asset on the balance sheet. The inventory cost is expensed when it is consumed or sold.
expense item	Inventory item whose cost of acquisition is booked as an expense.
transfer price	The unit price that one business unit charges another for goods or services traded within the enterprise. The transfer price is typically based on the price list, cost plus or minus, or purchase price plus or minus.
financial route	Designates how financial transactions are settled, can be different from the physical route, and may involve one or more intermediary nodes. The intermediary nodes are internal business units that are not part of the physical supply chain transaction but are part of the financial route.
Incoterms	A series of sales terms in international trade, used to define the rights and obligations of the trade partners with respect to the delivery of goods sold. Incoterms are used to divide transaction costs and responsibilities between buyer and seller, and to reflect transportation practices.
intercompany profit and loss	The internal profit or loss arising out of trade among business units in the enterprise. These internal profits and losses are used for internal management but are typically eliminated when producing the enterprise consolidated financial statements for external stakeholders.
intercompany trade	The trade of goods and services between organizations belonging to different legal entities within a conglomerate.
intracompany trade	The trade of goods or services between two internal organizations within a legal entity.
ownership change event	The transfer of title of goods and services from one party to another. This results in accounting and the creation of financial documents such as Accounts Receivable and Accounts Payable invoices.

ORACLE®

Terms	Definitions and Rules
price list	Contains the basic list information and pricing attributes for items or product groups.
pricing option	A method to compute the transfer price based on cost, source document price, or price list.
profit center	A business unit that operates with its own income statement and reports to the legal entity.
purchasing trade organization	The inventory organization reporting to the sold-to legal entity identified in the purchase order. This organization is used for cost accounting the transactions in the sold-to legal entity.
qualifiers	Business attributes of a supply chain document or transaction that determine the applicability of the trade agreement.
supply chain financial orchestration agreement	An agreement between the legal entities, business units, and trade organizations of a corporate group. The agreement defines the parties in the trade relationship and the financial settlement process.
trade distributions	Subledger entries created by Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting for Oracle Fusion Supply Chain Financial Orchestration trade transactions.
procurement business unit	Has central responsibility for the creation of trade agreements and purchase orders on behalf of legal entities and business units under the holding company.

Profit Center Business Units and Bill-to Business Units: Explained

Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting create accounting distributions for trade transactions in the supply chain. These accounting distributions are associated with two kinds of business units: profit center business units and bill-to business units.

The following explains the different business units associated with trade transactions and the assumptions used to derive them.

Profit Center Business Unit

A profit center business unit reports to a single legal entity and is responsible for measuring the profitability of inventory organizations under that legal entity. All trade transactions are associated with a profit center business unit which, in turn, is derived from the inventory organization that owns the trade transaction. Cost Accounting uses the profit center business unit to process all inventory transactions.

Bill-to Business Unit

A bill-to business unit is used to process receipt accruals in a trade transaction, and is the same business unit that processes the invoice in Accounts Payable. For supplier accruals, the bill-to business unit is derived from the purchase order. For intercompany accruals, the bill-to business unit is derived from the profit center business unit.

Related Topics

- Cost Organizations, Inventory Organizations, and Cost Books: How They Fit Together

Accounting of Global Procurement Trade Transactions into Inventory: Example

Most large enterprises use a global procurement approach to their purchasing needs, wherein a central buying organization buys goods from suppliers on behalf of the internal organizations. Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting process transactions for these global procurement trade events and generate subledger journal entries.

The following is an example of accounting performed by Cost Accounting and Receipt Accounting for a global procurement flow into inventory. It illustrates:

- Transactions that are captured in Oracle Fusion Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the forward flow of a shipment from the supplier, through the intermediary distributor, to the final receiving organization.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the receiving organization to the supplier.

Scenario

China Supplier ships the goods to US Inc. through the intermediary distributor, China Ltd.

Transactions from Oracle Fusion Supply Chain Financial Orchestration

The global procurement trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:
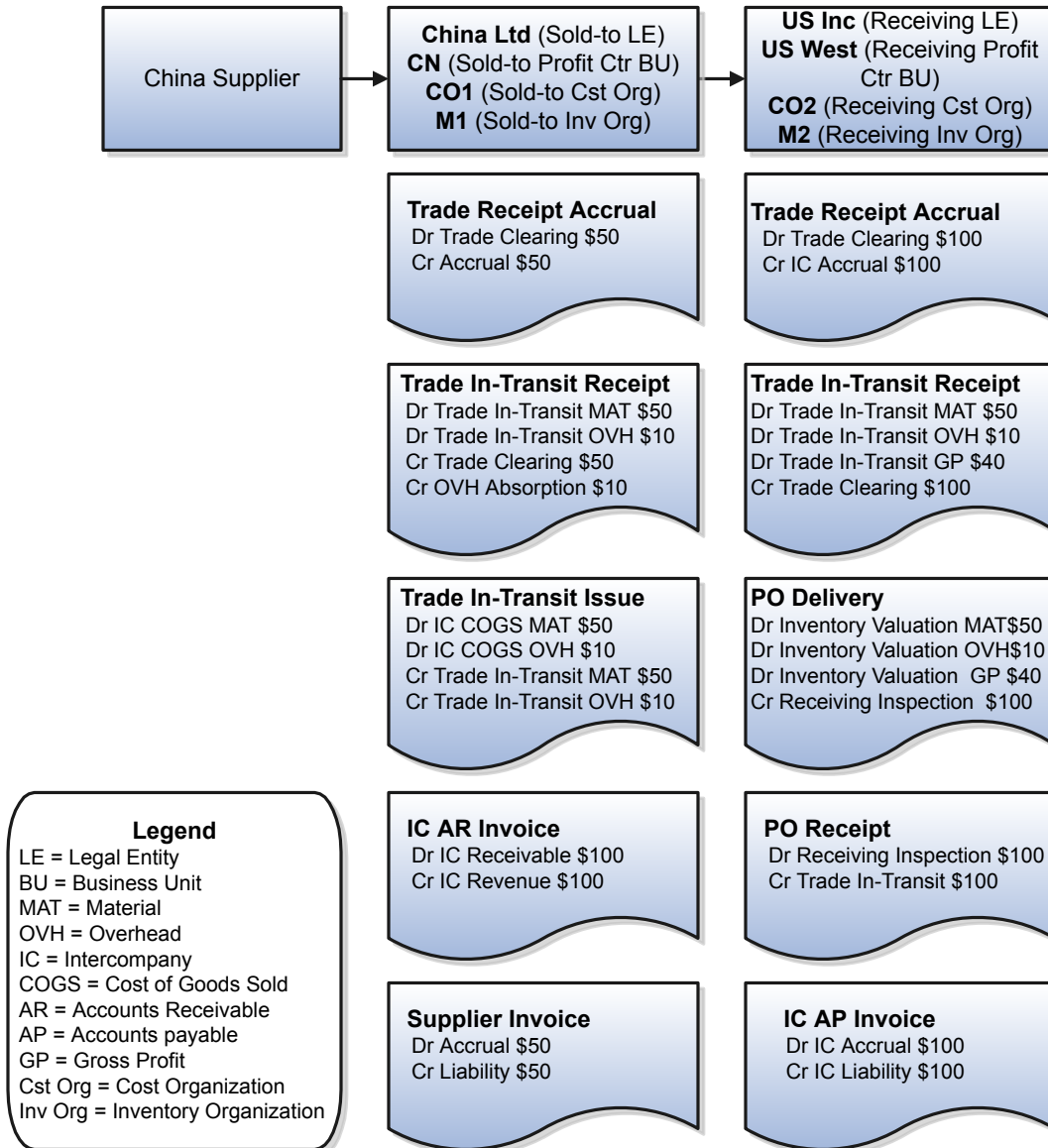
- Purchase Order (PO) price from China Supplier to China Ltd. is USD 50.

- Intercompany transfer price from China Ltd. to US Inc. is USD 100.

- Intercompany invoicing is set to Yes.

- Profit tracking is set to Yes.

- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in Cost Organization CO1.

- China Ltd books a profit of USD 40 (USD 100 transfer price - USD 50 PO price - USD 10 overhead).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries are for the forward flow from legal entity China Ltd. to legal entity US Inc.

China Supplier	**China Ltd** (Sold-to LE) **CN** (Sold-to Profit Ctr BU) **CO1** (Sold-to Cst Org) **M1** (Sold-to Inv Org)	**US Inc** (Receiving LE) **US West** (Receiving Profit Ctr BU) **CO2** (Receiving Cst Org) **M2** (Receiving Inv Org)

Trade Receipt Accrual
Dr Trade Clearing $50
Cr Accrual $50

Trade Receipt Accrual
Dr Trade Clearing $100
Cr IC Accrual $100

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Trade Clearing $50
Cr OVH Absorption $10

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Dr Trade In-Transit GP $40
Cr Trade Clearing $100

Trade In-Transit Issue
Dr IC COGS MAT $50
Dr IC COGS OVH $10
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

PO Delivery
Dr Inventory Valuation MAT$50
Dr Inventory Valuation OVH$10
Dr Inventory Valuation GP $40
Cr Receiving Inspection $100

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization

IC AR Invoice
Dr IC Receivable $100
Cr IC Revenue $100

PO Receipt
Dr Receiving Inspection $100
Cr Trade In-Transit $100

Supplier Invoice
Dr Accrual $50
Cr Liability $50

IC AP Invoice
Dr IC Accrual $100
Cr IC Liability $100

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.
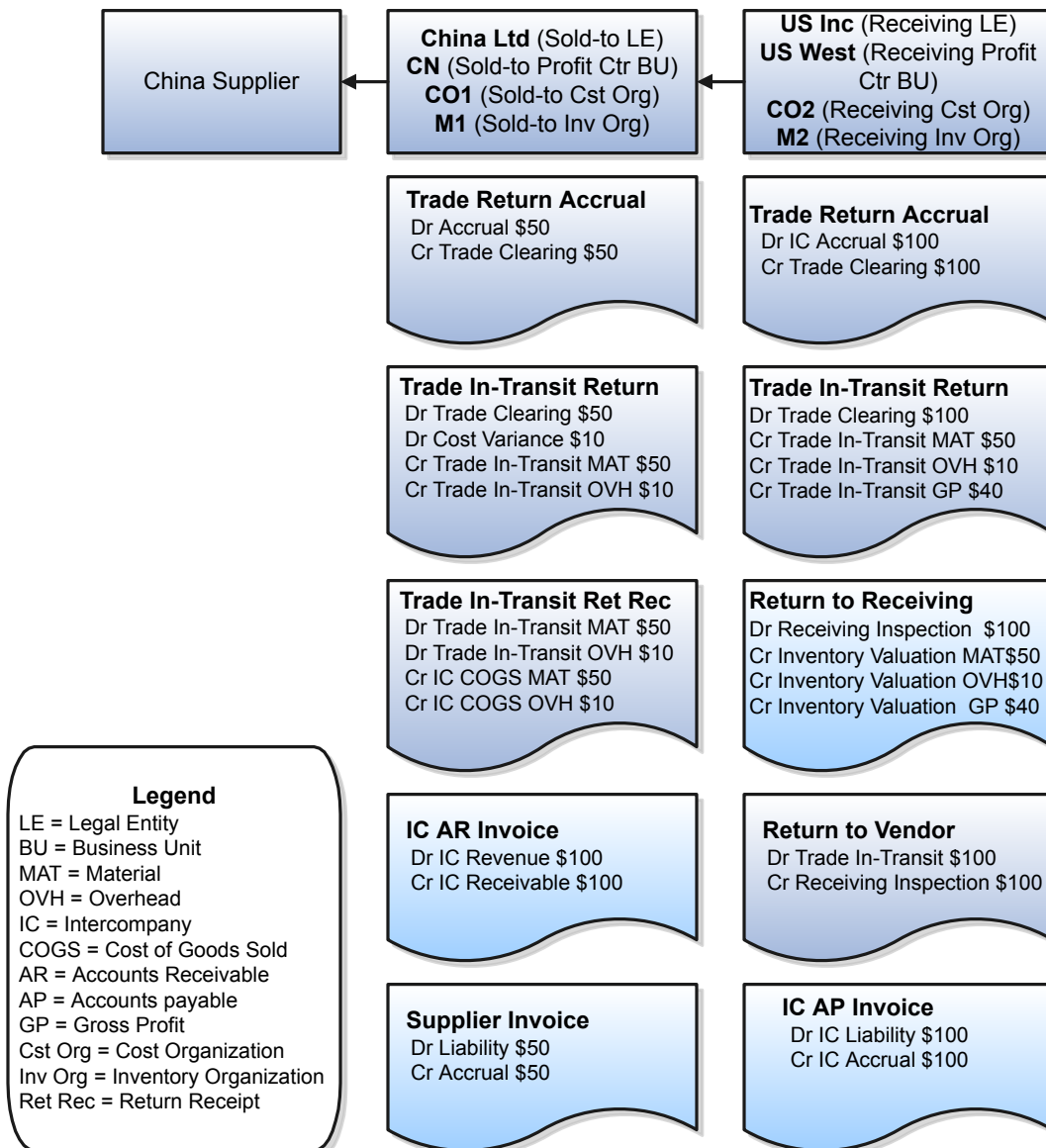
ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	50	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-50	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-50	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Receipt	Overhead Absorption	-10	USD		
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD		Transfer Price
Receipt Accounting	Supplier Invoice	Accrual	50	USD		PO Price
Receipt Accounting	Supplier Invoice	Liability	-50	USD		PO Price

ORACLE®

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	40	USD	Gross Profit	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD		Transfer Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD		Transfer Price
Receipt Accounting	PO Receipt	Trade In-Transit	-100	USD		Transfer Price
Cost Accounting	PO Delivery	Inventory Valuation	50	USD	Material	Sending Organization Cost
Cost Accounting	PO Delivery	Inventory Valuation	10	USD	Overhead	Sending Organization Cost
Cost Accounting	PO Delivery	Inventory Valuation	40	USD	Gross Profit	Internal Markup

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	PO Delivery	Receiving Inspection	-100	USD		Transfer Price

US Inc returns goods directly to China Supplier. The following accounting entries are for the return flow from legal entity US Inc to legal entity China Ltd.

China Supplier

China Ltd (Sold-to LE)
CN (Sold-to Profit Ctr BU)
CO1 (Sold-to Cst Org)
M1 (Sold-to Inv Org)

US Inc (Receiving LE)
US West (Receiving Profit Ctr BU)
CO2 (Receiving Cst Org)
M2 (Receiving Inv Org)

Trade Return Accrual
Dr Accrual $50
Cr Trade Clearing $50

Trade Return Accrual
Dr IC Accrual $100
Cr Trade Clearing $100

Trade In-Transit Return
Dr Trade Clearing $50
Dr Cost Variance $10
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

Trade In-Transit Return
Dr Trade Clearing $100
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10
Cr Trade In-Transit GP $40

Trade In-Transit Ret Rec
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr IC COGS MAT $50
Cr IC COGS OVH $10

Return to Receiving
Dr Receiving Inspection $100
Cr Inventory Valuation MAT $50
Cr Inventory Valuation OVH $10
Cr Inventory Valuation GP $40

IC AR Invoice
Dr IC Revenue $100
Cr IC Receivable $100

Return to Vendor
Dr Trade In-Transit $100
Cr Receiving Inspection $100

Supplier Invoice
Dr Liability $50
Cr Accrual $50

IC AP Invoice
Dr IC Liability $100
Cr IC Accrual $100

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
Ret Rec = Return Receipt

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD		Transfer Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-40	USD	Gross Profit	Internal Markup
Cost Accounting	Return to Receiving	Receiving Inspection	100	USD		Transfer Price
Cost Accounting	Return to Receiving	Inventory Valuation	-50	USD	Material	Sending Organization Cost
Receipt Accounting	Return to Receiving	Inventory Valuation	-10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Return to Receiving	Inventory Valuation	-40	USD	Gross Profit	Internal Markup
Cost Accounting	Return to Vendor	Trade In-Transit	100	USD		Transfer Price
Cost Accounting	Return to Vendor	Receiving Inspection	-100	USD		Transfer Price
Receipt Accounting	Intercompany AP Invoice	Intercompany Liability	100	USD		Transfer Price
Receipt Accounting	Intercompany AP Invoice	Intercompany Accrual	-100	USD		Transfer Price

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Accrual	50	USD		PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-50	USD		PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	50	USD		PO Price
Cost Accounting	Trade In-Transit Return	Cost Variance*	10	USD		
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Intercompany COGS	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Intercompany COGS	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	-100	USD		Transfer Price

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Supplier Invoice	Liability	50	USD		PO Price
Receipt Accounting	Supplier Invoice	Accrual	-50	USD		PO Price

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

Accounting of Interorganization Transfers Across Business Units: Example

This example illustrates:

- Transactions that are captured in Oracle Fusion Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the transfer of goods across profit center business units.

Scenario

China Ltd. ships the goods to US Inc. The organizations are in two different profit center business units.

Transactions from Oracle Fusion Supply Chain Financial Orchestration

The trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

- China Ltd. acquires goods locally at the cost of USD 50, plus USD 10 overhead on the receipt of goods.

- Intercompany transfer price from China Ltd. to US Inc. is USD 100.

- Intercompany invoicing is set to No.

- Profit tracking is set to Yes.

- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in Cost Organization CO1.

- China Ltd. books a profit of USD 40 (USD 100 transfer price - USD 50 acquisition cost - USD 10 overhead).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the transfer of goods.

Accounting Entries

The following are accounting entries for the shipment from legal entity China Ltd. to legal entity US Inc.

China Ltd (LE)
CN (Profit Ctr BU)
CO1 (Cst Org)
M1 (Inv Org)

→

US Inc (Receiving LE)
US West (Receiving Profit Ctr BU)
CO2 (Receiving Cst Org)
M2 (Receiving Inv Org)

In-Transit Shipment
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Inventory MAT $50
Cr Inventory OVH $10

Trade Receipt Accrual
Dr Trade Clearing $100
Cr IO Payable $100

Trade In-Transit Issue
Dr IO Receivable $100
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10
Cr IO Gain/Loss $40

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Dr Trade In-Transit GP $40
Cr Trade Clearing $100

Interorganization Receipt
Dr Receiving Inspection $100
Cr Trade In-Transit $100

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
IO = Interorganization

Interorganization Delivery
Dr Inventory MAT $50
Dr Inventory OVH $10
Dr Inventory GP $40
Cr Receiving Inspection $100

Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	In-Transit Shipment	Trade In-Transit	10	USD	Overhead	Current Cost
Cost Accounting	In-Transit Shipment	Inventory	-50	USD	Material	Current Cost
Cost Accounting	In-Transit Shipment	Inventory	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Interorganization Receivable	100	USD		Transfer Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Interorganization Gain/Loss	-40	USD	Gross Profit	Internal Markup

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

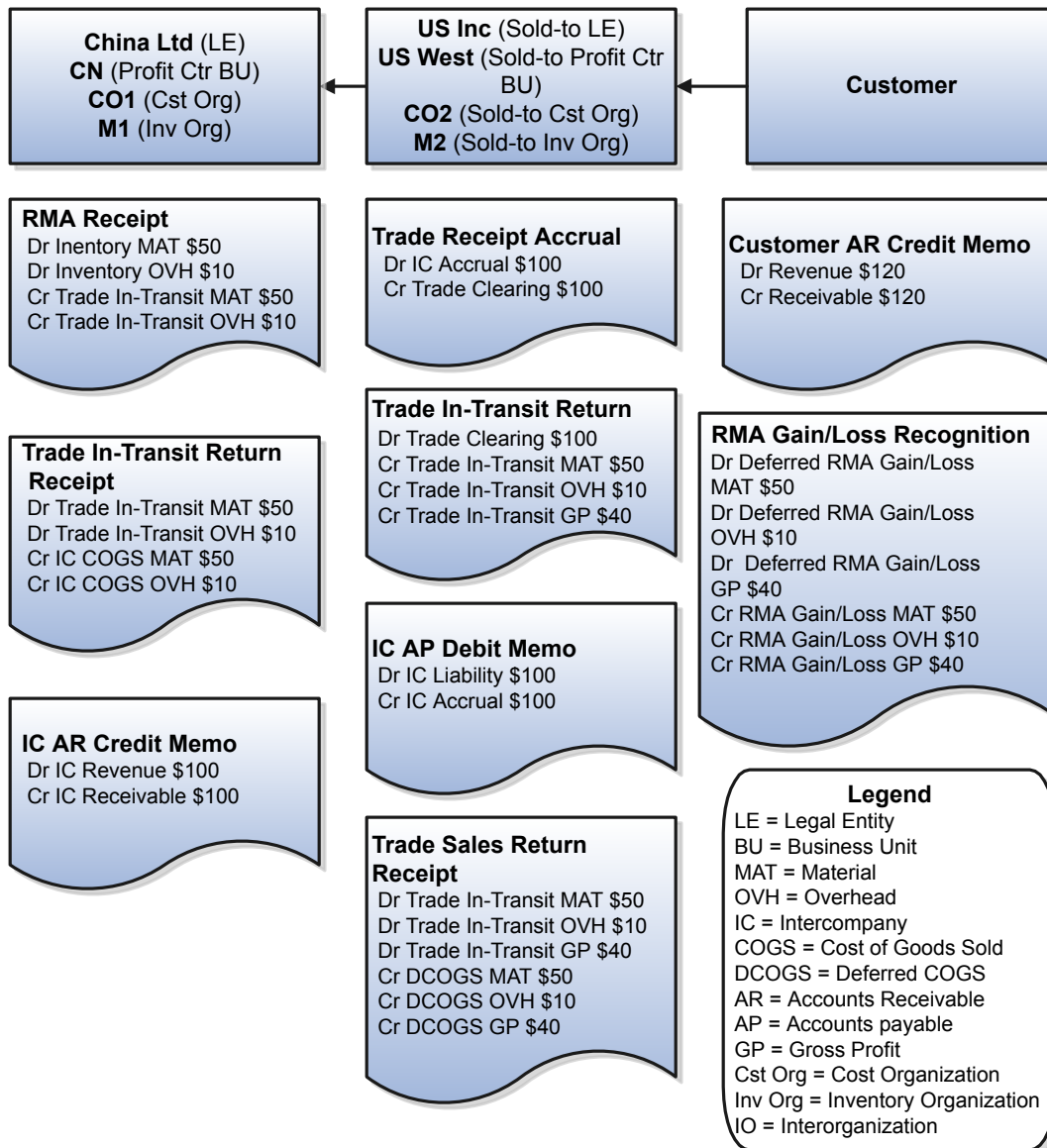| Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Interorganization Payable	-100	USD		Transfer Price
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	40	USD	Gross Profit	Internal Markup
Receipt Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		Transfer Price
Receipt Accounting	Interorganization Receipt	Receiving Inspection	100	USD		Transfer Price
Receipt Accounting	Interorganization Receipt	Trade In-Transit	-100	USD		Transfer Price
Cost Accounting	Interorganization Delivery	Inventory	50	USD	Material	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	40	USD	Gross Profit	Internal Markup
Cost Accounting	Interorganization Delivery	Receiving Inspection	-100	USD		Transfer Price

Accounting of Trade Transactions in Internal Drop Shipments: Example

An internal drop shipment is a trade transaction involving the movement of goods from an inventory organization directly to a customer, yet the business unit that sells the goods to the customer is different from the business unit to which the inventory organization belongs. From the financial standpoint, the business unit to which the inventory organization belongs sells the goods to the other business unit who, in turn, sells the goods to the customer.

The following is an example of accounting performed by Oracle Fusion Cost Accounting and Oracle Fusion Receipt Accounting for an internal drop shipment. It illustrates:

- Transactions that are captured in Oracle Fusion Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the drop shipment flow from the selling organization to the customer of the buying organization.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the customer to the seller.

Scenario

China Ltd. drop ships the goods to the customer of US Inc.

Transactions from Oracle Fusion Supply Chain Financial Orchestration

The trade agreement, accounting rule sets, and associated purchase orders are set up in Oracle Fusion Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

- China Ltd. acquires goods locally at the cost of USD 50, plus USD 10 overhead on the receipt of goods.

- Intercompany transfer price from China Ltd. to US Inc. is USD 100.

- Intercompany invoicing is set to Yes.

- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in Cost Organization CO1.

- US Inc. books a profit of USD 40 (USD 100 transfer price - USD 50 PO price - USD 10 overhead).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the transfer of goods.

Accounting Entries

The following are accounting entries for the shipment from legal entity China Ltd. to legal entity US Inc.

China Ltd (LE)
CN (Profit Ctr BU)
CO1 (Cst Org)
M1 (Inv Org)

US Inc (Sold-to LE)
US West (Sold-to Profit Ctr BU)
CO2 (Sold-to Cst Org)
M2 (Sold-to Inv Org)

Customer

Sales Order Issue
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Inventory MAT $50
Cr Inventory OVH $10

Trade Receipt Accrual
Dr Trade Clearing $100
Cr IC Accrual $100

Customer AR Invoice
Dr Receivable $120
Cr Revenue $120

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Dr Trade In-Transit GP $40
Cr Trade Clearing $100

Trade In-Transit Issue
Dr IC COGS MAT $50
Dr IC COGS OVH $10
Cr Trade In-Transit MAT $50
Cr Trade in-Transit OVH $10

COGS Recognition
Dr COGS MAT $50
Dr COGS OVH $10
Dr COGS GP $40
Cr DCOGS MAT $50
Cr DCOGS OVH $10
Cr DCOGS GP $40

IC AP Invoice
Dr IC Accrual $100
Cr IC Liatility $100

IC AR Invoice
Dr IC Receivable $100
Cr IC Revenue $100

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
DCOGS = Deferred COGS
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
IO = Interorganization

Trade Sales Issue
Dr DCOGS MAT $50
Dr DCOGS OVH $10
Dr DCOGS GP $40
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10
Cr Trade In-Transit GP $40

Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Sales Order Issue	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	Sales Order Issue	Trade In-Transit	10	USD	Overhead	Current Cost
Cost Accounting	Sales Order Issue	Inventory	-50	USD	Material	Current Cost
Cost Accounting	Sales Order Issue	Inventory	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Current Cost
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD		Transfer Price

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		Transfer Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	40	USD	Gross Profit	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD		Transfer Price
Receipt Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	40	USD	Gross Profit	Internal Markup
Receipt Accounting	Trade Sales Issue	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade Sales Issue	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Trade Sales Issue	Trade In-Transit	-40	USD	Gross Profit	Internal Markup

The customer returns goods directly to China Ltd. The following are accounting entries for the return flow from US Inc (Sold-to Legal Entity) to China Ltd (Legal Entity).

China Ltd (LE)
CN (Profit Ctr BU)
CO1 (Cst Org)
M1 (Inv Org)

US Inc (Sold-to LE)
US West (Sold-to Profit Ctr BU)
CO2 (Sold-to Cst Org)
M2 (Sold-to Inv Org)

Customer

RMA Receipt
Dr Inentory MAT $50
Dr Inventory OVH $10
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

Trade Receipt Accrual
Dr IC Accrual $100
Cr Trade Clearing $100

Customer AR Credit Memo
Dr Revenue $120
Cr Receivable $120

Trade In-Transit Return Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr IC COGS MAT $50
Cr IC COGS OVH $10

Trade In-Transit Return
Dr Trade Clearing $100
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10
Cr Trade In-Transit GP $40

RMA Gain/Loss Recognition
Dr Deferred RMA Gain/Loss MAT $50
Dr Deferred RMA Gain/Loss OVH $10
Dr Deferred RMA Gain/Loss GP $40
Cr RMA Gain/Loss MAT $50
Cr RMA Gain/Loss OVH $10
Cr RMA Gain/Loss GP $40

IC AP Debit Memo
Dr IC Liability $100
Cr IC Accrual $100

IC AR Credit Memo
Dr IC Revenue $100
Cr IC Receivable $100

Trade Sales Return Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Dr Trade In-Transit GP $40
Cr DCOGS MAT $50
Cr DCOGS OVH $10
Cr DCOGS GP $40

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
DCOGS = Deferred COGS
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
IO = Interorganization

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD		Transfer Price

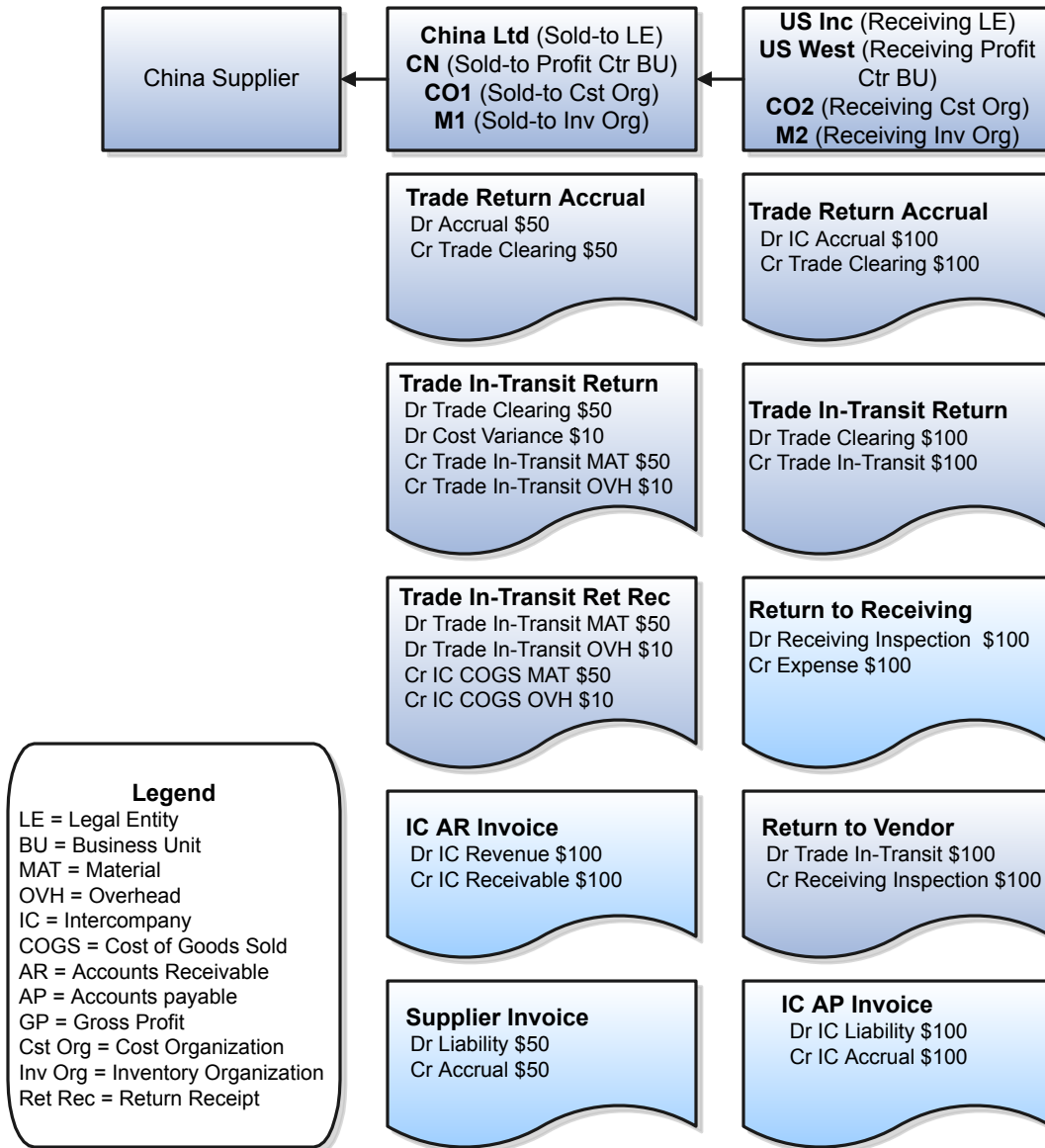| Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-40	USD	Gross Profit	Internal Markup
Accounts Payable	Intercompany Accounts Payable Debit Memo	Intercompany Liability	100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Debit Memo	Intercompany Accrual	-100	USD		Transfer Price
Receipt Accounting	Trade Sales Return Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade Sales Return Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Trade Sales Return Receipt	Trade In-Transit	40	USD	Gross Profit	Internal Markup
Receipt Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-40	USD	Gross Profit	Internal Markup

ORACLE®

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	RMA Receipt	Inventory*	50	USD	Material	Current Cost
Receipt Accounting	RMA Receipt	Inventory	10	USD	Overhead	Current Cost
Cost Accounting	RMA Receipt	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	RMA Receipt	Trade In-Transit	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-10	USD	Overhead	Current Cost
Accounts Receivable	Intercompany Accounts Receivable Credit Memo	Intercompany Revenue	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Credit Memo	Intercompany Receivable	-100	USD		Transfer Price

* Inventory is received at the current cost, and the difference between transfer price and cost is booked as cost variance.

ORACLE®

Accounting of Global Procurement Trade Transactions into Expense: Example

Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting process transactions and create distributions for global procurement purchases that are received into expense destinations rather than inventory, and for services that are expensed.

The following is an example of accounting performed by Cost Accounting and Receipt Accounting for a global procurement flow into expense. It illustrates:

- Transactions that are captured in Oracle Fusion Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the forward flow of goods or services from the supplier, through the intermediary distributor, to the final receiving organization.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the receiving organization to the supplier.

Scenario

China Supplier ships the goods to US Inc. and the goods flow through an intermediary distributor, China Ltd.

Transactions from Oracle Fusion Supply Chain Financial Orchestration

The global procurement trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

- Purchase Order (PO) price from China Supplier to China Ltd is USD 50.

- Intercompany transfer price from China Ltd to US Inc is USD 100.

- Intercompany invoicing is set to Yes.

- Profit tracking is set to Yes.

- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in cost organization CO1.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow from China Ltd (sold-to legal entity) to US Inc (receiving legal entity).

China Supplier

China Ltd (Sold-to LE)
CN (Sold-to Profit Ctr BU)
CO1 (Sold-to Cst Org)
M1 (Sold-to Inv Org)

US Inc (Receiving LE)
US West (Receiving Profit Ctr BU)
CO2 (Receiving Cst Org)
M2 (Receiving Inv Org)

Trade Receipt Accrual
Dr Trade Clearing $50
Cr Accrual $50

Trade Receipt Accrual
Dr Trade Clearing $100
Cr IC Accrual $100

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Trade Clearing $50
Cr OVH Absorption $10

Trade In-Transit Receipt
Dr Trade In-Transit $100
Cr Trade Clearing $100

Trade In-Transit Issue
Dr IC COGS MAT $50
Dr IC COGS OVH $10
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

PO Receipt
Dr Receiving Inspection $100
Cr Trade In-Transit $100

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization

IC AR Invoice
Dr IC Receivable $100
Cr IC Revenue $100

PO Delivery
Dr Expense $100
Cr Receiving Inspection $100

Supplier Invoice
Dr Accrual $50
Cr Liability $50

IC AP Invoice
Dr IC Accrual $100
Cr IC Liability $100

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	50	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-50	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-50	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Receipt	Overhead Absorption	-10	USD		
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD		Transfer Price
Receipt Accounting	Supplier Invoice	Accrual	50	USD		PO Price
Receipt Accounting	Supplier Invoice	Liability	-50	USD		PO Price

ORACLE®

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD		Transfer Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD		Transfer Price
Receipt Accounting	PO Receipt	Trade In-Transit	-100	USD		Transfer Price
Receipt Accounting	PO Delivery	Expense	100	USD		Transfer Price
Receipt Accounting	PO Delivery	Receiving Inspection	-100	USD		Transfer Price

US Inc. returns goods directly to China Supplier. The following are accounting entries for the return flow from legal entity US Inc. to legal entity China Ltd .

China Supplier

China Ltd (Sold-to LE)
CN (Sold-to Profit Ctr BU)
CO1 (Sold-to Cst Org)
M1 (Sold-to Inv Org)

US Inc (Receiving LE)
US West (Receiving Profit Ctr BU)
CO2 (Receiving Cst Org)
M2 (Receiving Inv Org)

Trade Return Accrual
Dr Accrual $50
Cr Trade Clearing $50

Trade Return Accrual
Dr IC Accrual $100
Cr Trade Clearing $100

Trade In-Transit Return
Dr Trade Clearing $50
Dr Cost Variance $10
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

Trade In-Transit Return
Dr Trade Clearing $100
Cr Trade In-Transit $100

Trade In-Transit Ret Rec
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr IC COGS MAT $50
Cr IC COGS OVH $10

Return to Receiving
Dr Receiving Inspection $100
Cr Expense $100

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
Ret Rec = Return Receipt

IC AR Invoice
Dr IC Revenue $100
Cr IC Receivable $100

Return to Vendor
Dr Trade In-Transit $100
Cr Receiving Inspection $100

Supplier Invoice
Dr Liability $50
Cr Accrual $50

IC AP Invoice
Dr IC Liability $100
Cr IC Accrual $100

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD		Transfer Price

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD		Transfer Price
Cost Accounting	Return to Receiving	Receiving Inspection	100	USD		Transfer Price
Receipt Accounting	Return to Receiving	Expense	-100	USD		Transfer Price
Receipt Accounting	Return to Vendor	Trade In-Transit	100	USD		Transfer Price
Receipt Accounting	Return to Vendor	Receiving Inspection	-100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	-100	USD		Transfer Price

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	50	USD		PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-50	USD		PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	50	USD		PO Price

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Return	Cost Variance*	10	USD		
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	-10	USD	Overhead	Overhead Rate
Receipt Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	PO Price
Receipt Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Receipt Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-50	USD	Material	PO Price
Receipt Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivables	-100	USD		Transfer Price
Receipt Accounting	Supplier Invoice	Liability	50	USD		PO Price
Receipt Accounting	Supplier Invoice	Accrual	-50	USD		PO Price

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

ORACLE®

Accounting of Interorganization Transfers Within the Same Business Unit: Example

An interorganization transfer is a trade transaction involving the movement of goods or services between organizations in the supply chain. When the transfer occurs between organizations within the same profit center business unit, the transfer is always at cost and there is no intercompany invoicing. Oracle Fusion Cost Accounting creates the trade events and they do not flow through Oracle Fusion Supply Chain Financial Orchestration.

The following is an example of accounting performed by Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting for an interorganization transfer of goods between inventory organizations within the same profit center business unit.

Scenario

Inventory organization M1 makes a transfer of goods to inventory organization M2. Both inventory organizations are under the profit center business unit US West, which is under the legal entity US Inc.

Interorganization Transfer

The cost of goods transferred from M1 to M2 is USD 50 plus overhead of USD 10.

Analysis

Receipt Accounting and Cost Accounting create the following accounting entries for the transfer of goods.

US Inc (Shipping LE) **US West** (Shipping Profit Ctr BU) **CO1** (Shipping Cst Org) **M1** (Shipping Inv Org)	→	**US Inc** (Receiving LE) **US West** (Receiving Profit Ctr BU) **CO2** (Receiving Cst Org) **M2** (Receiving Inv Org)

In-Transit Shipment
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Inventory MAT $50
Cr Inventory OVH $10

Trade Receipt Accrual
Dr Trade Clearing $60
Cr IO Payable $60

Trade In-Transit Issue
Dr IO Receivable $60
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Trade Clearing $60

Interorganization Receipt
Dr Receiving Inspection $60
Cr Trade In-Transit $60

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
IO = Interorganization

Interorganization Delivery
Dr Inventory MAT $50
Dr Inventory OVH $10
Cr Receiving Inspection $60

Accounting Entries

Receipt Accounting generates distributions under business unit US West and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	In-Transit Shipment	Trade In-Transit	10	USD	Overhead	Current Cost
Cost Accounting	In-Transit Shipment	Inventory	-50	USD	Material	Current Cost
Cost Accounting	In-Transit Shipment	Inventory	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Interorganization Receivable	60	USD		Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Current Cost

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	60	USD		Sending Organization Cost
Receipt Accounting	Trade Receipt Accrual	Interorganization Payable	-60	USD		Sending Organization Cost
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Trade In-Transit Receipt	Trade Clearing	-60	USD		Sending Organization Cost

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Interorganization Receipt	Receiving Inspection	60	USD		Sending Organization Cost
Receipt Accounting	Interorganization Receipt	Trade In-Transit	-60	USD		Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	50	USD	Material	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Receiving Inspection	-60	USD		Sending Organization Cost

Reviewing Item Costs and Accounting for Global Procurement Trade Transactions: Explained

Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting process and create accounting distributions for trade transactions in the supply chain.

The following explains how to review the results of global procurement trade transactions processed by Receipt Accounting and Cost Accounting.

Receipt Accounting Results

In the Receipt Accounting work area, access the Review Receipt Accounting Distributions page. On this page you can view accounting details by Source Document Number and Source Document Line Number. Source documents are purchase order schedules, transfer orders, and sales orders.

Cost Accounting Results

In the Cost Accounting work area:

- Access the Review Item Costs page. On this page you can view a breakdown of the cost of items, cost comparisons of items across organizations, and cost trends over time.

- Access the Review Cost Accounting Distributions page. On this page you can view accounting details of trade transactions by Reference Document Number.

ORACLE®

Related Topics

- Reviewing Item Costs: Explained

Tax Accounting for Receipt Transactions Process Flow : Explained

To help you comply with tax regulations, Oracle Fusion Receipt Accounting calculates taxes and generates tax distributions for all receipt transactions.

Taxes can be accounted at two points:

- When the goods are received, that is at delivery

- When an accounts payable invoice is created, accounted, or paid

Receipt Accounting receives transactions and related tax determinants from outside sources such as Oracle Fusion Receiving, Inventory, and Accounts Payable. The following discusses:

- Import of tax determinants into Receipt Accounting

- Tax distributions created by Receipt Accounting

- Tax-inclusive inventory valuation by Oracle Fusion Cost Accounting

ORACLE®

- Review of tax distributions

```
┌─────────────────┐                    ┌─────────────────┐
│   Receiving      │                    │                 │
│                  │                    │   Inventory     │
│ Accounts Payable │                    │                 │
└────────┬─────────┘                    └────────┬────────┘
         │                                       │
         ▼                                       ▼
   ╱──────────────╲                        ╱──────────────╲
   │ Transactions  │                       │              │
   │   and Tax     │                       │ Transactions │
   │ Determinants  │                       │              │
   ╲──────────────╱                        ╲──────────────╱
         │                                       │
         ▼                                       ▼
┌─────────────────┐                    ┌─────────────────┐
│    Receipt       │                    │     Cost        │
│  Accounting      │                    │  Accounting     │
└────────┬─────────┘                    └────────┬────────┘
         │                                       │
         ▼                                       ▼
┌─────────────────┐    Tax       ┌─────────────────────────┐
│ Create Receipt   │ Calculations │  Create Cost Accounting  │
│ Accounting       │─────────────▶│      Distributions       │
│ Distributions    │              │ ┌───────────────────────┐│
│ and Calculate    │              │ │  Acquisition Cost     ││
│ Taxes            │              │ │    Processor          ││
└────────┬─────────┘              │ └───────────────────────┘│
         │                        └────────────┬────────────┘
         ▼                                      ▼
┌─────────────────┐                    ┌─────────────────┐
│ Review Receipt   │                    │ Review Cost      │
│ Accounting       │                    │ Accounting       │
│ Distributions    │                    │ Distributions    │
│ and Tax Details  │                    │ and Inventory    │
│                  │                    │ Valuation        │
└─────────────────┘                    └─────────────────┘
```

Import of Tax Determinants

Import transactions and related tax determinants from outside sources on the Scheduled Processes page in the Scheduled Processes work area.

Run the following processes:

- Select the Transfer Transactions from Receiving to Receipt Accounting process to import receipt transactions into Receipt Accounting.

ORACLE®

- Select the Transfer Costs to Cost Management process to import accounts payable transactions into Receipt Accounting and Cost Accounting.

Tax Distributions by Receipt Accounting

The Receipt Accounting Processor calls the Tax Application Programming Interface to calculate transaction taxes based on imported tax determinants. The processor also generates tax distributions for receipt transactions.

Run the Receipt Accounting Processor on the Create Receipt Accounting Distributions page in the Receipt Accounting work area.

Tax-Inclusive Inventory Valuation by Cost Accounting

The Cost Accounting Processor uses tax results generated by Receipt Accounting to calculate inventory acquisition costs including nonrecoverable taxes.

Run the Cost Accounting Processor on the Create Cost Accounting Distributions page in the Cost Accounting work area.

Review of Tax Distributions

On the Review Receipt Accounting Distributions page in the Receipt Accounting work area view results of the Receipt Accounting Processor:

- Distributions and journal entries for receipt transactions

- Tax determinants accessed by clicking the links in the Tax Determinants column

- Transaction taxes accessed by clicking the Transaction Unit Cost links in the Cost Information tab

On the Review Cost Accounting Distributions page in the Cost Accounting work area view results of the Cost Accounting Processor:

- Distributions and journal entries for inventory transactions

- Inventory unit costs including taxes in the Cost Information tab

Tax Accounting for a Simple Procurement Transaction: Example

This example illustrates tax accounting performed by Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting for a simple procurement transaction that uses a tax point basis of delivery, that is, taxes are accounted at receipt of the goods.

Scenario

The supplier makes a shipment to the inventory organization based on a purchase order (PO) for USD 1,000, with the following tax details:

- Tax A delivery basis = 10%. Recoverable and nonrecoverable portions are both 50%

- Tax B invoice basis = 20%. Recoverable and nonrecoverable portions are both 50%

Tax Details at Receipt and Invoice

Tax details at the time of receipt of goods are:

- Tax A delivery basis = 15%, which is changed from 10% estimated at the time of purchase order. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 75 (that is, USD 1,000 * 15% * 50%).

- Tax B invoice basis = 25%, which is changed from 20% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 125 (that is, USD 1,000 * 25% * 50%).

Tax details at the time of invoice are:

- Tax A delivery basis = 20%, which is changed from 15% reported and accounted on receipt. Recoverable and nonrecoverable portions are both 50%, however taxes are not recalculated because this transaction uses a tax point basis of delivery.

- Tax B invoice basis = 30%, which is changed from 25% estimated on receipt. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 150.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions when the goods are received and when the invoice is accounted.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Receiving Inspection	1,000	USD	Material	PO Price
Receipt Accounting	PO Receipt	Receiving Inspection	75	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	PO Receipt	Tax Recoverable	75	USD	Tax	Tax A Delivery-Based Recoverable: USD 1,000 * 15% * 50%
Receipt Accounting	PO Receipt	Receiving Inspection	125	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 25% * 50%
Receipt Accounting	PO Receipt	Supplier Accrual	-1,275	USD		
Cost Accounting	PO Delivery	Inventory Valuation	1,200*	USD		
Cost Accounting	PO Delivery	Receiving Inspection	-1,200*	USD		

ORACLE®

*PO price plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the supplier when invoice is created:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	1,275	USD		
Accounts Payable	Invoice	Tax Recoverable	150	USD	Tax	Tax B Invoice-Based Recoverable: USD 1,000 * 30% * 50%
Accounts Payable	Invoice	Tax B Rate Variance*	25	USD		Difference between tax estimated at 25% and actual calculated at 30%
Accounts Payable	Invoice	Supplier Liability	-1,450	USD		

*Tax variance due to the difference between rates at time of delivery versus invoice.

Receipt Accounting and Cost Accounting generate the following accounting entries when invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Invoice Price	Receiving Inspection	25	USD		
Receipt Accounting	Invoice Price Adjustment	Tax B Rate Variance*	-25	USD		
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation**	25	USD		
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-25	USD		

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

**Inventory acquisition cost adjustment for nonrecoverable tax B.

ORACLE

Tax Accounting for a Consigned Inventory Transaction: Example

This example illustrates tax accounting performed by Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting for a consigned inventory transaction in the supply chain. This transaction uses a tax point basis of delivery, that is, taxes are accounted at receipt of the goods.

Scenario

The supplier makes a consigned shipment to the inventory organization based on a consigned purchase order (PO) for USD 1,000 with the following tax details:

- Tax A delivery basis = 10%. Recoverable and nonrecoverable portions are both 50%
- Tax B invoice basis = 20%. Recoverable and nonrecoverable portions are both 50%

Tax Details at Receipt and Invoice

Tax details at the consigned receipt of goods are:

- Item value = USD 1,000
- Tax A delivery basis = 15%, which is changed from 10% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, or USD 75, that is, USD 1,000 * 15% * 50%.
- Tax B invoice basis = 25%, which is changed from 20% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, or USD 125, that is, USD 1,000 * 25% * 50%.

Tax details at the time of invoice are:

- Item value = USD 1,000
- Tax A delivery basis = 20%. Recoverable and nonrecoverable portions are both both 50%, however taxes are not recalculated because this transaction uses a tax point basis of delivery.
- Tax B invoice basis = 30%, which is changed from 25% estimated at the time of receipt. Recoverable and nonrecoverable portions are both 50%, or USD 150.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions when the consigned good are received, when the status changes from consigned to owned, and when the invoice is accounted.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt of consigned goods:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	1,000	USD	Material	PO Price
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	75	USD	Tax	Tax A Delivery-Based Nonrecoverable:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
						USD 1,000 * 15% * 50%
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	125	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 25% * 50%
Receipt Accounting	Consigned PO Receipt	Consigned Accrual	-1,200	USD		
Cost Accounting	Consigned PO Delivery	Consigned Inventory*	1,200	USD		
Receipt Accounting	Consigned PO Delivery	Consigned Clearing	-1,200	USD		

*PO price plus nonrecoverable taxes A and B.

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of change of status from consigned to owned stock:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	1,000	USD	Material	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	75	USD		Tax A Delivery-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	125	USD		Tax B Invoice-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	-1,200	USD		
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	1,000	USD	Material	PO Price

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	75	USD	Nonrecoverable Tax	Tax A Delivery-Based Nonrecoverable
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	125	USD	Nonrecoverable Tax	Tax B Invoice-Based Nonrecoverable
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-1,200	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	1,000	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	75	USD		Tax A Delivery-Based Nonrecoverable
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	125	USD		Tax B Invoice-Based Nonrecoverable
Receipt Accounting	Trade Receipt Accrual	Tax Recoverable*	75	USD		Tax A Delivery-Based Recoverable
Receipt Accounting	Trade Receipt Accrual	Supplier Accrual	-1,275	USD		
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	1,000	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	75	USD		Tax A Delivery-Based Nonrecoverable
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	125	USD		Tax B Invoice-Based Nonrecoverable
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-1,200	USD		
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	1,000	USD	Material	PO Price

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	75	USD	Nonrecoverable Tax	Tax A Delivery-Based Nonrecoverable
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	125	USD	Nonrecoverable Tax	Tax B Invoice-Based Nonrecoverable
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-1,200	USD		

*Delivery-based recoverable tax A is calculated on consigned receipt but will be accounted after ownership change event.

Accounts Payable generates the following accounting entries when the invoice is created:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	1,275	USD		
Accounts Payable	Invoice	Tax B Recovery	150	USD		Tax B Invoice-Based Recoverable
Accounts Payable	Invoice	Tax B Rate Variance*	25	USD		
Accounts payable	Invoice	Supplier Liability	-1,450	USD		

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

Receipt Accounting and Cost Accounting generate the following accounting entries when invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Invoice Price Adjustment	Trade Clearing	25	USD		
Receipt Accounting	Invoice Price Adjustment	Tax B Rate Variance*	-25	USD		

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation**	25	USD		
Cost Accounting	Acquisition Cost Adjustment	Trade Clearing	-25	USD		

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

**Inventory acquisition cost adjustment for nonrecoverable tax B.

Tax Accounting for a Purchase Order Retroactive Price Change: Example

This example illustrates tax accounting performed by Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting for a retroactive price change on a purchase order (PO) receipt that is partially invoiced.

Scenario

The supplier makes a shipment to the inventory organization based on a purchase order for 10 units, at a per unit price of USD 100. After receipt of the goods, a partial invoice is created for 2 units at USD 100 per unit.

The purchase order price changes retroactively from USD 100 to USD 120. The remaining balance of 8 units is invoiced at USD 120 per unit.

Tax Details

This transaction uses a tax point basis of delivery, that is, taxes are accounted at the time of receipt of goods.

Taxes details are the same after the retroactive price change on the PO:

- Tax A delivery basis = 20%. Recoverable and nonrecoverable portions are both 50%.
- Tax B invoice basis = 30%. Recoverable and nonrecoverable portions are both 50%.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions at the time of receipt of goods, after the retroactive purchase order price change, and for the differential invoice.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt of goods:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Receiving Inspection	1,000	USD	Material	PO Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 20% * 50%
Receipt Accounting	PO Receipt	Tax Recoverable (Tax A)	100	USD	Tax	Tax A Delivery-Based Recoverable: USD 1,000 * 20% * 50%
Receipt Accounting	PO Receipt	Receiving Inspection	150	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 30% * 50%
Receipt Accounting	PO Receipt	Supplier Accrual	-1,350	USD		
Cost Accounting	PO Delivery	Inventory Valuation	1,250*	USD		
Cost Accounting	PO Delivery	Receiving Inspection	-1,250*	USD		

*PO price plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the supplier when partial invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	270*	USD		Item Price plus Nonrecoverable Taxes A and B for 2 units = USD 1,350/10 * 2
Accounts Payable	Invoice	Tax Recoverable	30	USD	Tax	Tax B Invoice-Based Recoverable: USD 200 * 30% * 50%

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Liability	-300	USD		

*Accrual is debited to the extent of quantity invoiced, which is 2 units.

Receipt Accounting and Cost Accounting generate the following accounting entries after the retroactive purchase order price change:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	160*	USD		USD 120 - USD 100 * uninvoiced quantity of 8 units
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	16	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Tax Recoverable (Tax A)	16	USD	Tax	Tax A Delivery-Based Recoverable: USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	24	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Supplier Accrual	-216	USD		
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation	200**	USD		
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-200	USD		

*Retroactive price adjustment accounted only for the uninvoiced quantity, that is, 10 units received minus 2 units invoiced = 8 units uninvoiced.

** Retroactive PO price change plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the balance of 8 units:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	960	USD		Item Price USD 120 * 8
Accounts Payable	Invoice	Supplier Accrual	96	USD		Tax A Delivery-Based Nonrecoverable: USD 120 * 8 * 20% * 50%
Accounts Payable	Invoice	Supplier Accrual	96	USD		Tax A Delivery-Based Recoverable: USD 120 * 8 * 20% * 50%
Accounts Payable	Invoice	Supplier Accrual	144	USD		Tax B Invoice-Based Nonrecoverable: USD 120 * 8 * 30% * 50%
Accounts Payable	Invoice	Recoverable Tax B	144	USD		Tax B Invoice-Based Recoverable: USD 120 * 8 * 30% * 50%
Accounts Payable	Invoice	Supplier Liability	-1,440	USD		

Accounts Payable generates the following accounting entries for the original invoice quantity of 2 units at the revised PO price:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Invoice Price Variance	40	USD		Difference in PO Item Price USD 20 * 2
Accounts Payable	Invoice	Tax Invoice Price Variance Tax A	4	USD		Tax A Delivery-Based Nonrecoverable

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Tax Invoice Price Variance Tax B	6	USD		Tax B Invoice-Based Nonrecoverable
Accounts Payable	Invoice	Recoverable Tax A	4	USD		Tax A Delivery-Based Recoverable
Accounts Payable	Invoice	Recoverable Tax B	6	USD		Tax B Invoice-Based Recoverable
Accounts Payable	Invoice	Supplier Liability	-60	USD		

Cost Accounting and Receipt Accounting generate the following accounting entries for the differential invoice:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Invoice Price Adjustment	Receiving Inspection	50	USD		
Receipt Accounting	Invoice Price Adjustment	Invoice Price Adjustment	-40	USD		
Receipt Accounting	Invoice Price Adjustment	Tax Invoice Price Adjustment	-10*	USD		
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation	50**	USD		
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-50	USD		

*Nonrecoverable taxes A and B on the differential invoice price.

**Difference between invoice price and nonrecoverable taxes A and B.

ORACLE®

FAQs for Record and Review Receipt Accounting

What is the recommended sequence for scheduling of receipt accounting processes?

The recommended sequence for scheduling the receipt accounting processes is:

1. Incoming transactions:

   o Transfer Transactions from Receiving to Receipt Accounting process. Interfaces receipt transactions.

   o Transfer Costs from Payables to Cost Management process. Interfaces accounts payable transactions.

2. Receipt accounting:

   o Receipt Accounting Distribution process.

   o Clear Receipt Accrual Balances process. Executes only if you have predefined accrual clearing rules. Marks purchase orders for automatic clearing.

   o Receipt Accounting Distribution process. Creates distributions for cleared accrual balances.

3. Subledger accounting:

   o Create Accounting process.

4. Reconciliation and reporting:

   o Match Receipt Accruals process. Matches purchase order receipt accruals with invoices from the payables application. Perform at period close or as needed for internal reporting and reconciliation.

   o Audit Receipt Accrual Clearing Balances process. Audit the General Ledger accounted accrual balances.

How can I create subledger account rules and subledger journal entry rule sets for receipt accounting?

Create your subledger account rules on the **Manage Account Rules** page. It is recommended that you highlight the account rules predefined by Oracle, copy, and modify them as needed.

Create your subledger journal entry rule sets on the **Manage Subledger Journal Entry Rule Sets** page. It is recommended that you highlight the journal entry rule sets predefined by Oracle, copy, and modify them as needed. For each journal line rule specify the copied account combination rule.

Access both the **Manage Account Rules** page and **Manage Subledger Journal Entry Rule Sets** page from an Oracle Fusion Applications Functional Setup Manager implementation project.

> ✎ **Note:** You must customize the predefined account rules and journal entry rule sets before proceeding with the setup of subledger accounting rules for receipt accounting.

What are the accounting distribution basis options for consigned inventory transactions?

You can perform cost accounting of consigned inventory transactions using zero value or actual cost. Typically, the valuation on the balance sheet for supplier-owned consigned inventory is zero. But you may sometimes want to perform accounting using actual cost. In either case, the inventory valuation reports always display the pro forma value of consigned goods.

Select the accounting distribution basis for consigned inventory on the Manage Cost Profiles page in the Setup and Maintenance work area.

What's a tax point basis?

A point in the receipt transaction process where taxes are accounted and reported to the tax authorities. These can be classified into two categories: delivery-based and invoice-based tax points.

Delivery-based taxes are accounted and reported on the receipt transaction. Invoice-based taxes are accounted and reported when the supplier invoice is created, accounted, or paid.

What's the difference between recoverable and nonrecoverable taxes?

Recoverable taxes are indirect taxes that are paid on the purchase of goods or services. Taxes can be claimed as credit against the taxes that are payable by the tax payer.

Nonrecoverable taxes are indirect taxes that are paid on the purchase of goods or services. These taxes are accrued and added to the purchase order price of the goods or services.

What's the difference between inclusive basis and exclusive basis in tax calculations?

Inclusive taxes are included in the assessable value or purchase price. For example:

- PO amount: USD 100

- Inclusive tax rate: 10%

- Tax: 100/1.10 = USD 9.09 (distribution amount divided by (1 + tax rate))

Exclusive taxes are added to the purchase price or assessable value. For example:

- PO amount: USD 100

- Exclusive tax rate: 10%

- Tax: 100*0.10 = USD 10.00 (distribution amount multiplied by tax rate))

What's the difference between taxes that are self-assessed and not self-assessed?

Self-assessed taxes are remitted directly to the government.

Taxes that are not self-assessed are paid to the supplier.

2 **Manage Cost Accounting**

Overview

The Manage Cost Accounting business process is used by cost accountants to calculate inventory transaction costs, maintain inventory valuation, generate accounting distributions for inventory transactions, analyze product costs, analyze usage of working capital for inventory, and analyze gross margins.

The following figure depicts the activities of cost accountants within the Manage Cost Accounting business process.
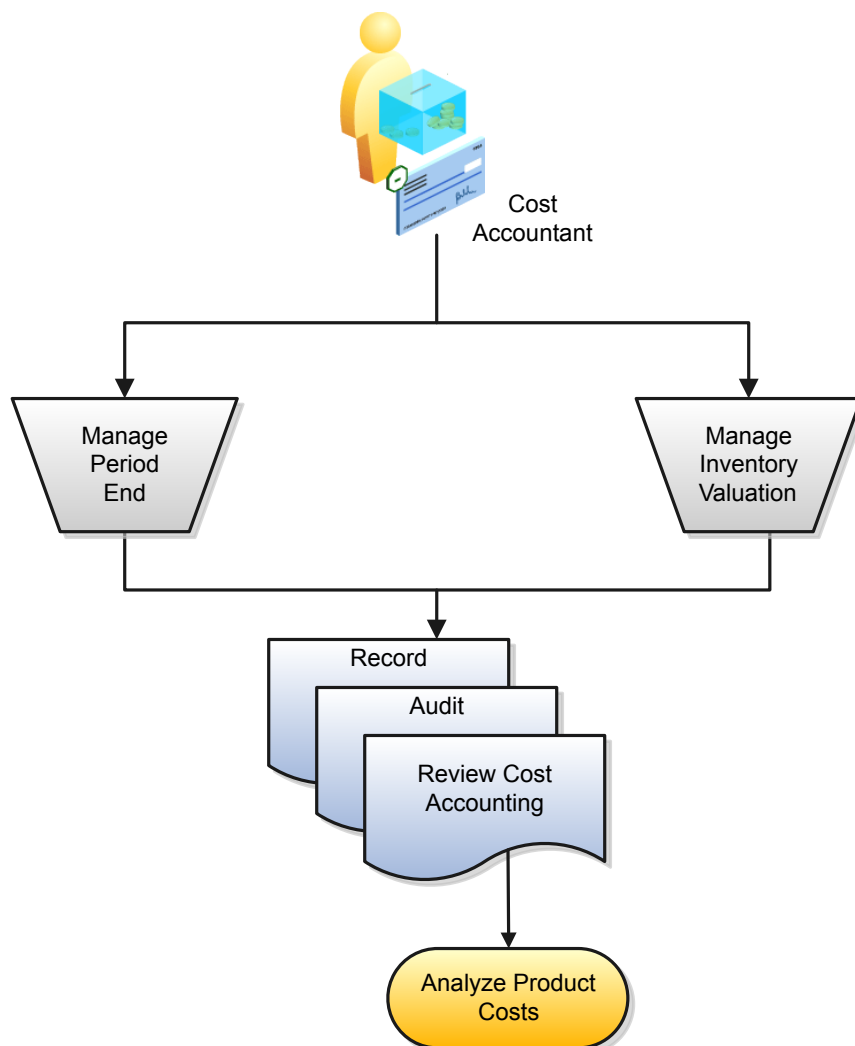
- Manage Period End. Manage the timing of transaction processing, and perform validations in preparation for accounting period close.

- Manage Inventory Valuation. Adjust the cost of items to address inventory obsolescence, price changes, and other variances.

- Record, Audit, and Review Cost Accounting. Create cost accounting distributions for transaction data that is received from external sources, view and address any processing exceptions, and review results.

- Analyze Product Costs: View the perpetual average cost, actual cost, and standard cost details of an item, chart its cost trend, compare costs across items, analyze usage of working capital and gross margins.

Cost Planning

Cost Planning Process: Explained

Cost Management provides robust support for planning, costing and analysis of manufacturing costs. It allows you to determine which work definitions to use in costing, efficiently enter material and resource costs using spreadsheet import, and perform cost rollup. You can use multiple simultaneous costs, for example, one for official external reporting, and one for your internal simulations. It offers flexible, user defined account defaulting rules and valuation policies using cost profiles. In terms of cost analysis, you can view costs by work order, operation, cost element, and variances.

The following topics describe the cost planning tasks, which are performed in the Cost Accounting work area.

- Estimating Standard Costs

- Managing Resource Rates

- Managing Overhead Rates

- Estimating Standard Costs for Assemblies

- Analyzing and Comparing Costs

- Updating Standard Costs

Estimating Standard Costs

You can use the Manage Standard Costs task in the Cost Accounting work area to create estimated standard costs for all purchased items. The standards are created for a scenario, which is in turn mapped to a cost organization and cost book. The cost estimation process includes the following functionality:

- Cost Estimates for purchased items can be shared across all of the inventory organizations mapped to the cost organization and pointing to the same valuation unit.

- Estimated costs for purchased items can be entered directly in the UI or imported using a spreadsheet.

- Estimated costs for purchased items can have effective dates that are in the past, current, or in the future.

- Cost estimates for purchased items can be revised using the mass edit functionality and can be increased or decreased by a percentage or a specific value.

- Cost estimates for purchased items can be copied from one scenario to another, modified, and then used to update the standard costs.

Managing Resource Rates

Resources are set up in the Manufacturing application. The Costed option in the resource definition must be selected in Manufacturing to enable estimating resource rates in Cost Accounting. Resource Rates can be entered when a resource is

created in Manufacturing, or can be entered in Cost Accounting on the Manage Resource Rates page. You can define hourly rates for labor and for equipment. A resource can have one or many rates, each absorbing a share of the pool of expenses.

Managing Overhead Rates

Overheads such as plant lighting and security, which are common to all of the work centers, are termed as Plant Overheads. These are absorbed by the cost object Item as a percentage of the material cost. All of the other overheads which can be identified to specific work centers are termed as Work Center Overheads, and are absorbed by the cost objects as a percentage of the resource cost.

Overhead absorption rates are date-effective, enabling you to set different absorption rates for each quarter. You can have one or many rates at different levels, such as at Inventory Organization, Item Category, or Item level. Each level absorbs a share of the pool of expenses. These rates are used in cost roll up of an item and are published with the rolled-up item cost. All of the indirect costs modeled as overhead are absorbed by the Work in Process cost object when published to cost accounting.

Estimating Standard Costs for Assemblies

You can use the cost planning scenario to estimate the rolled-up cost of the manufactured items based on the selected work definitions. You can perform incremental cost roll-ups to estimate manufactured item costs, and incorporate mid-period corrections and rolling forecasts into estimates. You can use the Roll Up Costs task on the Manage Cost Scenario page to calculate the total product costs.

The cost roll-up process calculates the unit cost to produce an item in two steps. The total cost is calculated as the fixed cost operations plus the variable costs (the unit resource cost multiplied by the quantity consumed). The per-unit cost is calculated as the total divided by the cost quantity. The cost roll-up experience is designed to facilitate an interactive cost estimation process. You can review errors reported, review the work definitions being used for cost roll-up, change your work definition selection criteria, and modify component purchase prices and the resource rate as many times as required. Once you are happy with the cost calculations, you can publish the scenario to be used for standard cost accounting. You can use the Undo Cost Update task to reverse the effects of any unintended cost updates.

Analyzing and Comparing Costs

You can use the cost simulation tools to provide detailed analysis of the rolled-up costs. You can compare costs across scenarios, or compare scenario costs with the current published costs, to review the differences in cost and inventory value adjustments. You can view rolled-up costs for your items by using the tree view or by using the graphical hierarchical view. In both views, you can drill down into the details which were used to calculate the item costs. You can create different scenarios to represent different manufacturing and cost variables, and then compare the results. Once you are happy with the cost calculations, you can publish the scenario to be used for standard cost accounting.

Updating Standard Costs

You can use the Update Standard Costs task to publish the costs to Cost Accounting. This task includes the following features.

- Updates standard costs to cost accounting on demand

- Performs standard cost updates for a past, current, or future date

- Allows cost accounting to automatically implement the new standards when the effective date arrives

- Allows you to review warnings and errors in publishing

- Allows you to use the Undo Cost Update process to roll back unintended cost updates

Creating a Cost Planning Scenario: Procedure

A Cost Scenario is used to define the cost scope for cost organization and cost book combinations. You can use a Cost Scenario to define the following costs:

- Material rates
- Resource rates
- Overhead rates

Use separate Cost Scenarios for planning costs for regular items and configured items. You can run processes such as Roll Up Costs and Update Costs from the Cost Scenario, or you can schedule these processes to run at periodic intervals.

To create a cost scenario, complete the following steps.

1. From the Navigator menu, select Cost Accounting.
2. From the Tasks panel, select Manage Cost Scenarios.
3. Click on the plus icon to launch the Create Cost Scenario page.
4. Select the Cost Organization and Cost Book, and complete the required fields. The fields are described in the following table.

Field	Description
Effective Date	The date on which the estimated standard costs for materials, resources, and overheads will be effective as published frozen standard costs. The effective date can be a future, current, or previous date.
Scenario Type	Specifies whether the cost scenario is for regular items or configured items.
Use Latest Work Definitions	Specifies whether the roll up process should check for the latest work definition changes from Manufacturing every time the cost roll up process is run. If you do not enable this option, work definitions from the previous cost roll up will be used.
Work Definition Priority	Define the priority for selecting work definitions. You can use the up and down arrows to order the priority based on the following: • Top production priority • Top costing priority • Work definition name • A combination of the above
Retroactive	Select this option to define standard costs for a new item if the frozen costs for the period have already been published and accounted.

ORACLE®

Uploading Standard Costs Using a Spreadsheet: Procedure

You can use a spreadsheet for bulk data updates to material standard costs. Add, edit, and delete operations can be performed in online or offline mode, and then updated to the server. You can use a spreadsheet to complete bulk updates for the following fields:

- Scenario Name
- Item
- Valuation Unit

The ADF Desktop Integrator is a prerequisite for capturing charges in a spreadsheet, and can be installed from the Tools section of the Navigator menu.

To update standard costs using a spreadsheet, complete the following steps.

1. From the Navigator menu, select Cost Accounting.
2. From the Tasks panel, select Manage Cost Scenarios.
3. Search for the required cost planning scenario.
4. Select the scenario, and then select Manage Standard Costs from the Actions menu.
5. Click on Create Standard Costs in Spreadsheet.
6. Download the Create Standard Costs spreadsheet.
7. Open the spreadsheet. A pop-up message asks if you want to connect to an application. Click Yes, and enter your sign-on credentials.
8. Use one of the following data input methods:
   - Right-click on a row and select Insert to insert each required new row, and enter the values in the required fields. All of the white cells can be edited.
   - Copy and paste the populated rows into the spreadsheet for bulk updates.

   The Changed column is automatically updated with a change indicator icon to confirm which rows have been modified.
9. Click Upload to update the values on the server. The Row Status column is updated with a success or error message for each changed row.

Importing Standard Costs Using File-Based Data Import: Procedure

You can use the Standard Costs Import Open Interface to import standard costs from external sources into Cost Management. Once loaded, view the data in the Cost Accounting work area, on the Manage Standard Cost Import Exceptions page, and validate the data by running the Interface Standard Costs process. On this page you can also view any errors resulting from the validation process, fix the errors, and rerun the Interface Standard Costs process. After validation is complete, the data is loaded into the Standard Costs Interface table, and the Manage Standard Costs page of the Cost Accounting application. For more information on file-based data import, see the chapter on Standard Costs Import in the File Based Data Import guide for Oracle Supply Chain Management Cloud.

The following tasks should be completed before importing data using file-based data import:

- Set up the Default Cost Profile for Cost Accounting in the Setup and Maintenance work area, and set the New Item Profile Creation option to Automatic.

- Set up a valuation unit using the Manage Valuation Units task in the Setup and Maintenance work area. Make a note of the Valuation Unit Code, which is required for the CSV file.

ORACLE®

- Set up overhead cost elements for Cost Accounting in the Setup and Maintenance work area using the Manage Cost Elements task.

To Import Standard Costs Using File-Based Data Import

To import standard costs using File-Based Data Import, complete the following steps.

1. From the Navigator menu, select Costing, and then Cost Accounting.

2. From the Tasks panel, select Manage Cost Scenarios.
3. Create a cost planning scenario. Make a note of the scenario number, which is required for the CSV file.
4. Open the Standard Costs Import file-based data import template.
5. Complete the Standard Cost Headers and Standard Cost Details tabs using the instructions in the spreadsheet.
6. On the CSV Generation tab click Generate CSV File.
7. From the Navigator menu, select Tools, and then Scheduled Processes.
8. Run the Interface Standard Costs process.

   This process validates the data, creates the required Cost profiles, and imports the costs into the Manage Standard Costs page.
9. Review the imported data in the Cost Accounting work area, on the Manage Standard Cost Import Exceptions page. Correct any costs that have a status of Error.
10. Publish the costs to make them available for costing transactions.

Related Topics

- Standard Cost Method: Explained

Manage Period End

Cost Accounting Periods: Explained

Cost accounting periods enable you to monitor the timing of transaction processing, and to perform validations in preparation for period close.

Cost periods are associated with combinations of cost organizations and cost books. When you associate a cost organization with a cost book, you also define the cost accounting period calendar and other attributes.

Cost Period Calendar and Attributes

The cost period calendar is based on the ledger that is attached to the cost organization and cost book combination. For cost books that do not have an associated ledger, you can set the calendar and cost periods manually on the Manage Cost Organization Relationships page, Cost Books tab. On this page you also define the following cost period attributes:

- First opened period. Establishes the period when transaction accounting begins. Any transactions that precede the first opened period, are accounted in the first opened period.

- Maximum open periods. Specifies the maximum number of concurrent periods that can be open. The system checks against this threshold before opening a period. If the number of periods is maximized, then no additional period can be opened until one of the open periods changes to Closed, Permanently Closed, or Pending Close status.

Related Topics

- Cost Organizations, Inventory Organizations, and Cost Books: How They Fit Together

Cost Cutoff Dates: Explained

The run control parameters that you define for the cost processors include the cost cutoff date option and the cutoff date for the cost organization books that you are processing. The cost cutoff date sets the last transaction date that will be processed for an accounting period. This enables you to continue normal business operations with no interruptions from one period to the next, using the cost cutoff date to define accounting period boundaries for these transactions.

The following discusses the cost cutoff date option, backdated transactions, and the costing date of transactions.

Cost Cutoff Date Option

In the Cost Accounting work area, access the Create Cost Accounting Distributions page to set the cutoff date option to User-Defined or Auto. The User-Defined option requires you to specify the cutoff date, while the Auto option saves you the effort of redefining the cutoff date which is automatically moved forward by the cost processor.

When you select the Auto option, the cost processor moves the cutoff date forward to the last date of the earliest open cost period and then it stops, until the costing period is closed. After the period is closed, the cost processor advances the cutoff date into the next open period, and so on. However, if a transaction is successfully preprocessed after the cutoff date, then the cutoff date for that cost organization book moves forward to the date of the last successfully preprocessed transaction. This could happen, for example, if you originally set the cutoff date option to User-Defined and subsequently changed it to Auto.

Backdated Transactions

One of the purposes of the cost cutoff date is to allow backdating of transactions in an orderly fashion. For example, if you set the cost cutoff date to October 31, you can still process October transactions that were entered in November but meant for the period ending October 31 by backdating them to October 31 or earlier. However, when the cost cutoff date advances forward to a date past October 31 and other transactions are processed beyond October 31, then the backdated transactions can no longer be processed as October transactions.

If you set a cost cutoff date at October 31, the cost processor will queue up but not process any transactions with a date after October 31. If you subsequently need to backdate transactions to a date before October 31, you can still process those backdated transactions as long as you do not process any transactions beyond October 31. You can also backdate transactions to any date after October 31, with the assurance that these transactions will be processed in the correct order when the cost cutoff date moves forward.

Costing Date of Transactions

The costing date of transactions is normally the same as the transaction date, or the cost adjustment date, except for backdated transactions.

The cost date for backdated transactions inherits the greater of: the backdated transaction date, the date of the last processed transaction, or the first date of the earliest currently open period.

> ✏ **Note:** The cost cutoff date affects the costed date of the transaction and the inventory value that is reported as of a given accounting date. It does not affect the inventory transaction date.

ORACLE®

Backdating of Transactions: Examples

By setting the cost cutoff date for a cost accounting period, you can manage which transactions are processed in that period, including backdated transactions. The following examples illustrate how the cost processor sets the accounted date for backdated transactions.

Scenario

Assume that the current date is November 2, and the cost cutoff date is October 31.

The following costed and uncosted transactions are in process.

October 30	October 31	November 1	November 2
Costed Transaction 1	Costed Transaction 1	Uncosted Transaction 1	
Costed Transaction 2	Uncosted Transaction 2	Uncosted Transaction 2	
	Uncosted Transaction 3		

Cost Cutoff Date
October 31
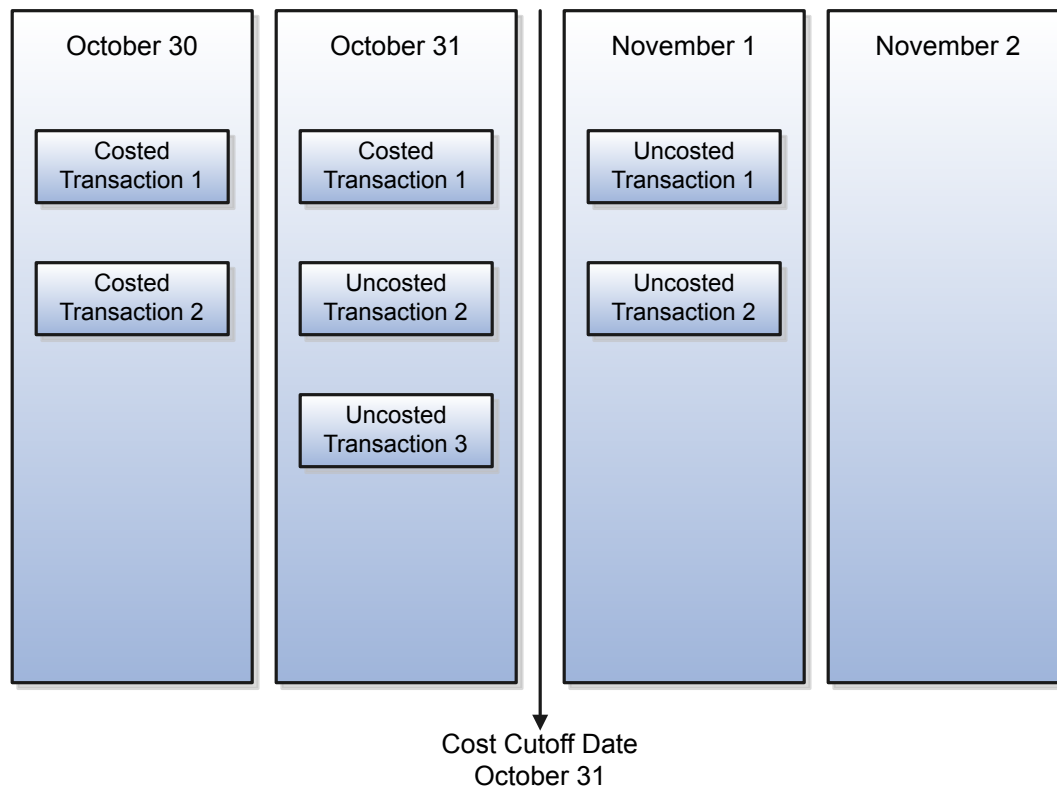
Example 1

Transactions are backdated to a point before the latest costed transaction.

In the following figure, the inventory transaction is backdated to position A. The transaction is costed with accounting date B before transactions 2 and 3 are processed. The transaction created on November 2 and backdated to October 30 is costed with the effective date of October 31.

October 30	October 31	November 1	November 2
Costed Transaction 1	Costed Transaction 1	Uncosted Transaction 1	
Costed Transaction 2	**B**	Uncosted Transaction 2	
A	Uncosted Transaction 2		
	Uncosted Transaction 3		

Cost Cutoff Date
October 31
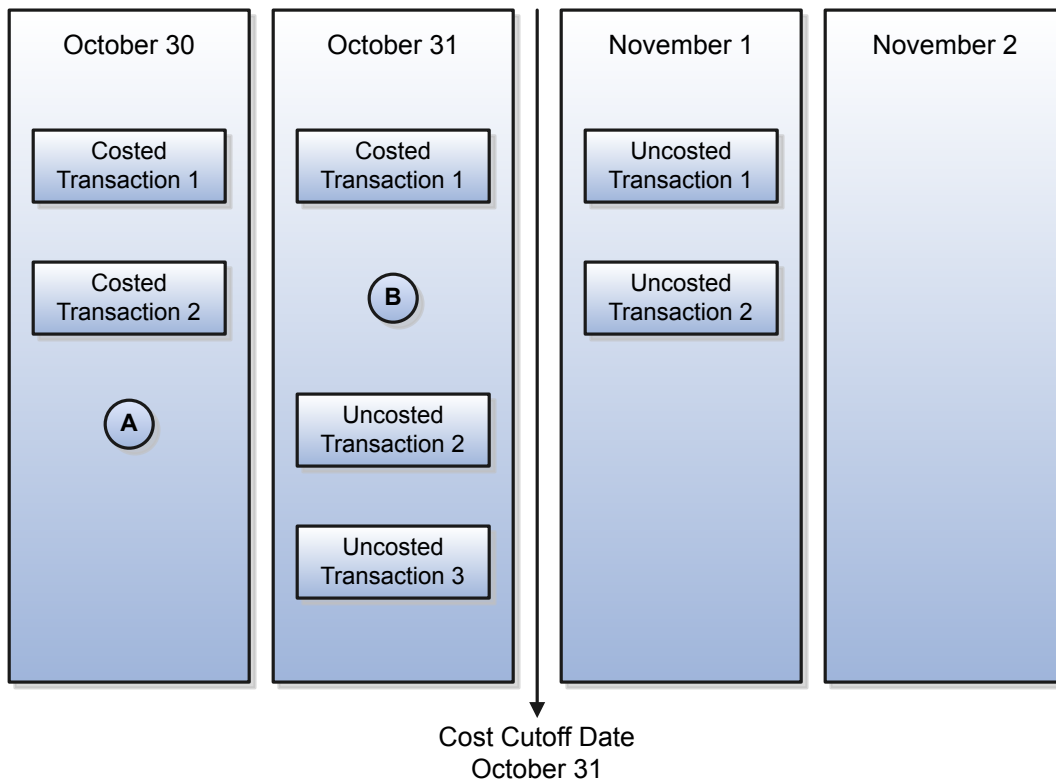
Example 2

Transactions are backdated to a point between the latest costed transaction and the cost cutoff date.

ORACLE

In the following figure, the inventory transaction is backdated to position C. The transaction is costed with accounting date C after transactions 2 and 3 are processed. The transaction created on November 2 and backdated to October 31 is costed with the effective date of October 31.

October 30	October 31	November 1	November 2
Costed Transaction 1	Costed Transaction 1	Uncosted Transaction 1	
Costed Transaction 2	Uncosted Transaction 2	Uncosted Transaction 2	
	Uncosted Transaction 3		
	(C)		

Cost Cutoff Date
October 31
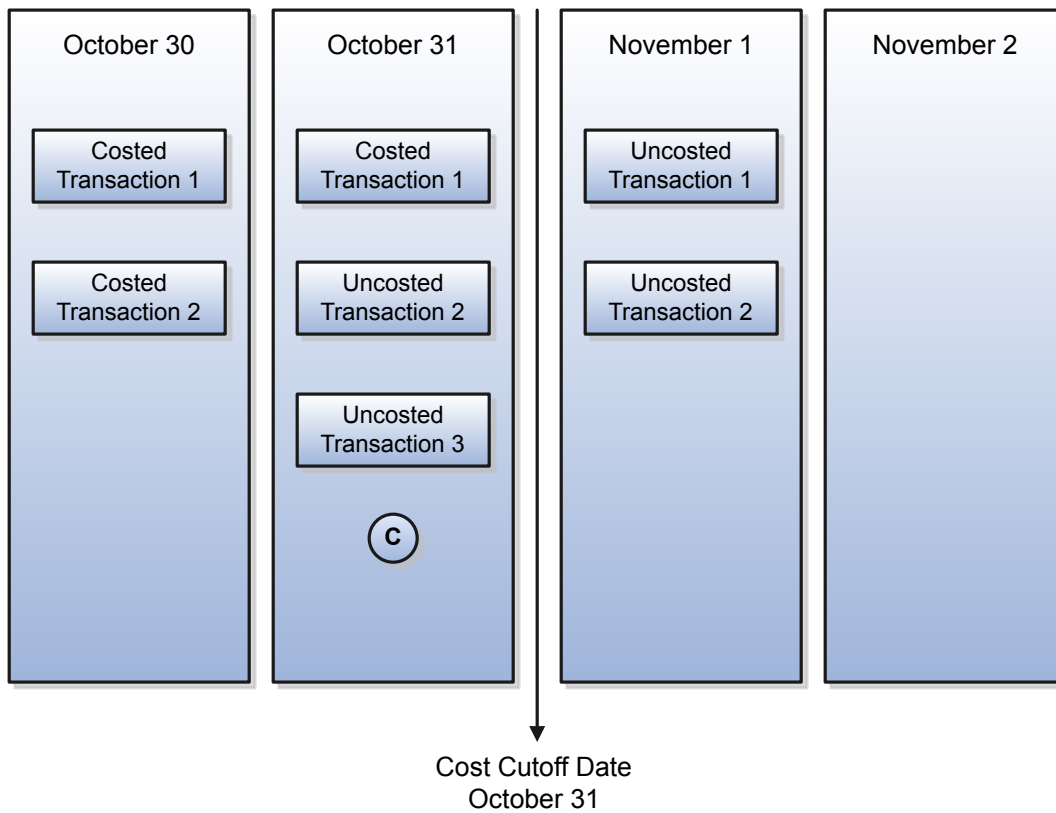
Example 3

Transactions are backdated to a point after the cost cutoff date.

ORACLE®

In the following figure, the inventory transaction is backdated to position D. The transaction is costed with accounting date D after the cost cutoff is moved past October 31. The transaction created on November 2 and backdated to November 1 is costed with the effective date of November 1.

October 30	October 31	November 1	November 2
Costed Transaction 1	Costed Transaction 1	Uncosted Transaction 1	Uncosted Transaction 1
Costed Transaction 2	Uncosted Transaction 2	Uncosted Transaction 2	
	Uncosted Transaction 3	D	

Cost Cutoff Date
October 31
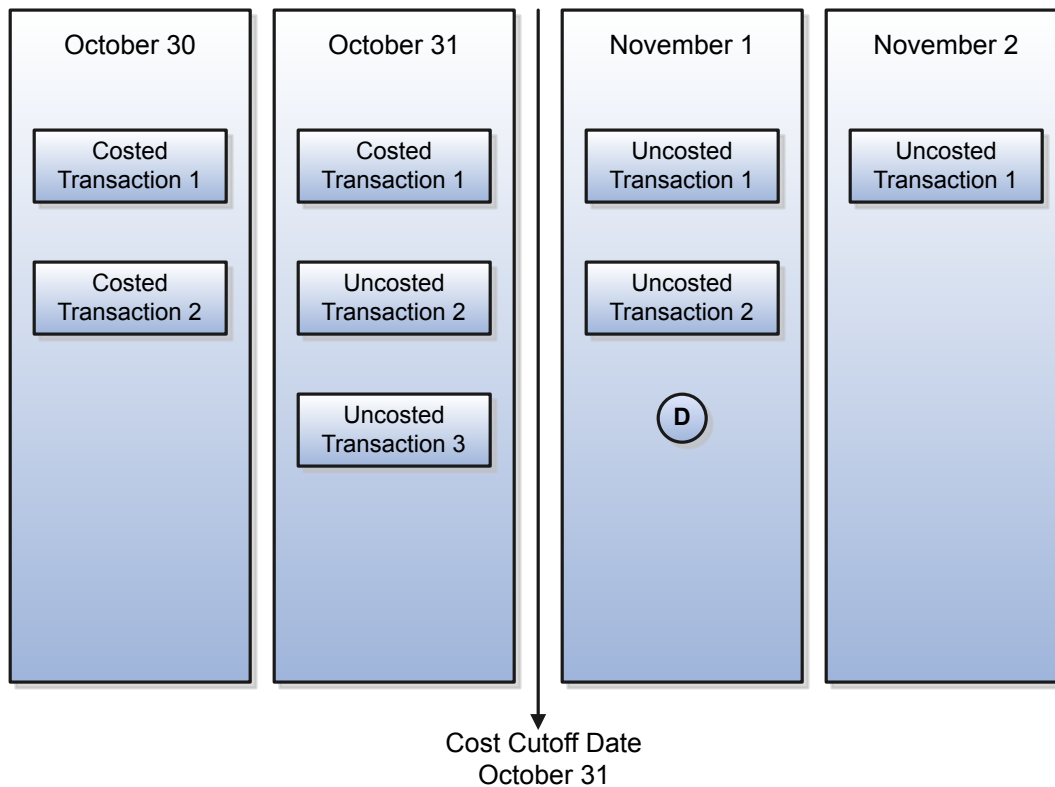
Cost Accounting Period Validations: Explained

Perform cost accounting validations to ensure that all transactions are complete and accounted for on an ongoing basis and before closing the accounting period.

You can execute the validations one at a time, or all at once. Correct any resulting transaction errors, and rerun validations as needed.

Validations

Perform cost accounting validations for periods that are in status Open, Pending Closed, or Closed. The validations check for the following:

- Unprocessed transactions. Transactions that have been transferred to Cost Management and that are pending cost processing.

- Unprocessed distributions. Costing transactions that have no distributions.

- Unprocessed journals. Subledger transactions that have no accounting entries.

- Match inventory on hand with costing on hand. Proof that there are no discrepancies between inventory on hand and costing on hand.

ORACLE®

- Pending deferred cost of goods sold (DCOGS) transactions. Proof that the deferred cost of goods sold processor has run and transactions are transferred.

Cost Accounting Period Statuses and Transaction Accounting: Explained

Cost period statuses enable you to manage the timing for processing and accounting of transactions.

The following describes rules that apply under each cost period status, and how transactions are slotted into cost accounting periods.

Cost Accounting Period Statuses

The cost period statuses are as follows:

- Never Opened. Default status for new periods assigned to a cost organization and cost book. This status does not allow creation of distributions for transactions. You can change the status to Open, but you cannot change it to Closed, or Permanently Closed.

- Open. A period status can be changed to Open only if the corresponding general ledger accounting period is open. You can open several periods at a time, so long as they are contiguous. You cannot change the current period to Open if the prior period status is Never Opened. When a period status is Open, inventory transactions can be accounted in that period; when the period is not open, inventory transactions cannot be accounted in that period, but they will be accounted in the next open period. Both costing and general ledger periods must be open for a transaction to be accounted; if the costing period is open but the corresponding general ledger period is closed, the transaction cannot be accounted and is held pending further user action. You can change an Open period status to Closed or Pending Close.

- Pending Close. Use to stop transactions from being accounted in this period. Any new transactions entered with a transaction date that falls in a period that is in Pending Close status will be held pending further user action. You can set the Pending Close status back to Open status and then process the transactions, so that those which fall into the period will be staged for accounting in that period; or you can set the status of the period to Permanently Close and set the next period to Open, in which case the transactions will be accounted in the next open period.

- Closed. You can change this status to Permanently Closed or you can revert it to Open. When you set a period status to Closed, you have the option of configuring the processor to allow closing even if all validations do not pass; this enables you to decide when discrepancies are not material enough to delay period close. You can also configure the processor to prevent closing a period until all selected validations pass. You set your preferences for period close validations when you associate cost books with cost organizations, on the Manage Cost Organization Relationships page, Cost Books tab.

- Permanently Closed. Closes the period for all types of transactions irreversibly. You cannot change the period status to Permanently Closed without first changing the prior period status to Closed.

Transaction Accounting Dates

The costing application is designed to set the proper accounting date for inventory transactions, even when they are not entered into the application promptly or in the correct order. It does this by enabling backdating of transactions that are entered on a date later than the physical transaction date. For example, suppose the physical transaction date is November 30, and the transaction is entered into the costing application on December 2. In this case, you can backdate the transaction and, under certain conditions, the application will post that transaction into the prior period.

The application orders your transactions by setting the cost date. To preserve the integrity of previous calculations and to ensure that inventory balances tie with general ledger balances, the cost date cannot be set to a date prior to transactions that are already processed. The cost processor parameters that you define include a cost cutoff date, which lets you control

the transactions that you want to process, including backdated transactions. In this example, as long as you have not processed any transactions after November 30, the processor will set the cost date to November 30 for transactions entered after November 30 with a backdated transaction date that is in November.

Once the cost date is established, the processor performs cost accounting calculations for the transaction, creates accounting distributions, and sets the accounting date based on the following logic:

- If the cost date falls in a Never Opened period, the accounting date becomes the same as the cost date when that period status is Open. In the rare case where the transaction date is in a period that precedes the first period used in the application, the accounting date is set to a date in the first subsequent period that is Open.

- If the cost date falls in a Pending Close or Closed period, you are alerted by an error message. You can reopen the period and the processor will attempt to set the accounting date to a date in that period; or you can permanently close the period to let the transaction accounting date move into the next Open period.

- If the cost date falls in a period that is Permanently Closed and the next period is not Open, an error message warns you that the transaction will remain unaccounted until a subsequent period is opened. Once the subsequent period is Open, the accounting date of the transaction will move into that Open period.

When accounting distributions are staged within the costing subledger, the accounting distribution accounting date in the costing subledger becomes the proposed accounting date for posting into the general ledger through the subledger. If the general ledger application accepts the proposed accounting date, the transaction is posted with that date. If the proposed accounting date is not accepted (for example if the general ledger period has already closed), then the general ledger application returns an error and the cost processor sets the proposed accounting date to a date in the next open general ledger period.

Manage Inventory Valuation

Cost Adjustments and Cost Distributions: Explained

Adjust the cost of items to manage obsolescence, or to mark down inventory to address lower-of-cost-or-market requirements, price changes, and variances. You can make adjustments to the perpetual average cost of items, purchase order and miscellaneous receipt costs, and layer inventory cost.

This figure illustrates the process for making cost adjustments, processing them, and viewing results.
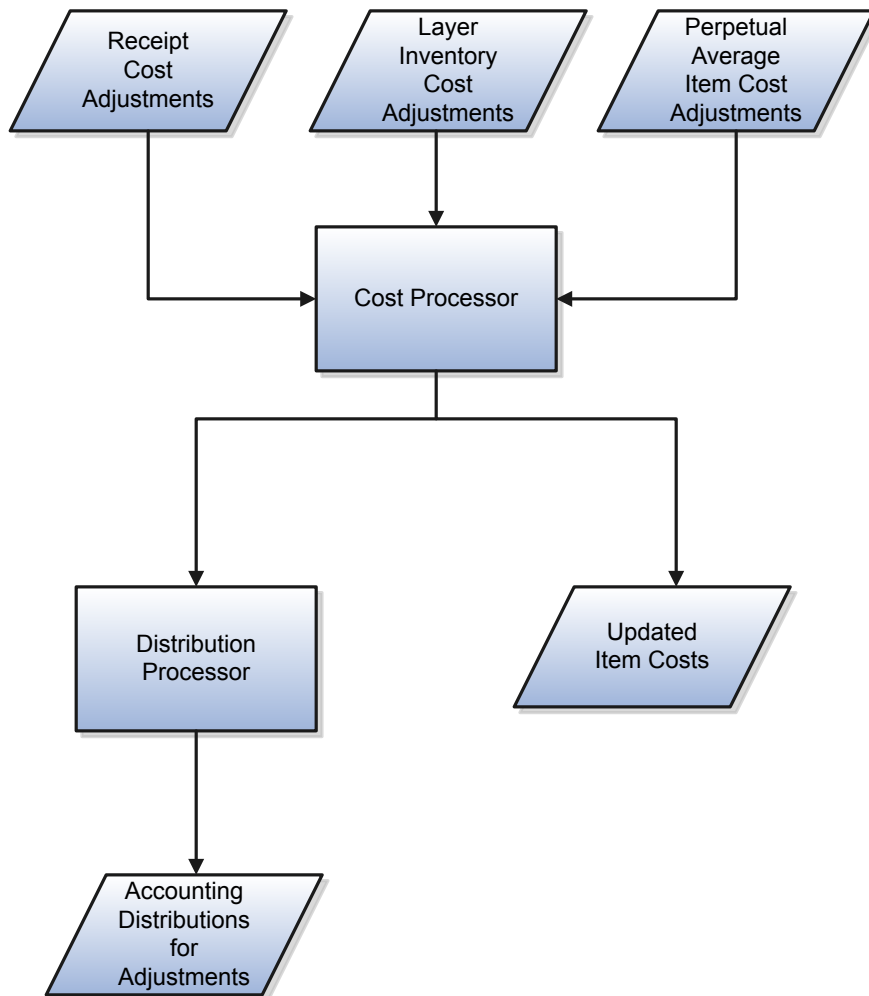
The costing application enables you to adjust costs, process them, and create the corresponding cost accounting distributions.

Entering Cost Adjustments

Adjust the cost of items on the Create Cost Adjustments page. You can make three kinds of adjustments for combinations of a cost organization, cost book, valuation unit, and cost element.

If you want to track the adjustment through the supply chain, use a cost element of type **Adjustment**:

- Perpetual average item cost. Enter the new average unit cost. The processor will automatically adjust the overall average cost for the quantity on hand.

- Receipt cost. The receipt cost is adjusted via an update from purchasing or accounts payable, or you can manually enter new receipt costs, PO receipts, interorganization receipts, miscellaneous receipts, or RMA receipts. The processor will automatically adjust the cost of the remaining receipt quantity.

- Layer inventory cost. You can adjust the unit cost of items that use the actual cost method. The processor will automatically adjust the value of the on-hand receipt layer quantity.

You can bundle multiple records, such as multiple receipts or valuation units, into a single adjustment transaction, and when submitted, they are assigned an adjustment number. Optionally, you can also specify a reason code.

Save the adjustment and review the impact to inventory valuations based on the quantity on hand at the time of adjustment. Do this prior to final submission for cost processing, so that you can revise as necessary. After final review and submission, you can still void the adjustment, provided it is not yet processed by the cost processor. However, the adjustment cannot be reversed once processed. Accordingly, the adjustment status code is automatically set to: **S** for submitted, **C** for voided, or **P** for pending processing.

Processing Adjustments

When you review and submit a cost adjustment, the cost processor creates a new adjustment transaction:

- For a perpetual average item cost adjustment, the processor updates the perpetual average cost of the item in that combination of cost organization, cost book, item, and valuation unit. The processor then applies the perpetual average item cost adjustment against inventory valuation at the rate of quantity on hand times the change in cost.

- For a receipt cost adjustment, the processor updates the receipt cost for the portion of the receipt that is part of the current on-hand balance. The portion of the adjustment attributable to what is no longer part of the on-hand balance will be accounted for with a write off distribution. However, if the cost profile of the item has cost propagation enabled, the processor revalues the issue transactions that were consumed out of the receipt.

- For a layer inventory cost adjustment, the processor updates the unit cost of the item in that combination of cost organization, cost book and valuation unit. The processor then updates inventory valuation at the rate of quantity on hand times the change in cost.

Example 1: Assume a receipt of 8 units, all of which are currently on hand. The valuation unit has a total of 10 units on hand. You adjust the cost of the receipt from $10 to $11 per unit. The processor adjusts the average cost by $0.80 (8/10 * $1).

Example 2: Assume a receipt of 8 units, of which 6 units are currently on hand, and 2 units have been depleted. The valuation unit has a total of 10 units on hand. You manually adjust the cost of the receipt from $10 to $11 per unit. The processor adjusts the receipt cost by $6 (6 * $1), and creates a write off accounting distribution of $2 (2 * $1).

Example 3: Assume a valuation unit has a total of 7 units on hand, valued at $10 per unit. You manually adjust the unit cost to $12 per unit. The processor adjusts inventory value by $14 (7 * $2).

Reviewing Cost Adjustment Results

After running the cost processors, check processing results, including warning and error messages, on the Review Cost Accounting Processes page.

Review the accounting entries resulting from the cost adjustments on the Review Cost Distributions page.

Review the updated perpetual average cost or actual cost of items on the Review Item Costs page.

Making Cost Adjustments: Examples

Adjust the cost of an item to reflect fluctuating market costs, or to reflect other changes, such as increased overhead costs.

The following are examples of cost adjustments.

Adjustment at Item Cost Level

Assume the average cost of an item increases from $5 to $6, and the quantity on hand is 100 each. The distribution processor creates the following accounting entry to adjust the item cost.

Accounting Line Type	Debit	Credit
Inventory Valuation	$100	
Cost Adjustment		$100

Adjustment at Cost Element Level

Assume that an item has the following cost structure.

Cost Element	Amount
Material	$4.00
Freight	$1.00
Tax	$0.50
Utilities	$0.50

If the quantity on hand is 100 each, and you want to increase utilities cost from $0.50 to $1.00, the distribution processor creates the following accounting entry to adjust the item cost.

Accounting Line Type	Debit	Credit
Inventory Valuation - Utilities	$50	
Cost Adjustment		$50

Layer Inventory Cost Adjustment

Assume that you adjust the cost of an item from $9 to $11, and the remaining receipt layer quantity is 60 units. The distribution processor creates the following accounting entry to update inventory valuation.

Accounting Line Type	Debit	Credit
Inventory Valuation	$120	
Cost Adjustment		$120

Receipt Cost Adjustment and Propagation: Explained

You may need to adjust the cost of a processed receipt for reasons such as invoice price variances, retroactive purchase order price changes, or prior adjustments. If you are using the actual cost method for transaction costing, you can propagate

such adjustments to downstream inventory consumption transactions; and in the case of an interorganization transfer, you can propagate the receipt cost adjustment to the destination inventory organization.

The following discusses:

- Receipt cost adjustments
- Propagation of receipt cost adjustments

Receipt Cost Adjustments

Enter receipt cost adjustments on the Create Cost Adjustments page. Because these adjustments could distort the view of costs and margins downstream in the supply chain, you have the option of tracking them separately by using cost elements of type **Adjustment**.

If you are not tracking cost adjustments separately, you can use cost elements of type **Material**, **Overhead**, or **Profit in Inventory**.

Propagation of Receipt Cost Adjustments

You can propagate cost adjustments through the supply chain only if you are using the actual cost method for transaction costing. To do this you must enable propagation in the cost profile setup on the Create Cost Profile page.

When propagation is enabled, the cost processor:

- Propagates receipt cost adjustments to downstream transactions by revaluing the transactions to the extent of quantity consumed.
- Revalues any remaining inventory.

For interorganization transfers, the cost processor adjusts receipt costs in the destination organization and all organizations in between, provided that propagation is enabled in all of them. On the other hand, propagation stops if an inventory organization is associated with a cost profile that does not use the actual cost method, or does not have propagation enabled.

The processor always propagates cost adjustments through in-transit inventory organizations, regardless of propagation enablement.

If propagation is not enabled, then the receipt cost adjustment is written off as an expense for all inventory that is consumed.

Related Topics

- Cost Profiles, Default Cost Profiles, and Item Cost Profiles: Explained

Receipt Cost Adjustment: Example

This example illustrates the accounting entries resulting from a receipt cost adjustment for an invoice price variance, the revaluation of inventory, and propagation of the cost adjustment to interorganization transfers and sales issues.

Scenario

Organization A has a purchase order receipt, for which it subsequently processes an invoice price variance adjustment. Organization A fills a sales order, and transfers some of its inventory to Organization B, who fills another sales order.

Transaction Details

Organization A has a PO receipt of 100 units at $100 per unit, of which it sells 30 units, and transfers 20 units to Organization B at a transfer price of $125. Organization B in turn sells 6 units. The IPV for the initial PO receipt is $20 per unit.

Analysis

Run the cost processor to cost the initial PO receipt, the interorganization transfer, and the sales issues from Organization A and Organization B. After entering the receipt cost adjustment for the IPV of $20 per unit, rerun the cost processor to update the value of remaining inventory, and to propagate the IPV adjustment to the interorganization transfer, and the sales issues from Organization A and Organization B.

Resulting Accounting Entries

The cost distribution processor creates the following accounting entries for the PO receipt, interorganization transfer to Organization B, and sales issues from Organization A and Organization B:

Event	Accounting Entries
Organization A PO receipt: 100 units at $100	Dr Inventory (Material) $100*100
	Cr Receiving Inspection $100*100
Sales issue from Organization A: 30 units at $100 per unit	Dr DCOGS $100*30
	Cr Inventory $100*30
100 percent COGS recognition for sales issue	Dr COGS $100*30
	Cr DCOGS $100*30
Transfer from Organization A to Organization B: 20 units at $125 per unit	Dr Interorganization Receivable $125*20
	Cr Inventory (Material) $100*20
	Cr Interorganization (Gain/Loss) $25*20
Interorganization receipt by Organization B from Organization A: 20 units at $125	Dr Inventory (Material) $100*20
	Dr Inventory (Profit in Inventory) $25*20
	Cr Interorganization Payable $125*20
Sales issue from Organization B: 6 units at $125 per unit	Dr DCOGS (Material) $100*6
	Dr DCOGS (Profit in Inventory) $25*6
	Cr Inventory (Material) $100*6
	Cr Inventory (Profit in Inventory) $25*6
100 percent COGS recognition for sales issue	Dr COGS (Material) $100*6
	Cr DCOGS (Material) $100*6
	Dr COGS (Profit in Inventory) $25*6

Event	Accounting Entries
	Cr DCOGS (Profit in Inventory) $25*6

The cost distribution processor creates the following accounting entries for the IPV adjustment to inventory value, and to propagate the IPV adjustment to the interorganization transfer, and to the sales issues from Organization A and Organization B:

Event	Accounting Entries
Organization A Inventory cost adjustment: 100 at $20	Dr Inventory (Material) $20*100 Cr Receiving Inspection $20*100
Propagate adjustment to interorganization transfer from Organization A to Organization B: 20 units at $20 Because the transfer price remains the same, we revalue the interorganization gain/loss.	Dr Interorganization Gain/Loss $20*20 Cr Inventory (Material) $20*20
Propagate adjustment to interorganization receipt by Organization B from Organization A: 20 units at $20	Dr Inventory (Material) $20*20 Cr Offset Account $20*20 Dr Offset Account $20*20 Cr Inventory (Profit in Inventory) $20*20
Propagate adjustment to sales issue from Organization A: 30 units at $20	Dr COGS $20*30 Cr Inventory (Material) $20*30
Propagate adjustment to sales issue from Organization A: 30 units at $20	Dr DCOGS (Material) $20*30 Cr Inventory (Material) $20*30
Propagate adjustment to COGS recognition	Dr COGS (Material) $20*30 Dr DCOGS (Material) $20*30
Propagate adjustment to sales issue from Organization B: 6 units at $20	Dr DCOGS (Material) $20*6 Cr Inventory (Material) $20*6 Dr Inventory (Profit in Inventory) $20*6 Cr DCOGS (Profit in Inventory) $20*6
Propagate adjustment to COGS recognition	Cr COGS (Profit in Inventory) $20*6 Dr DCOGS (Profit in Inventory) $20*6

ORACLE®

Event	Accounting Entries
	Dr COGS (Material) $20*6
	Cr DCCOGS (Material) $20*6

FAQs for Manage Inventory Valuation

What happens if an item in a cost organization book has both a perpetual average item cost adjustment and a receipt cost adjustment pending?

The perpetual average item cost adjustment is always processed after the receipt cost adjustment, regardless of the order in which you create the adjustments.

Record, Audit, and Review Cost Accounting

Cost Accounting Process Flow: Explained

Oracle Fusion Cost Accounting creates distributions for transactions related to the physical movement of goods or services through the supply chain and tracks the corresponding financial changes in ownership.

The transaction data for physical shipments is interfaced to Cost Accounting from Oracle Fusion Inventory Management, and the trade events are interfaced from Oracle Fusion Supply Chain Financial Orchestration.

This figure illustrates the flow of transaction data through the cost processors.
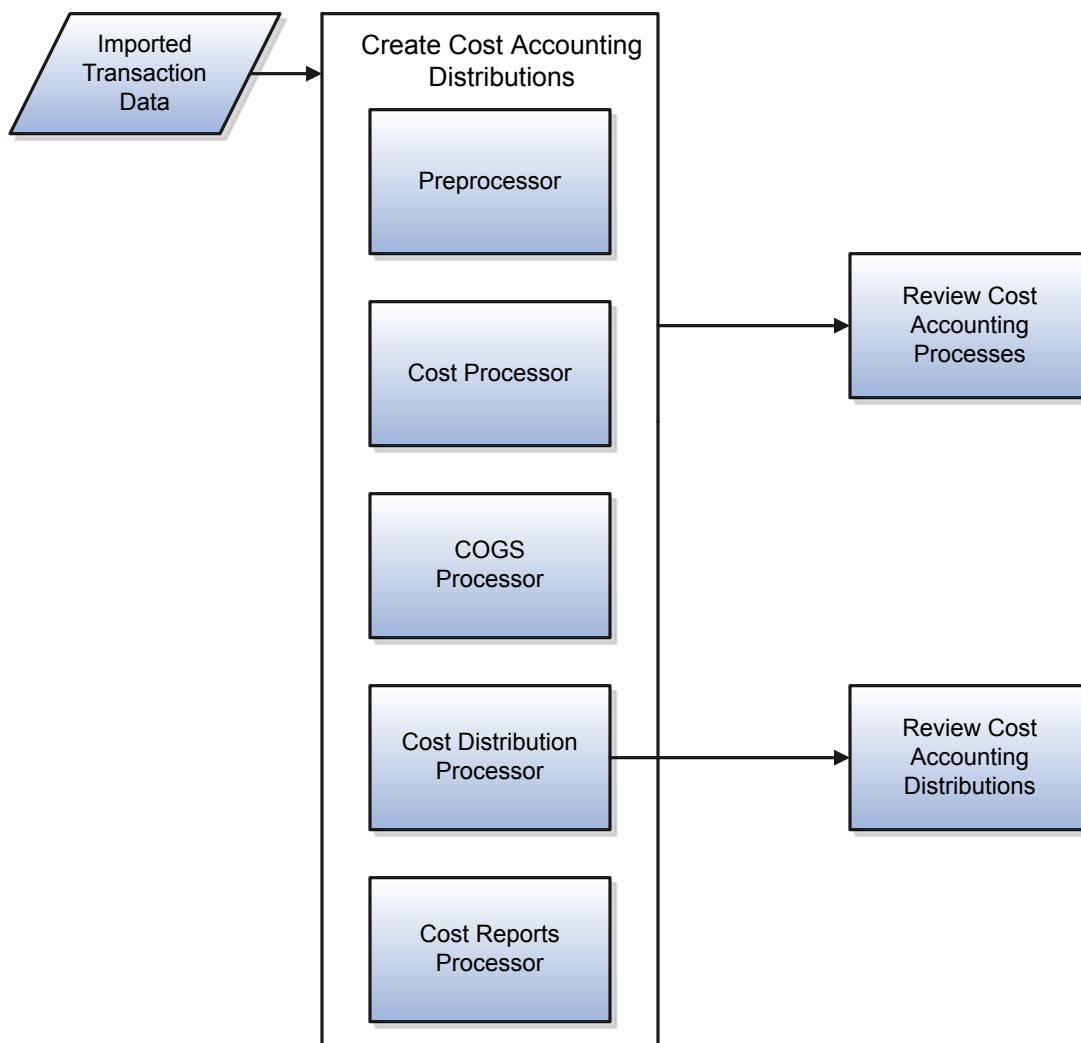
Create Cost Accounting Distributions

In the Cost Accounting work area, access the Create Cost Accounting Distributions page to process imported transaction data. On this page define the run controls by specifying the cost organization books and cost processors that you want to execute.

ORACLE®

The main cost processors are:

- Preprocessor prepares all interfaced data for cost processing:

  - Checks for invalid or missing data.

  - Propagates the information to cost organization books and deriving their associated units of measure, currencies, valuation units, and cost profiles. Note that the preprocessor runs for all cost books in the cost organization.

  - Maps incoming cost components to cost elements, based on user-defined mappings.

- Cost Accounting Processor processes:

  - Physical inventory transactions

    - Calculates costs for preprocessed transactions using the perpetual average cost method, actual cost method, or standard cost method.

    - Processes user-entered cost adjustments and applies overhead costs based on user-defined overhead rules.

    - Calculates the variance of standard costs from actual transaction costs.

    - Calls the Acquisition Cost Processor to calculate inventory valuation including the tax component where applicable.

  - Trade transactions

    - Uses the Trade Accounting Processor to process all in-transit transactions.

- Cost of Goods Sold Processor calculates the cost of goods sold and maintains consistency with the revenue recognized in accounts receivable.

- Cost Distribution Processor uses the Intercompany Trade Accounting processor, Cost Accounting Processor, and Cost of Goods Sold Processor results to create distributions for transaction costs.

- Cost Reports Processor: Generates inventory valuation data and is the source of truth for reports generated by Oracle Fusion Transactional Business Intelligence and Business Intelligence Publisher. This process builds the data required to report inventory valuation at two levels:

  - Valuation unit level

  - Receipt layer level

Review Processing Results and Messages

After running the cost processors, check processing results in the Cost Accounting work area:

- View warning and error messages on the Review Cost Accounting Processes page.

- See additional warning and error messages specific to each transaction on the Transaction Errors tab of the Review Cost Accounting Distributions page.

Review Cost Accounting Distributions

A single inventory transaction can generate multiple cost transactions, for which Cost Accounting creates accounting data.

In the Cost Accounting work area use the Review Cost Accounting Distributions page to see cost information and distributions related to each transaction, as well as receipt layers for receipt transactions, and depletion layers for issue transactions.

Related Topics

- Standard Cost Method: Explained

- Receipt Accounting Tasks and Accounting Events: Explained

Actual Cost Method: Explained

The actual cost method tracks the cost of each receipt into inventory. When depleting inventory, the processor logically identifies the receipts that are consumed to satisfy the depletion, and assigns the associated receipt costs to the depletion.

The actual cost method uses receipt layers for transaction costing and inventory depletion.

Receipt Layers

A receipt layer is created for each put away or delivery of an item into a cost organization. The item is assigned a cost profile that specifies the valuation structure of the item, and the valuation structure, in turn, specifies the valuation unit of the item. The receipt layer falls within the valuation unit. Under the actual cost method, the cost processor identifies the receipt that is used to satisfy the depletion, and applies the quantity depletion method that is defined in the cost profile. The accounting application currently uses the first in, first out (FIFO) depletion method.

The FIFO accounting method assumes that the goods received first are consumed first. This logic does not require that the inventory be physically moved in FIFO order. In reality, the inventory may be moving out in an unknown or random fashion, especially when the goods are fungible.

The inventory system controls the physical flow of inventory, and the actual cost method can be configured to conform to the level of physical tracking maintained in the inventory system. For example, if the inventory system is tracking inventory at the lot level, the costs can also be tracked at that level. If there is more than one receipt for a given lot, the FIFO accounting method assumes that the receipts in the lot are consumed in FIFO order.

Receipt layers can be identified by combinations of any of the following: cost organization, inventory organization, subinventory, locator, lot, serial and grade.

This table illustrates the process of creating receipt layers for an item within a valuation unit:

Transaction Date	Transaction Type	Quantity	Unit Cost	Receipt Layer Created
01-Jan-2011	PO Receipt	100	120 USD	Receipt #1
02-Jan-2011	PO Receipt	80	100 USD	Receipt #2
03-Jan-2011	Miscellaneous Receipt	20	105 USD	Receipt #3

Inventory Depletion

This table illustrates the process of depleting the item inventory based on the created receipt layers using FIFO logic:

Transaction Date	Transaction Type	Quantity	Unit Cost	Receipt Layer Created	Receipt Layer Used for Depletion
01-Jan-2011	PO Receipt	100	120 USD	Receipt #1	

Transaction Date	Transaction Type	Quantity	Unit Cost	Receipt Layer Created	Receipt Layer Used for Depletion
02-Jan-2011	PO Receipt	80	100 USD	Receipt #2	
03-Jan-2011	Miscellaneous Receipt	20	105 USD	Receipt #3	
04-Jan-2011	Miscellaneous Issue	-40	120 USD		Receipt #1
05-Jan-2011	Miscellaneous Issue	-60	120 USD		Receipt #1
06-Jan-2011	Miscellaneous Issue	-15	100 USD		Receipt #2

Using the Actual Cost Method: Example

This example illustrates how the cost processor uses the actual cost method to cost: inventory receipts, cost of goods sold, and the value of beginning and ending inventory.

Scenario

A restaurant business receives two shipments of raw material for a total of 25 units, and a sales order of 12 units. The unit is defined as a sandwich, and the raw material is defined as sandwich food ingredients.

Transaction Details

The business needs to calculate:

- Overhead absorption on the two receipts.
- The value of beginning and ending inventory, including raw materials and overhead absorption.
- Cost of good sold.

Analysis

Following are the details for two receipts of raw materials:

Receipt ID	Inventory Value
Receipt #1	10 * $10 = $100
Receipt #2	15 * $12 = $180

The cost processor calculates overhead absorption for the two receipts as follows:

Receipt ID	Overhead Absorption
Receipt #1	Labor: $5

ORACLE®

Receipt ID	Overhead Absorption
	Facility: $3
Receipt #2	Labor: $8
	Facility: $7

Resulting Accounting Distributions

The distribution processor generates the following accounting entries:

Event	Accounting Entry
Receipt #1: 10 units raw material	Dr Inventory-Raw Material $100
	Cr Receiving $100
Receipt #1: overhead	Dr Inventory-Labor $5
	Dr Inventory-Facility $3
	Cr Overhead Absorption $8
Receipt #2: 15 units raw material	Dr Inventory-Raw Material $180
	Cr Receiving $180
Receipt #2: overhead	Dr Inventory-Labor $8
	Dr Inventory-Facility $7
	Dr Overhead Absorption $15
COGS for 12 units (10 * $108/10) + (2 * $195/15)	Dr COGS $134
	Cr Inventory $134

The beginning inventory is 25 units valued at: 10 * $10.8 + 15 * $13 = $303.

The ending inventory is 13 units valued at: 13 * $13 = $169.

Purchase Order Return and Sales Return Flows: Explained

The cost processor uses FIFO logic to cost purchase order (PO) returns. For sales returns that reference an RMA, the cost processor uses the original sales order cost; for sales returns that do not reference an RMA, it uses either the first or last receipt layer cost.

The following discusses costing details for purchase order returns and sales order returns.

ORACLE®

Purchase Order Returns

For PO returns, the cost processor uses the FIFO receipt layer cost to deplete inventory, while it offsets receiving inspection at the acquisition PO price. The difference between the PO price and the FIFO receipt layer cost is booked as cost variance.

This table illustrates several receipts and issues of an item in an inventory organization, followed by a PO return for the same item:

Reference	Transaction Date	Transaction Type	Quantity	Unit Cost	Receipt Layer Reference
Receipt #1	01-Jan-2011	PO Receipt	100	$120	
Receipt #2	02-Jan-2011	PO Receipt	80	$100	
Receipt #3	03-Jan-2011	Miscellaneous Receipt	20	$105	
Issue #1	04-Jan-2011	Miscellaneous Issue	-40	$120	Receipt #1
Issue #2	05-Jan-2011	Miscellaneous Issue	-60	$120	Receipt #1
Issue #2	05-Jan-2011	Miscellaneous Issue	-15	$100	Receipt #2
Receipt #1	06-Jan-2011	PO Return	-10	$100	Receipt #2

The cost distribution processor creates the following accounting entries for the PO return:

- Dr Receiving Inspection $100*10 / Cr Inventory $100*10
- Dr Receiving Inspection $20*10 / Cr Cost Variance $20*10

Sales Returns

When you define the cost profile for an item, you can select one of three options for the costing of a sales return:

- Referenced RMA: the cost processor costs the return using the original sales order issue cost.
- Unreferenced RMA: the cost processor costs the return using:
    - First available receipt layer; or
    - Last available receipt layer.

This table illustrates several receipts and issues of an item in an inventory organization, followed by a referenced RMA sales return, and an unreferenced RMA sales return for the same item:

Reference	Transaction Date	Transaction Type	Quantity	Unit Cost	Receipt Layer Reference
Receipt #1	01-Jan-2011	PO Receipt	100	$120	
Receipt #2	02-Jan-2011	PO Receipt	80	$100	

Reference	Transaction Date	Transaction Type	Quantity	Unit Cost	Receipt Layer Reference
Receipt #3	03-Jan-2011	Miscellaneous Receipt	20	$105	
Issue #1	04-Jan-2011	Miscellaneous Issue	-40	$120	Receipt #1
Issue #2	05-Jan-2011	Miscellaneous Issue	-60	$120	Receipt #1
Issue #2	05-Jan-2011	Miscellaneous Issue	-15	$100	Receipt #2
Referenced RMA of Issue #1	06-Jan-2011	RMA Receipt	25	$120	
Unreferenced RMA	07-Jan-2011	RMA Receipt	5	$100 or $105	

The processor costs the unreferenced RMA return using:

- $100 per unit if you specify the first available receipt layer; or
- $105 per unit if you specify the last available receipt layer.

Consigned Inventory Accounting in a Simple Purchase Order: Example

When an organization receives a shipment of goods under a consignment purchase order, the ownership of the goods remains with the supplier even after they are in the custody of the buyer. Ownership passes from the supplier to the buyer when the inventory is consumed.

When the inventory is consumed, two events occur: First there is a transfer of ownership to the buyer and the consigned goods become owned inventory for a brief period of time, then the owned inventory is depleted.

The following example illustrates:

- The physical and financial flow of consigned inventory under a consigned purchase order (PO).
- The transaction that flows from Oracle Fusion Inventory Management into Oracle Fusion Cost Accounting and Oracle Fusion Receipt Accounting.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods under a consigned purchase order to inventory organization M1-Seattle.

ORACLE

This diagram illustrates the flow of consigned inventory:

```
                    ┌─────────────────────────────┐
        ┌ ─ ─ ─ ─ ─►│         Supplier            │
        ┊           │  Advanced Network Devices   │
        ┊           │       (AND-Fresno)          │
        ┊           └─────────────────────────────┘
        ┊                         │
        ┊                         │ Physical Flow
        ┊                         │
        ┊                         ▼
        ┊           ┌─────────────────────────────┐
        ┊           │ Inventory Organization M1-Seattle │
 Financial Flow     │  Consigned Owner = AND-Fresno    │
        ┊           │  Contingent Owner = M1-Seattle   │
        ┊           └─────────────────────────────┘
        ┊                         │
        ┊                         │ Ownership
        ┊                         │ Change
        ┊                         ▼
        ┊           ┌─────────────────────────────┐
        ┊           │ Inventory Organization M1-Seattle │
        └ ─ ─ ─ ─ ─ │       Owner = M1-Seattle         │
                    └─────────────────────────────┘
```

Transaction from Oracle Fusion Inventory Management

Cost Accounting and Receipt Accounting receive the following transaction from Inventory:

- Supplier Advanced Network Devices (AND-Fresno).

- Consignment Purchase Order #1000.
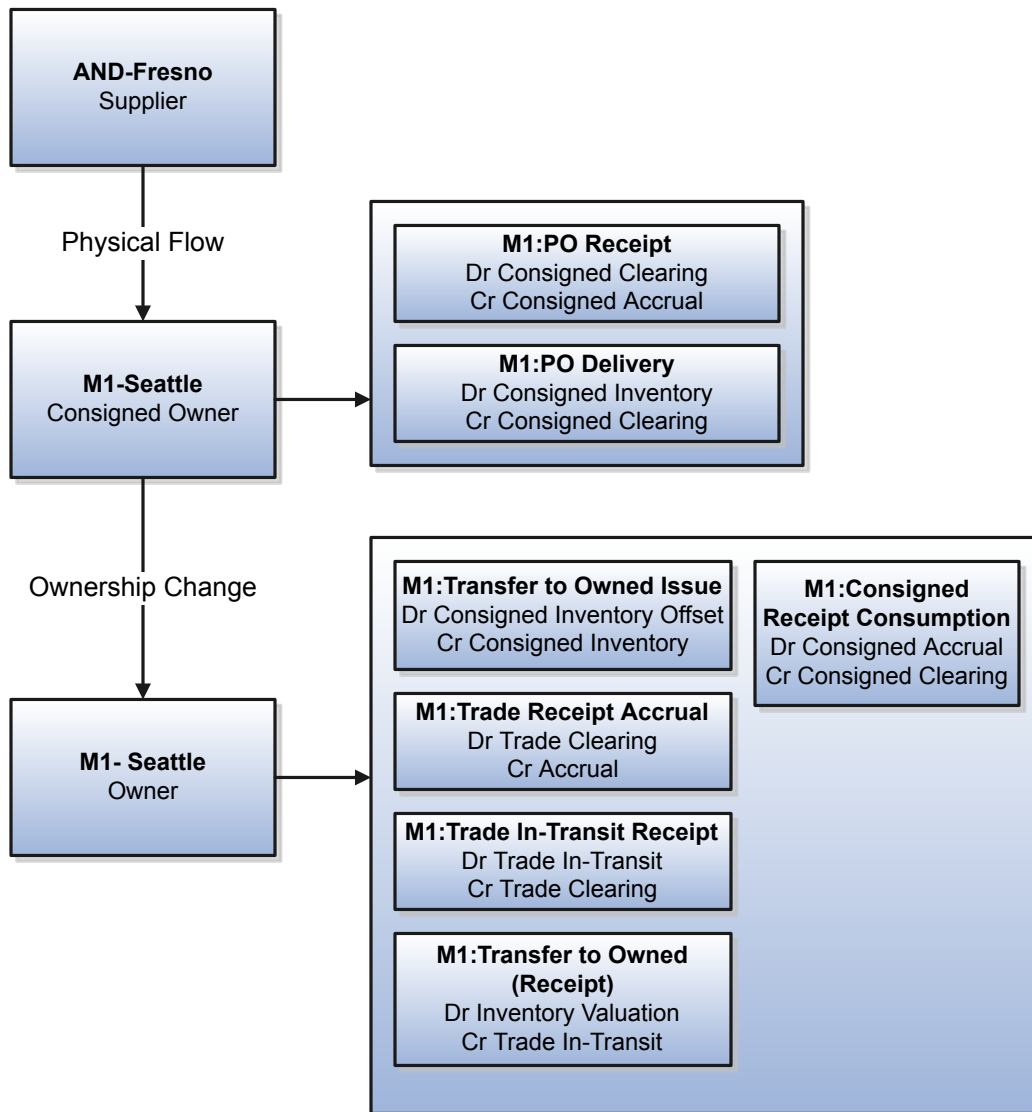
- Purchase Order price USD 100.

ORACLE®

- Ship-to organization is M1-Seattle which is the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.

- Receipt and put away transactions performed in M1-Seattle inventory organization in consigned status.

- When the goods are consumed ownership changes from supplier AND-Fresno to inventory organization M1-Seattle.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow from supplier AND-Fresno to inventory organization M1-Seattle.

```
┌─────────────────────┐
│    AND-Fresno       │
│     Supplier        │
└─────────────────────┘
          │
   Physical Flow          ┌──────────────────────────────────────┐
          │               │  ┌────────────────────────────────┐  │
          ▼               │  │        M1:PO Receipt           │  │
┌─────────────────────┐   │  │     Dr Consigned Clearing      │  │
│    M1-Seattle       │   │  │     Cr Consigned Accrual       │  │
│  Consigned Owner    │──▶│  └────────────────────────────────┘  │
│                     │   │  ┌────────────────────────────────┐  │
└─────────────────────┘   │  │        M1:PO Delivery          │  │
          │               │  │     Dr Consigned Inventory     │  │
   Ownership Change       │  │     Cr Consigned Clearing      │  │
          │               │  └────────────────────────────────┘  │
          ▼               └──────────────────────────────────────┘
┌─────────────────────┐
│    M1- Seattle      │
│       Owner         │
│                     │
└─────────────────────┘
```

M1:Transfer to Owned Issue
Dr Consigned Inventory Offset
Cr Consigned Inventory

M1:Consigned Receipt Consumption
Dr Consigned Accrual
Cr Consigned Clearing

M1:Trade Receipt Accrual
Dr Trade Clearing
Cr Accrual

M1:Trade In-Transit Receipt
Dr Trade In-Transit
Cr Trade Clearing

M1:Transfer to Owned (Receipt)
Dr Inventory Valuation
Cr Trade In-Transit

Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the receipt of goods.

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD		PO Price
Cost Accounting	PO Delivery	Consigned Inventory	100	USD		PO Price
Cost Accounting	PO Delivery	Consigned Clearing	-100	USD		PO Price

Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD	Material	PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	-100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		PO Price

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price

Organization M1-Seattle returns goods to supplier AND-Fresno. The following are accounting entries for the return flow from M1-Seattle to AND-Fresno.

Receipt Accounting and Cost Accounting generate accounting entries under inventory organization M1-Seattle for the change of ownership from M1-Seattle to supplier AND-Fresno.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned (Receipt)	Consigned Inventory	100	USD		PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned (Receipt)	Consigned Inventory Offset	-100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	-100	USD		PO Price
Receipt Accounting	Trade Return Accrual	Accrual	100	USD		PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD		
Receipt Accounting	Trade In-Transit Return	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD		PO Price
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Cost Variance*	5	USD		
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	-105	USD	Material	Current Cost

* Inventory is received at the current cost, and the difference between transfer price and cost is booked as cost variance.

Receipt Accounting generates accounting entries under inventory organization M1-Seattle for the return of consigned goods from M1-Seattle to AND-Fresno.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Return to Vendor	Consigned Accrual	100	USD		PO Price

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Return to Vendor	Consigned Clearing	-100	USD		PO Price
Receipt Accounting	PO Return to Receiving	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Return to Receiving	Consigned Inventory	-100	USD		PO Price

Related Topics

- Cost Profiles, Default Cost Profiles, and Item Cost Profiles: Explained

- What are the accounting distribution basis options for consigned inventory transactions?

- Consigned Inventory Lifecycle: Explained

- Consigned Inventory: Explained

Consigned Inventory Accounting of an Interorganization Transfer Across Business Units: Example

An interorganization transfer is a trade transaction involving the movement of goods or services between organizations in the supply chain. The following is an example of accounting performed by Oracle Fusion Cost Accounting and Oracle Fusion Receipt Accounting in a simple purchase order with an interorganization transfer of goods across profit center business units. The goods remain in consigned status until ownership changes in the receiving organization.

This example illustrates:

- Transactions captured in Oracle Fusion Inventory and interfaced to Cost Accounting and Receipt Accounting.

- Transactions captured in Oracle Fusion Supply Chain Financial Orchestration and interfaced to Cost Accounting and Receipt Accounting.

- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.

- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods in consigned status to inventory organization M1-Seattle, who in turn transfers the consigned goods to inventory organization M2-LA. Inventory organizations, M1-Seattle and M2-LA, are in different business units.

```
                    ┌──────────────────────────┐
                    │        Supplier          │
         ┌─────────▶│ Advanced Network Devices │
         ┊          │      (AND-Fresno)        │
         ┊          └──────────────────────────┘
         ┊                       │
 Financial Flow          Physical Flow
         ┊                       │
         ┊                       ▼
         ┊          ┌──────────────────────────┐
         └ ─ ─ ─ ─ ▶│     Business Unit 1      │
         ┌ ─ ─ ─ ─ ▶│ Inventory Organization   │
         ┊          │        M1-Seattle        │
         ┊          │ Consigned Owner = AND-Fresno │
         ┊          │ Contingent Owner = M1-Seattle │
         ┊          └──────────────────────────┘
         ┊                       │
         ┊                 Physical Flow
         ┊                       │
         ┊                       ▼
         ┊          ┌──────────────────────────┐
         ┊          │     Business Unit 2      │
         ┊          │ Inventory Organization   │
         ┊          │         M2-LA            │
         ┊          │ Consigned Owner = AND-Fresno │
 Financial Flow     │ Contingent Owner = M1-Seattle │
         ┊          └──────────────────────────┘
         ┊                       │
         ┊                  Ownership
         ┊                   Change
         ┊                       │
         ┊                       ▼
         ┊          ┌──────────────────────────┐
         └ ─ ─ ─ ─ ▶│     Business Unit 2      │
                    │ Inventory Organization   │
                    │         M2-LA            │
                    │      Owner = M2-LA       │
                    └──────────────────────────┘
```

Interfaced Transactions

Oracle Fusion Inventory sends the following transactions to Receipt Accounting and Cost Accounting:

- Supplier Advanced Network Devices (AND-Fresno).

- Consignment Purchase Order #1000.

- Purchase Order price USD 100.

- Ship-to organization is M1-Seattle which is the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.

- Receipt and put away transactions performed in M1-Seattle inventory organization in consigned status.

- Goods transferred in consigned status from inventory organization M1-Seattle to M2-LA.

- When the goods are consumed ownership changes from supplier AND-Fresno to inventory organization M2-LA via M1-Seattle.

Oracle Fusion Supply Chain Financial Orchestration sets up the trade agreement, accounting rule sets, and associated purchase orders, and the information flows into Receipt Accounting and Cost Accounting. The transfer from M1-Seattle to M2-LA is based on trade agreement SFO #123 which has the following terms:

- Intercompany transfer price is USD 120.

- Intercompany invoicing is set to Yes.

- Profit tracking is set to Yes.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.

AND-Fresno Supplier	**M1:PO Receipt** Dr Consigned Clearing Cr Consigned Accrual	**M1:PO Delivery** Dr Consigned Inventory Cr Consigned Clearing

Physical Flow

M1-Seattle Consigned Owner	**M1:In-Transit Shipment** Dr Consigned In-Transit Cr Consigned Inventory	**M2:Consigned Trade In-Transit Receipt** Dr Consigned In-Transit Cr Consigned Clearing
	M1:Consigned Trade In-Transit Issue Dr Consigned Receivable Cr Consigned In-Transit	**M2:In-Transit Receipt** Dr Consigned Inspection Cr Consigned In-Transit
	M2:Consigned Trade Receipt Accrual Dr Consigned Clearing Cr Consigned Payable	**M2:In-Transit Delivery** Dr Consigned Inventory Cr Consigned Inspection

Physical Flow

M2-LA
Consigned Owner

Ownership Change

M2-LA Owner	**M2:Transfer to Owned Issue** Dr Consigned Inv Offset Cr Consigned Inventory	**M2:Trade Recpt Accrual** Dr Trade Clearing Cr IC Accrual
	M1:Trade Receipt Accrual Dr Trade Clearing Cr Accrual	**M2:Trade In-Transit Receipt** Dr Trade In-Transit MAT Dr Trade In-Transit GP Cr Trade Clearing
	M1:Trade In-Transit Recpt Dr Trade In-Transit Cr Trade Clearing	**M2:Transfer to Owned (Receipt)** Dr Inv Valuation MAT Dr Inv Valuation GP Cr Trade In-Transit MAT Cr Trade In-Transit GP
	M1:Trade In-Transit Issue Dr IC COGS Cr Trade In-Transit	

Legend
Inv = Inventory
IC = Intercompany
COGS = Cost of Goods Sold
MAT = Material
GP = Gross Profit
Recpt = Receipt

Receipt Accounting generates distributions under inventory organization M1-Seattle for the shipment from supplier AND-Fresno to M1-Seattle.

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD		PO Price

Cost Accounting generates distributions under inventory organization M1-Seattle for the interorganization transfer from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Consigned In-Transit	100	USD		PO Price
Cost Accounting	In-Transit Shipment	Consigned Inventory	-100	USD		PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned Receivable	100	USD		PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned In-Transit	-100	USD		PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the interorganization transfer from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Consigned Trade Receipt Accrual	Consigned In-Transit	-100	USD		PO Price

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned Trade In-Transit Receipt	Consigned Clearing	100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Trade Clearing	-100	USD		PO Price
Cost Accounting	In-Transit Receipt	Consigned Inspection	100	USD		PO Price
Cost Accounting	In-Transit Receipt	Consigned In-Transit	-100	USD		PO Price
Cost Accounting	In-Transit Delivery	Consigned Inventory	100	USD		PO Price
Cost Accounting	In-Transit Delivery	Consigned Inspection	-100	USD		PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD		PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	120	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-120	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	20	USD	Gross Profit	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-120	USD		Transfer Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	20	USD	Gross Profit	Internal Markup
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-20	USD	Gross Profit	Internal Markup

Inventory organization M2-LA returns the goods to supplier AND-Fresno. The return of the consignment is executed in two parts:

- An interorganization transfer from M2-LA to M1-Seattle. The accounting is the same as simple purchase order return transactions.

- A consignment return from M1-Seattle to the supplier. The accounting is the same as regular return to vendor transactions.

Related Topics

- Consigned Inventory Accounting in a Simple Purchase Order: Example

- Consigned Inventory Accounting of an Interorganization Transfer Within the Same Business Unit: Example

- What are the accounting distribution basis options for consigned inventory transactions?

- Consigned Inventory Lifecycle: Explained

- Consigned Inventory: Explained

Consigned Inventory Accounting of an Interorganization Transfer Within the Same Business Unit: Example

An intraorganization transfer is a trade transaction involving the movement of goods or services between organizations in the supply chain. The following is an example of accounting performed by Oracle Fusion Cost Accounting and Oracle Fusion Receipt Accounting for an interorganization transfer of goods within the same profit center business unit.

ORACLE®

This example illustrates:

- Transactions captured in Oracle Fusion Inventory and interfaced to Cost Accounting and Receipt Accounting.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.
- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods in consigned status to inventory organization M3-NY, who in turn transfers the goods to inventory organization M4-NJ. Inventory organizations, M3-NY and M4-NJ, are within the same business unit.

Interfaced Transactions

Cost Accounting and Receipt Accounting receive the following transaction from Oracle Fusion Inventory:

- Consignment Purchase Order (PO) #1000.

- Purchase Order price USD 100.

- Ship-to organization is M3-NY which is also the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.

- Receipt and put away transactions are performed in M3-NY in consigned status.

- Goods are transferred in consigned status from M3-NY to M4-NJ.

- Ownership changes from supplier to M4-NJ via M3-NY when the goods are consumed.

Cost Accounting generates transactions for:

- Ownership changes from supplier AND-Fresno to inventory organization M3-NY and from M3-NY to M4-NJ.

- Transfer of goods from M3-NY to M4-NJ. The transfer is at cost because the organizations are within the same profit center business unit.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.

AND-Fresno
Supplier

Physical Flow

M3-NY
Consigned Owner

Physical Flow

M4-NJ
Consigned Owner

Ownership Change

M4-NJ
Owner

Legend
Inv = Inventory
Interorg = Interorganization
MAT = Material
Recpt = Receipt

M3:PO Receipt
Dr Consigned Clearing
Cr Consigned Accrual

M3:PO Delivery
Dr Consigned Inventory
Cr Consigned Clearing

M3:In-Transit Shipment
Dr Consigned In-Transit
Cr Consigned Inventory

M4:Consigned Trade In-Transit Receipt
Dr Consigned In-Transit
Cr Consigned Clearing

M3:Consigned Trade In-Transit Issue
Dr Consigned Receivable
Cr Consigned In-Transit

M4:In-Transit Receipt
Dr Consigned Inspection
Cr Consigned In-Transit

M4:Consigned Trade Receipt Accrual
Dr Consigned Clearing
Cr Consigned Payable

M4:In-Transit Delivery
Dr Consigned Inventory
Cr Consigned Inspection

M4:Transfer to Owned Issue
Dr Consigned Inv Offset
Cr Consigned Inventory

M4:Trade Recpt Accrual
Dr Trade Clearing
Cr Interorg Payable

M3:Trade Receipt Accrual
Dr Trade Clearing
Cr Accrual

M4:Trade In-Transit Receipt
Dr Trade In-Transit
Cr Trade Clearing

M3:Trade In-Transit Recpt
Dr Trade In-Transit
Cr Trade Clearing

M4:Transfer to Owned (Receipt)
Dr Inv Valuation MAT
Cr Trade In-Transit

M3:Trade In-Transit Issue
Dr Interorg Receivable
Cr Trade In-Transit

Receipt Accounting generates distributions under inventory organization M3-NY for the shipment from supplier AND-Fresno to M3-NY.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD		PO Price

Cost Accounting generates distributions under inventory organization M3-NY for the interorganization transfer from M3-NY to organization M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Consigned In-Transit	100	USD		PO Price
Cost Accounting	In-Transit Shipment	Consigned Inventory	-100	USD		PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned Receivable	100	USD		PO Price
Cost Accounting	Consigned Trade In-Transit Issue	Consigned In-Transit	-100	USD		PO Price

Cost Accounting generates distributions under inventory organization M4-NJ for the interorganization transfer from M3-NY to M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Consigned Trade Receipt Accrual	Consigned Clearing	100	USD		PO Price
Cost Accounting	Consigned Trade Receipt Accrual	Consigned Payable	-100	USD		PO Price

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Consigned Trade In-Transit Receipt	Consigned In-Transit	100	USD		PO Price
Cost Accounting	Consigned Trade In-Transit Receipt	Consigned Clearing	-100	USD		PO Price
Cost Accounting	In-Transit Receipt	Consigned Inspection	100	USD		PO Price
Cost Accounting	In-Transit Receipt	Consigned In-Transit	-100	USD		PO Price
Cost Accounting	In-Transit Delivery	Consigned Inventory	100	USD		PO Price
Cost Accounting	In-Transit Delivery	Consigned Inspection	-100	USD		PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M3-NY for the change of ownership from supplier AND-Fresno to M3-NY.

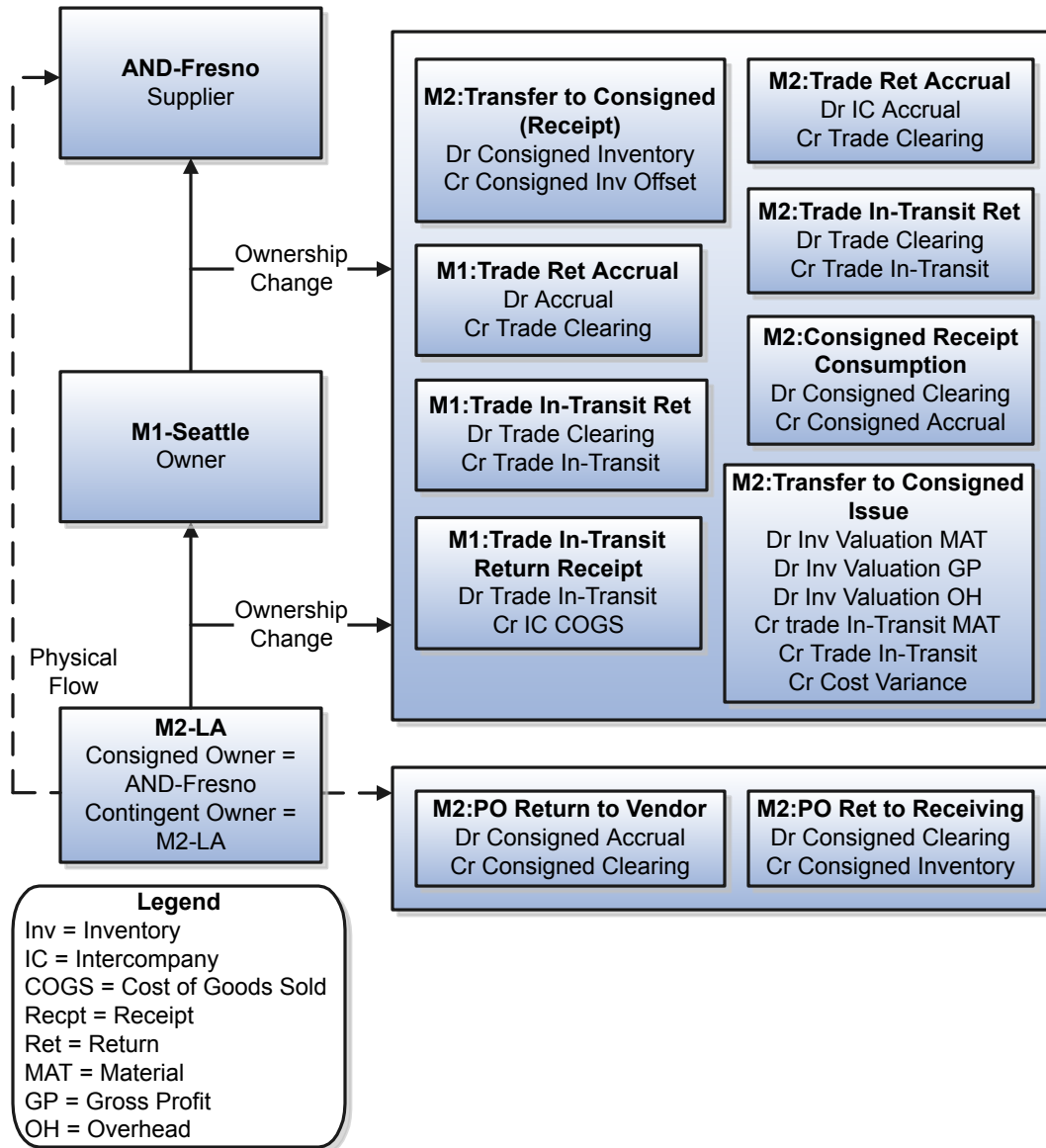| Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Interorganization Receivable	100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

ORACLE

Receipt Accounting and Cost Accounting generate distributions under inventory organization M4-NJ for the change of ownership from M3-NY to M4-NJ.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD		PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Interorganization Payable	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price

Inventory organization M4-NJ returns goods to supplier AND-Fresno. The return of the consignment is executed in two parts:

- An interorganization transfer from M4-NJ to M3-NY. The accounting is the same as simple purchase order return transactions.

- A consignment return from M3-NY to the supplier. The accounting is the same as regular return to vendor transactions.

Related Topics

- Consigned Inventory Accounting of an Interorganization Transfer Across Business Units: Example

- What are the accounting distribution basis options for consigned inventory transactions?

- Consigned Inventory Lifecycle: Explained

- Consigned Inventory: Explained

Consigned Inventory Accounting in a Global Purchase Order: Example

Most large enterprises use a global procurement approach to their purchasing needs, where a central buying organization buys goods from suppliers on behalf of the internal organizations. This includes trade transactions involving consigned inventory executed under a global purchase order. Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting process these consigned inventory transactions and generate subledger journal entries.

The following example illustrates:

- The physical and financial flow of consigned inventory in a global purchase order.

- Transactions that flow from Oracle Fusion Inventory into Cost Accounting and Receipt Accounting.

- Transactions that flow from Oracle Fusion Supply Chain Financial Orchestration into Cost Accounting and Receipt Accounting.

- Accounting entries that Cost Accounting and Receipt Accounting generate for the forward flow.

- Accounting entries that Cost Accounting and Receipt Accounting generate for the return flow.

Scenario

Supplier Advanced Network Devices (AND-Fresno) ships the goods in consigned status to inventory organization M2-LA, via the purchasing trade organization M1-Seattle.

Interfaced Transactions

Cost Accounting and Receipt Accounting receive the following transaction from Oracle Fusion Inventory:

- Consignment Purchase Order (PO) #1000.
- Purchase Order price USD 100.

- Sold-to Legal Entity is LE1.

- Ship-to organization is M2-LA which is also the contingent owner. Contingent owner assumes ownership from the supplier when inventory is consumed.

- Receipt and put away transactions performed in M2-LA in consigned status.

- Ownership changes from supplier AND-Fresno to M2-LA via M1-Seattle when the goods are consumed.

The trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting. The shipment from supplier to inventory organization M2-LA is based on trade agreement GP #123 which has the following terms:

- Intercompany transfer price is USD 120.

- Intercompany invoicing is set to Yes.

- Profit tracking is set to Yes.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow.

Receipt Accounting generates distributions under inventory organization M2-LA for the consigned shipment from supplier AND-Fresno to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Receipt	Consigned Accrual	-100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Inventory	100	USD		PO Price
Receipt Accounting	PO Delivery	Consigned Clearing	-100	USD		PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-Seattle for the change of ownership from supplier AND-Fresno to M1-Seattle.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-100	USD		PO Price
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD		PO Price
Receipt Accounting	Trade In-Transit Receipt	Trade clearing	-100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	100	USD		PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-100	USD	Material	PO Price

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M1-Seattle to M2-LA.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	100	USD		PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	100	USD		PO Price
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	-100	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	120	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-120	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	20	USD	Gross Profit	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-120	USD		Transfer Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	20	USD	Gross Profit	Internal Markup
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-20	USD	Gross Profit	Internal Markup

Organization M2-LA returns goods to supplier AND-Fresno. The following are accounting entries for the return flow.

ORACLE

Receipt Accounting and Cost Accounting generate distributions under inventory organization M2-LA for the change of ownership from M2-LA to M1-Seattle:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned Receipt	Consigned Inventory	100	USD		PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Transfer to Consigned Receipt	Consigned Inventory Offset	-100	USD		PO Price
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	120	USD		Transfer Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-120	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	120	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-20	USD	Gross Profit	Internal Markup
Cost Accounting	Consigned Receipt Consumption	Consigned Clearing	100	USD		PO Price
Cost Accounting	Consigned Receipt Consumption	Consigned Accrual	-100	USD		PO Price
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	20	USD	Gross Profit	Internal Markup
Cost Accounting	Transfer to Consigned Issue	Inventory Valuation	10	USD	Overhead	
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Transfer to Consigned Issue	Trade In-Transit	-20	USD	Gross Profit	Internal Markup
Cost Accounting	Transfer to Consigned Issue	Cost Variance*	-10	USD		

ORACLE®

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

Receipt Accounting and Cost Accounting generate distributions under inventory organization M1-LA for the change of ownership from M1-LA to supplier AND-Fresno:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Accrual	100	USD		PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD		PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD		PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	100	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-100	USD		PO Price

Receipt Accounting generates distributions under inventory organization M2-LA for the return shipment from M2-LA to supplier AND-Fresno:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Return to Vendor	Consigned Accrual	100	USD		PO Price
Receipt Accounting	PO Return to Vendor	Consigned Clearing	-100	USD		PO Price
Receipt Accounting	PO Return to Receiving	Consigned Clearing	100	USD		PO Price
Receipt Accounting	PO Return to Receiving	Consigned Inventory	-100	USD		PO Price

Related Topics

- Global Procurement Trade Accounting: Overview

- What are the accounting distribution basis options for consigned inventory transactions?

- Consigned Inventory Lifecycle: Explained

- Consigned Inventory: Explained

Global Procurement Trade Accounting: Overview

Companies often design their legal structure for financial efficiency as well as efficiencies in the physical flow of goods through the supply chain. Typically, the most optimal financial movement of goods is different from the most optimal physical movement of goods. For example, the purchase requisitions from a group of subsidiary companies could be routed through a single international purchasing company who deals with the suppliers. As a result, the legal owners of the purchasing organizations will be different from the legal owners of the receiving organizations. This form of purchasing is known as global procurement.

The following discusses:

- Global procurement trade flows

- Trade agreements and accounting rule sets

- Agreements converted to purchase orders

- Commonly used terms

ORACLE

Global Procurement Trade Flows

This diagram illustrates a typical global procurement trade flow, in this case between a US corporation and its China supplier. The US corporation has a central procurement business unit which creates trade agreements and purchase orders on behalf of its subsidiaries.

```
China Supplier ----------+          US Corporation
                         |               |
                         |               +--------+
  Ownership              |                        |
  Change                 |              Procurement
  Event                  |              Business Unit
    |                    |                        |
    v                    |                        v
China Ltd                |    Ownership        US Inc
Sold-to Legal Entity ----+---- Change  ------> Receiving Legal
(Purchasing Affiliate)        Event              Entity
    |                                              |
    v                                     +--------+--------+
CN BU                   Management         v                 v
China Sold-to Profit -- Flow --------> US West           US East
Center Business Unit                   Receiving Profit   Receiving Profit
    |                                  Center Business Unit Center Business Unit
    v                                      |                 |
CN INV ORG              Physical           v                 v
China Purchasing ------ Flow ---------> M1                 M2
Trade Organization                     US Receiving       US Receiving
                                       Inventory          Inventory
                                       Organization       Organization
```

The China supplier drop ships the goods directly to the US receiving inventory organization M1. However for legal and accounting purposes, the trade flows from the China supplier through the China sold-to legal entity (China Ltd), to the US receiving legal entity (US Inc). For management and profit tracking purposes, the trade flows from the China sold-to profit center business unit CN BU to the US receiving profit center business unit US West.

ORACLE

Financial Trade Agreements and Accounting Rule Sets

A trade agreement defines the parties in the trade relationship. In this example the trade agreement is between the US corporation and the China supplier, and it defines the buying, selling, sold-to, and receiving legal entities, profit center business units, inventory organizations, and trade organizations.

The accounting rule sets define source documents and accounting that is required in the legal and financial flow, also known as the ownership change event flow. A rule set is associated with a financial route, and financial routes can have different accounting rule sets.

The following illustrates a trade agreement setup for the US corporation:

- Agreement #: GP001
- Type: Procurement
- Supplier Ownership Change: ASN (Advance Shipment Notice)
- Primary Trade Relationship #: PTR1
- Sold-to Legal Entity: China Ltd.
- Sold-to Business Unit: CN BU
- Deliver-to Legal Entity: US Inc.
- Deliver-to Business Unit: US West
- Financial Trade Relationship #: FTR1
- From Legal Entity: China Ltd.
- From Business Unit: CN BU
- From Organization: CN INV ORG
- To Legal Entity: US Inc.
- To Business Unit: US West
- To Organization: M1
- Profit Tracking: Yes
- Invoicing: Yes
- Obligation Currency: CNY
- Rate Type: Corporate
- Transfer Pricing: Purchase Order - 10%
- Purchase Order/Sales Order: No

Trade Agreement Converted to Purchase Orders

The trade agreement is used to create purchase orders. The following illustrates a purchase order created under the US Corporation trade agreement # GP001:

- Document Type: Purchase Order
- Document #: PO-GP001
- Document Line #: 1
- Document Line Detail: 1.1
- Document Line Distribution #: 1.1.1
- Item: SFO-CST_ASSET

- Quantity: 100
- UOM: Each
- Currency: CNY
- Price: 650
- Sold-to Legal Entity: China Ltd.
- Trade Organization: CN INV ORG
- Deliver-to Organization: M1
- Primary Trade Relationship #: PTR1

Global Procurement Common Terms

The following terms are commonly used in global procurement trading:

Terms	Definitions and Rules
buy-sell relationship	Relationship between two business units where one acts as a buyer and the other as a seller of goods or services. The seller records the revenue, cost of sale, and receivables. The buyer records the payables and inventory or expense. A buy-sell trade between internal business units is settled through the transfer price.
asset item	Inventory item where the cost of acquisition is valued as an asset on the balance sheet. The inventory cost is expensed when it is consumed or sold.
expense item	Inventory item whose cost of acquisition is booked as an expense.
transfer price	The unit price that one business unit charges another for goods or services traded within the enterprise. The transfer price is typically based on the price list, cost plus or minus, or purchase price plus or minus.
financial route	Designates how financial transactions are settled, can be different from the physical route, and may involve one or more intermediary nodes. The intermediary nodes are internal business units that are not part of the physical supply chain transaction but are part of the financial route.
Incoterms	A series of sales terms in international trade, used to define the rights and obligations of the trade partners with respect to the delivery of goods sold. Incoterms are used to divide transaction costs and responsibilities between buyer and seller, and to reflect transportation practices.
intercompany profit and loss	The internal profit or loss arising out of trade among business units in the enterprise. These internal profits and losses are used for internal management but are typically eliminated when producing the enterprise consolidated financial statements for external stakeholders.
intercompany trade	The trade of goods and services between organizations belonging to different legal entities within a conglomerate.
intracompany trade	The trade of goods or services between two internal organizations within a legal entity.
ownership change event	The transfer of title of goods and services from one party to another. This results in accounting and the creation of financial documents such as Accounts Receivable and Accounts Payable invoices.
price list	Contains the basic list information and pricing attributes for items or product groups.

ORACLE®

Terms	Definitions and Rules
pricing option	A method to compute the transfer price based on cost, source document price, or price list.
profit center	A business unit that operates with its own income statement and reports to the legal entity.
purchasing trade organization	The inventory organization reporting to the sold-to legal entity identified in the purchase order. This organization is used for cost accounting the transactions in the sold-to legal entity.
qualifiers	Business attributes of a supply chain document or transaction that determine the applicability of the trade agreement.
supply chain financial orchestration agreement	An agreement between the legal entities, business units, and trade organizations of a corporate group. The agreement defines the parties in the trade relationship and the financial settlement process.
trade distributions	Subledger entries created by Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting for Oracle Fusion Supply Chain Financial Orchestration trade transactions.
procurement business unit	Has central responsibility for the creation of trade agreements and purchase orders on behalf of legal entities and business units under the holding company.

Related Topics

- Accounting of Global Procurement Trade Transactions into Inventory: Example

- Accounting of Global Procurement Trade Transactions into Expense: Example

- Profit Center Business Units and Bill-to Business Units: Explained

Profit Center Business Units and Bill-to Business Units: Explained

Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting create accounting distributions for trade transactions in the supply chain. These accounting distributions are associated with two kinds of business units: profit center business units and bill-to business units.

The following explains the different business units associated with trade transactions and the assumptions used to derive them.

Profit Center Business Unit

A profit center business unit reports to a single legal entity and is responsible for measuring the profitability of inventory organizations under that legal entity. All trade transactions are associated with a profit center business unit which, in turn, is derived from the inventory organization that owns the trade transaction. Cost Accounting uses the profit center business unit to process all inventory transactions.

ORACLE®

Bill-to Business Unit

A bill-to business unit is used to process receipt accruals in a trade transaction, and is the same business unit that processes the invoice in Accounts Payable. For supplier accruals, the bill-to business unit is derived from the purchase order. For intercompany accruals, the bill-to business unit is derived from the profit center business unit.

Related Topics

- Cost Organizations, Inventory Organizations, and Cost Books: How They Fit Together

Accounting of Global Procurement Trade Transactions into Inventory: Example

Most large enterprises use a global procurement approach to their purchasing needs, wherein a central buying organization buys goods from suppliers on behalf of the internal organizations. Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting process transactions for these global procurement trade events and generate subledger journal entries.

The following is an example of accounting performed by Cost Accounting and Receipt Accounting for a global procurement flow into inventory. It illustrates:

- Transactions that are captured in Oracle Fusion Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the forward flow of a shipment from the supplier, through the intermediary distributor, to the final receiving organization.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the receiving organization to the supplier.

Scenario

China Supplier ships the goods to US Inc. through the intermediary distributor, China Ltd.

Transactions from Oracle Fusion Supply Chain Financial Orchestration

The global procurement trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

- Purchase Order (PO) price from China Supplier to China Ltd. is USD 50.

- Intercompany transfer price from China Ltd. to US Inc. is USD 100.

- Intercompany invoicing is set to Yes.

- Profit tracking is set to Yes.

- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in Cost Organization CO1.

- China Ltd books a profit of USD 40 (USD 100 transfer price - USD 50 PO price - USD 10 overhead).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries are for the forward flow from legal entity China Ltd. to legal entity US Inc.

China Supplier	**China Ltd** (Sold-to LE) **CN** (Sold-to Profit Ctr BU) **CO1** (Sold-to Cst Org) **M1** (Sold-to Inv Org)	**US Inc** (Receiving LE) **US West** (Receiving Profit Ctr BU) **CO2** (Receiving Cst Org) **M2** (Receiving Inv Org)

Trade Receipt Accrual
Dr Trade Clearing $50
Cr Accrual $50

Trade Receipt Accrual
Dr Trade Clearing $100
Cr IC Accrual $100

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Trade Clearing $50
Cr OVH Absorption $10

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Dr Trade In-Transit GP $40
Cr Trade Clearing $100

Trade In-Transit Issue
Dr IC COGS MAT $50
Dr IC COGS OVH $10
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

PO Delivery
Dr Inventory Valuation MAT$50
Dr Inventory Valuation OVH$10
Dr Inventory Valuation GP $40
Cr Receiving Inspection $100

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization

IC AR Invoice
Dr IC Receivable $100
Cr IC Revenue $100

PO Receipt
Dr Receiving Inspection $100
Cr Trade In-Transit $100

Supplier Invoice
Dr Accrual $50
Cr Liability $50

IC AP Invoice
Dr IC Accrual $100
Cr IC Liability $100

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	50	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-50	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-50	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Receipt	Overhead Absorption	-10	USD		
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD		Transfer Price
Receipt Accounting	Supplier Invoice	Accrual	50	USD		PO Price
Receipt Accounting	Supplier Invoice	Liability	-50	USD		PO Price

ORACLE®

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	40	USD	Gross Profit	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD		Transfer Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD		Transfer Price
Receipt Accounting	PO Receipt	Trade In-Transit	-100	USD		Transfer Price
Cost Accounting	PO Delivery	Inventory Valuation	50	USD	Material	Sending Organization Cost
Cost Accounting	PO Delivery	Inventory Valuation	10	USD	Overhead	Sending Organization Cost
Cost Accounting	PO Delivery	Inventory Valuation	40	USD	Gross Profit	Internal Markup

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	PO Delivery	Receiving Inspection	-100	USD		Transfer Price

US Inc returns goods directly to China Supplier. The following accounting entries are for the return flow from legal entity US Inc to legal entity China Ltd.

China Supplier

China Ltd (Sold-to LE)
CN (Sold-to Profit Ctr BU)
CO1 (Sold-to Cst Org)
M1 (Sold-to Inv Org)

US Inc (Receiving LE)
US West (Receiving Profit Ctr BU)
CO2 (Receiving Cst Org)
M2 (Receiving Inv Org)

Trade Return Accrual
Dr Accrual $50
Cr Trade Clearing $50

Trade Return Accrual
Dr IC Accrual $100
Cr Trade Clearing $100

Trade In-Transit Return
Dr Trade Clearing $50
Dr Cost Variance $10
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

Trade In-Transit Return
Dr Trade Clearing $100
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10
Cr Trade In-Transit GP $40

Trade In-Transit Ret Rec
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr IC COGS MAT $50
Cr IC COGS OVH $10

Return to Receiving
Dr Receiving Inspection $100
Cr Inventory Valuation MAT$50
Cr Inventory Valuation OVH$10
Cr Inventory Valuation GP $40

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
Ret Rec = Return Receipt

IC AR Invoice
Dr IC Revenue $100
Cr IC Receivable $100

Return to Vendor
Dr Trade In-Transit $100
Cr Receiving Inspection $100

Supplier Invoice
Dr Liability $50
Cr Accrual $50

IC AP Invoice
Dr IC Liability $100
Cr IC Accrual $100

ORACLE

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD		Transfer Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-40	USD	Gross Profit	Internal Markup
Cost Accounting	Return to Receiving	Receiving Inspection	100	USD		Transfer Price
Cost Accounting	Return to Receiving	Inventory Valuation	-50	USD	Material	Sending Organization Cost
Receipt Accounting	Return to Receiving	Inventory Valuation	-10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Return to Receiving	Inventory Valuation	-40	USD	Gross Profit	Internal Markup
Cost Accounting	Return to Vendor	Trade In-Transit	100	USD		Transfer Price
Cost Accounting	Return to Vendor	Receiving Inspection	-100	USD		Transfer Price
Receipt Accounting	Intercompany AP Invoice	Intercompany Liability	100	USD		Transfer Price
Receipt Accounting	Intercompany AP Invoice	Intercompany Accrual	-100	USD		Transfer Price

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Accrual	50	USD		PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-50	USD		PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	50	USD		PO Price
Cost Accounting	Trade In-Transit Return	Cost Variance*	10	USD		
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Return Receipt	Intercompany COGS	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return Receipt	Intercompany COGS	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	-100	USD		Transfer Price

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Supplier Invoice	Liability	50	USD		PO Price
Receipt Accounting	Supplier Invoice	Accrual	-50	USD		PO Price

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

Related Topics

- Global Procurement Trade Accounting: Overview

- Accounting of Global Procurement Trade Transactions into Expense: Example

- Reviewing Item Costs and Accounting for Global Procurement Trade Transactions: Explained

Accounting of Interorganization Transfers Across Business Units: Example

This example illustrates:

- Transactions that are captured in Oracle Fusion Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.
- Accounting entries that Receipt Accounting and Cost Accounting generate for the transfer of goods across profit center business units.

Scenario

China Ltd. ships the goods to US Inc. The organizations are in two different profit center business units.

Transactions from Oracle Fusion Supply Chain Financial Orchestration

The trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:
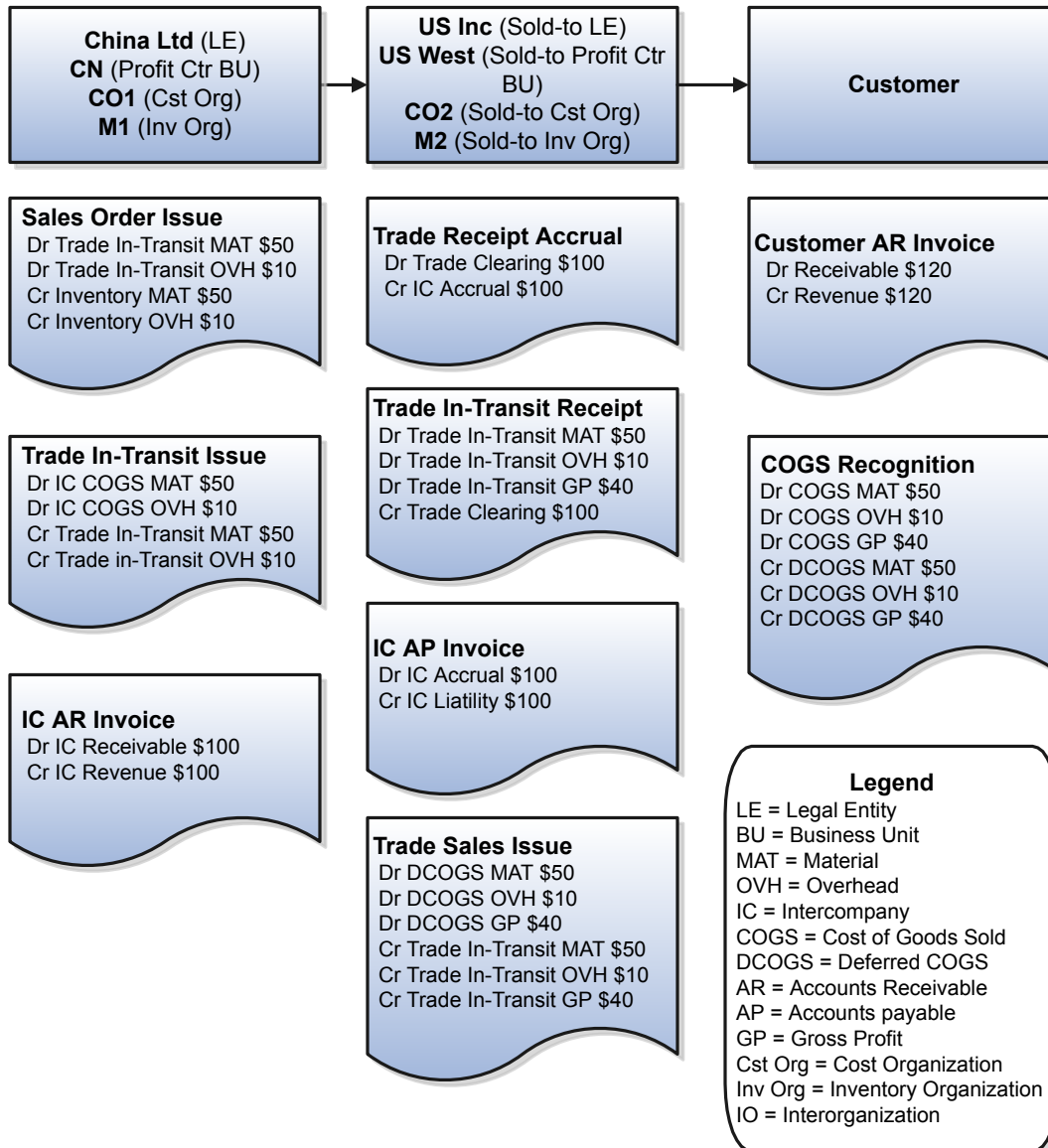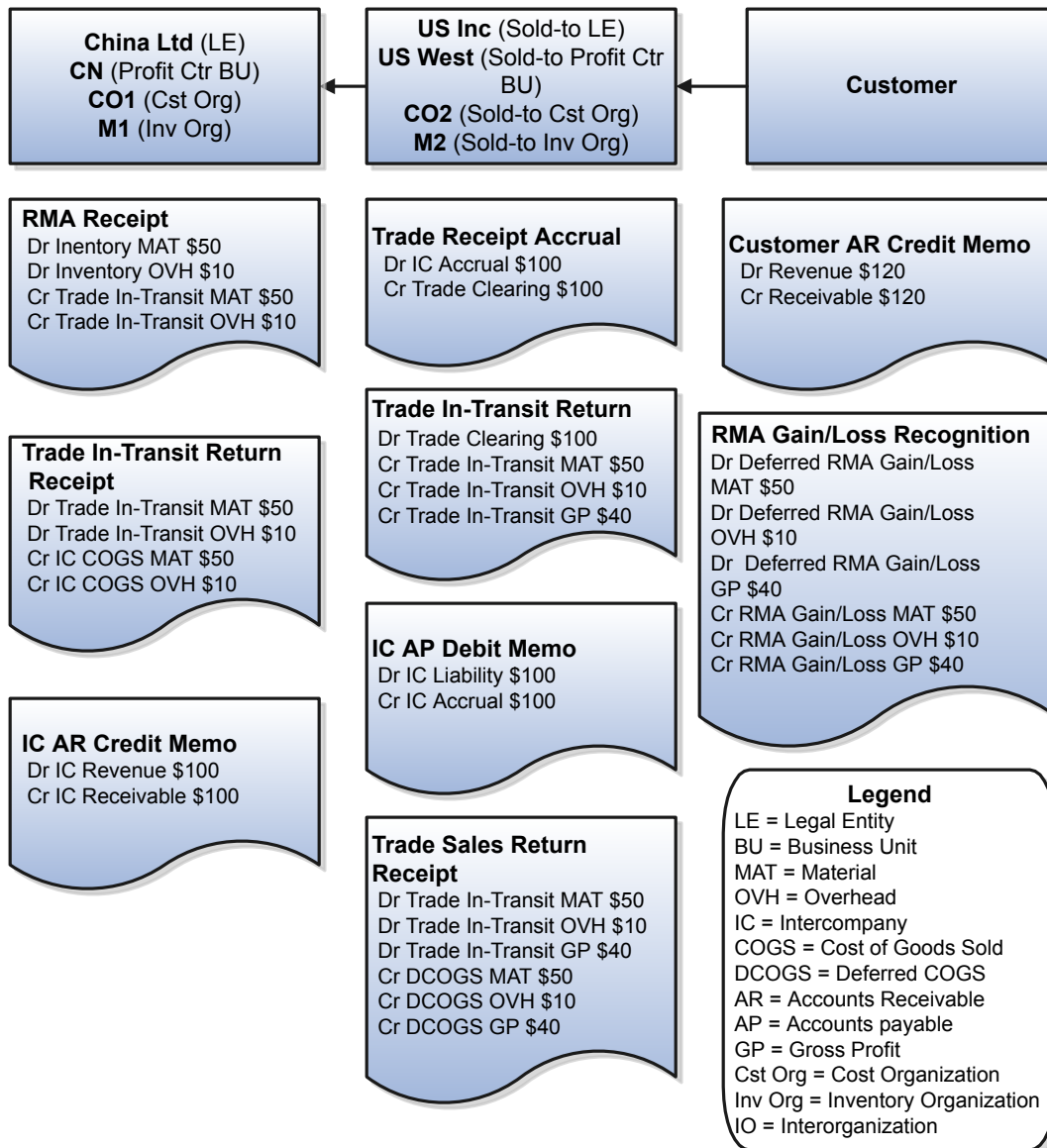
- China Ltd. acquires goods locally at the cost of USD 50, plus USD 10 overhead on the receipt of goods.

- Intercompany transfer price from China Ltd. to US Inc. is USD 100.

- Intercompany invoicing is set to No.

- Profit tracking is set to Yes.

- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in Cost Organization CO1.

- China Ltd. books a profit of USD 40 (USD 100 transfer price - USD 50 acquisition cost - USD 10 overhead).

ORACLE®

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the transfer of goods.

Accounting Entries

The following are accounting entries for the shipment from legal entity China Ltd. to legal entity US Inc.

China Ltd (LE)
CN (Profit Ctr BU)
CO1 (Cst Org)
M1 (Inv Org)

→

US Inc (Receiving LE)
US West (Receiving Profit Ctr BU)
CO2 (Receiving Cst Org)
M2 (Receiving Inv Org)

In-Transit Shipment
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Inventory MAT $50
Cr Inventory OVH $10

Trade Receipt Accrual
Dr Trade Clearing $100
Cr IO Payable $100

Trade In-Transit Issue
Dr IO Receivable $100
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10
Cr IO Gain/Loss $40

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Dr Trade In-Transit GP $40
Cr Trade Clearing $100

Interorganization Receipt
Dr Receiving Inspection $100
Cr Trade In-Transit $100

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
IO = Interorganization

Interorganization Delivery
Dr Inventory MAT $50
Dr Inventory OVH $10
Dr Inventory GP $40
Cr Receiving Inspection $100

Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	In-Transit Shipment	Trade In-Transit	10	USD	Overhead	Current Cost
Cost Accounting	In-Transit Shipment	Inventory	-50	USD	Material	Current Cost
Cost Accounting	In-Transit Shipment	Inventory	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Interorganization Receivable	100	USD		Transfer Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Interorganization Gain/Loss	-40	USD	Gross Profit	Internal Markup

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Interorganization Payable	-100	USD		Transfer Price
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	40	USD	Gross Profit	Internal Markup
Receipt Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		Transfer Price
Receipt Accounting	Interorganization Receipt	Receiving Inspection	100	USD		Transfer Price
Receipt Accounting	Interorganization Receipt	Trade In-Transit	-100	USD		Transfer Price
Cost Accounting	Interorganization Delivery	Inventory	50	USD	Material	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	40	USD	Gross Profit	Internal Markup
Cost Accounting	Interorganization Delivery	Receiving Inspection	-100	USD		Transfer Price

Related Topics

- Accounting of Interorganization Transfers Within the Same Business Unit: Example

- Reviewing Item Costs and Accounting for Global Procurement Trade Transactions: Explained

Accounting of Trade Transactions in Internal Drop Shipments: Example

An internal drop shipment is a trade transaction involving the movement of goods from an inventory organization directly to a customer, yet the business unit that sells the goods to the customer is different from the business unit to which the inventory organization belongs. From the financial standpoint, the business unit to which the inventory organization belongs sells the goods to the other business unit who, in turn, sells the goods to the customer.

The following is an example of accounting performed by Oracle Fusion Cost Accounting and Oracle Fusion Receipt Accounting for an internal drop shipment. It illustrates:

- Transactions that are captured in Oracle Fusion Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the drop shipment flow from the selling organization to the customer of the buying organization.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the customer to the seller.

Scenario

China Ltd. drop ships the goods to the customer of US Inc.

Transactions from Oracle Fusion Supply Chain Financial Orchestration

The trade agreement, accounting rule sets, and associated purchase orders are set up in Oracle Fusion Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

- China Ltd. acquires goods locally at the cost of USD 50, plus USD 10 overhead on the receipt of goods.

- Intercompany transfer price from China Ltd. to US Inc. is USD 100.

- Intercompany invoicing is set to Yes.

- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in Cost Organization CO1.

- US Inc. books a profit of USD 40 (USD 100 transfer price - USD 50 PO price - USD 10 overhead).

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the transfer of goods.

Accounting Entries

The following are accounting entries for the shipment from legal entity China Ltd. to legal entity US Inc.

China Ltd (LE)
CN (Profit Ctr BU)
CO1 (Cst Org)
M1 (Inv Org)

US Inc (Sold-to LE)
US West (Sold-to Profit Ctr BU)
CO2 (Sold-to Cst Org)
M2 (Sold-to Inv Org)

Customer

Sales Order Issue
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Inventory MAT $50
Cr Inventory OVH $10

Trade Receipt Accrual
Dr Trade Clearing $100
Cr IC Accrual $100

Customer AR Invoice
Dr Receivable $120
Cr Revenue $120

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Dr Trade In-Transit GP $40
Cr Trade Clearing $100

Trade In-Transit Issue
Dr IC COGS MAT $50
Dr IC COGS OVH $10
Cr Trade In-Transit MAT $50
Cr Trade in-Transit OVH $10

COGS Recognition
Dr COGS MAT $50
Dr COGS OVH $10
Dr COGS GP $40
Cr DCOGS MAT $50
Cr DCOGS OVH $10
Cr DCOGS GP $40

IC AP Invoice
Dr IC Accrual $100
Cr IC Liatility $100

IC AR Invoice
Dr IC Receivable $100
Cr IC Revenue $100

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
DCOGS = Deferred COGS
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
IO = Interorganization

Trade Sales Issue
Dr DCOGS MAT $50
Dr DCOGS OVH $10
Dr DCOGS GP $40
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10
Cr Trade In-Transit GP $40

Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Sales Order Issue	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	Sales Order Issue	Trade In-Transit	10	USD	Overhead	Current Cost
Cost Accounting	Sales Order Issue	Inventory	-50	USD	Material	Current Cost
Cost Accounting	Sales Order Issue	Inventory	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Intercompany Cost of Goods Sold	10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Current Cost
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD		Transfer Price

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		Transfer Price

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	40	USD	Gross Profit	Internal Markup
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD		Transfer Price
Receipt Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Trade Sales Issue	Deferred Cost of Goods Sold	40	USD	Gross Profit	Internal Markup
Receipt Accounting	Trade Sales Issue	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade Sales Issue	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Trade Sales Issue	Trade In-Transit	-40	USD	Gross Profit	Internal Markup

ORACLE

The customer returns goods directly to China Ltd. The following are accounting entries for the return flow from US Inc (Sold-to Legal Entity) to China Ltd (Legal Entity).

China Ltd (LE)
CN (Profit Ctr BU)
CO1 (Cst Org)
M1 (Inv Org)

US Inc (Sold-to LE)
US West (Sold-to Profit Ctr BU)
CO2 (Sold-to Cst Org)
M2 (Sold-to Inv Org)

Customer

RMA Receipt
Dr Inentory MAT $50
Dr Inventory OVH $10
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

Trade Receipt Accrual
Dr IC Accrual $100
Cr Trade Clearing $100

Customer AR Credit Memo
Dr Revenue $120
Cr Receivable $120

Trade In-Transit Return Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr IC COGS MAT $50
Cr IC COGS OVH $10

Trade In-Transit Return
Dr Trade Clearing $100
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10
Cr Trade In-Transit GP $40

RMA Gain/Loss Recognition
Dr Deferred RMA Gain/Loss MAT $50
Dr Deferred RMA Gain/Loss OVH $10
Dr Deferred RMA Gain/Loss GP $40
Cr RMA Gain/Loss MAT $50
Cr RMA Gain/Loss OVH $10
Cr RMA Gain/Loss GP $40

IC AP Debit Memo
Dr IC Liability $100
Cr IC Accrual $100

IC AR Credit Memo
Dr IC Revenue $100
Cr IC Receivable $100

Trade Sales Return Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Dr Trade In-Transit GP $40
Cr DCOGS MAT $50
Cr DCOGS OVH $10
Cr DCOGS GP $40

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
DCOGS = Deferred COGS
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
IO = Interorganization

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD		Transfer Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-10	USD	Overhead	Sending Organization Cost
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-40	USD	Gross Profit	Internal Markup
Accounts Payable	Intercompany Accounts Payable Debit Memo	Intercompany Liability	100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Debit Memo	Intercompany Accrual	-100	USD		Transfer Price
Receipt Accounting	Trade Sales Return Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade Sales Return Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Trade Sales Return Receipt	Trade In-Transit	40	USD	Gross Profit	Internal Markup
Receipt Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Trade Sales Return Receipt	Deferred RMA Gain/Loss	-40	USD	Gross Profit	Internal Markup

ORACLE®

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	RMA Receipt	Inventory*	50	USD	Material	Current Cost
Receipt Accounting	RMA Receipt	Inventory	10	USD	Overhead	Current Cost
Cost Accounting	RMA Receipt	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	RMA Receipt	Trade In-Transit	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-10	USD	Overhead	Current Cost
Accounts Receivable	Intercompany Accounts Receivable Credit Memo	Intercompany Revenue	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Credit Memo	Intercompany Receivable	-100	USD		Transfer Price

* Inventory is received at the current cost, and the difference between transfer price and cost is booked as cost variance.

Related Topics

- Global Procurement Trade Accounting: Overview

- Reviewing Item Costs and Accounting for Global Procurement Trade Transactions: Explained

- Accounting of Global Procurement Trade Transactions into Inventory: Example

Accounting of Global Procurement Trade Transactions into Expense: Example

Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting process transactions and create distributions for global procurement purchases that are received into expense destinations rather than inventory, and for services that are expensed.

The following is an example of accounting performed by Cost Accounting and Receipt Accounting for a global procurement flow into expense. It illustrates:

- Transactions that are captured in Oracle Fusion Supply Chain Financial Orchestration and interfaced to Receipt Accounting and Cost Accounting.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the forward flow of goods or services from the supplier, through the intermediary distributor, to the final receiving organization.

- Accounting entries that Receipt Accounting and Cost Accounting generate for the return flow from the receiving organization to the supplier.

Scenario

China Supplier ships the goods to US Inc. and the goods flow through an intermediary distributor, China Ltd.

Transactions from Oracle Fusion Supply Chain Financial Orchestration

The global procurement trade agreement, accounting rule sets, and associated purchase orders are set up in Supply Chain Financial Orchestration, and the transactions flow into Receipt Accounting and Cost Accounting based on this setup:

- Purchase Order (PO) price from China Supplier to China Ltd is USD 50.

- Intercompany transfer price from China Ltd to US Inc is USD 100.

- Intercompany invoicing is set to Yes.

- Profit tracking is set to Yes.

- Overhead rule is configured in Cost Accounting for transaction type Trade in-Transit Receipt in cost organization CO1.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions for the forward and return shipment of goods.

Accounting Entries

The following are accounting entries for the forward flow from China Ltd (sold-to legal entity) to US Inc (receiving legal entity).

China Supplier

China Ltd (Sold-to LE)
CN (Sold-to Profit Ctr BU)
CO1 (Sold-to Cst Org)
M1 (Sold-to Inv Org)

US Inc (Receiving LE)
US West (Receiving Profit Ctr BU)
CO2 (Receiving Cst Org)
M2 (Receiving Inv Org)

Trade Receipt Accrual
Dr Trade Clearing $50
Cr Accrual $50

Trade Receipt Accrual
Dr Trade Clearing $100
Cr IC Accrual $100

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Trade Clearing $50
Cr OVH Absorption $10

Trade In-Transit Receipt
Dr Trade In-Transit $100
Cr Trade Clearing $100

Trade In-Transit Issue
Dr IC COGS MAT $50
Dr IC COGS OVH $10
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

PO Receipt
Dr Receiving Inspection $100
Cr Trade In-Transit $100

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization

IC AR Invoice
Dr IC Receivable $100
Cr IC Revenue $100

PO Delivery
Dr Expense $100
Cr Receiving Inspection $100

Supplier Invoice
Dr Accrual $50
Cr Liability $50

IC AP Invoice
Dr IC Accrual $100
Cr IC Liability $100

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	50	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Accrual	-50	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-50	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Receipt	Overhead Absorption	-10	USD		
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Issue	Intercompany COGS	10	USD	Overhead	Overhead Rate
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivable	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	-100	USD		Transfer Price
Receipt Accounting	Supplier Invoice	Accrual	50	USD		PO Price
Receipt Accounting	Supplier Invoice	Liability	-50	USD		PO Price

ORACLE

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	100	USD		Transfer Price
Receipt Accounting	Trade Receipt Accrual	Intercompany Accrual	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	100	USD		Transfer Price
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	-100	USD		Transfer Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD		Transfer Price
Receipt Accounting	PO Receipt	Trade In-Transit	-100	USD		Transfer Price
Receipt Accounting	PO Delivery	Expense	100	USD		Transfer Price
Receipt Accounting	PO Delivery	Receiving Inspection	-100	USD		Transfer Price

US Inc. returns goods directly to China Supplier. The following are accounting entries for the return flow from legal entity US Inc. to legal entity China Ltd .

ORACLE

China Supplier	**China Ltd** (Sold-to LE) **CN** (Sold-to Profit Ctr BU) **CO1** (Sold-to Cst Org) **M1** (Sold-to Inv Org)	**US Inc** (Receiving LE) **US West** (Receiving Profit Ctr BU) **CO2** (Receiving Cst Org) **M2** (Receiving Inv Org)

Trade Return Accrual
Dr Accrual $50
Cr Trade Clearing $50

Trade Return Accrual
Dr IC Accrual $100
Cr Trade Clearing $100

Trade In-Transit Return
Dr Trade Clearing $50
Dr Cost Variance $10
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

Trade In-Transit Return
Dr Trade Clearing $100
Cr Trade In-Transit $100

Trade In-Transit Ret Rec
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr IC COGS MAT $50
Cr IC COGS OVH $10

Return to Receiving
Dr Receiving Inspection $100
Cr Expense $100

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
Ret Rec = Return Receipt

IC AR Invoice
Dr IC Revenue $100
Cr IC Receivable $100

Return to Vendor
Dr Trade In-Transit $100
Cr Receiving Inspection $100

Supplier Invoice
Dr Liability $50
Cr Accrual $50

IC AP Invoice
Dr IC Liability $100
Cr IC Accrual $100

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	100	USD		Transfer Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Trade Clearing	-100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	100	USD		Transfer Price
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-100	USD		Transfer Price
Cost Accounting	Return to Receiving	Receiving Inspection	100	USD		Transfer Price
Receipt Accounting	Return to Receiving	Expense	-100	USD		Transfer Price
Receipt Accounting	Return to Vendor	Trade In-Transit	100	USD		Transfer Price
Receipt Accounting	Return to Vendor	Receiving Inspection	-100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Liability	100	USD		Transfer Price
Accounts Payable	Intercompany Accounts Payable Invoice	Intercompany Accrual	-100	USD		Transfer Price

Receipt Accounting generates distributions under business unit CN and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Return Accrual	Intercompany Accrual	50	USD		PO Price
Receipt Accounting	Trade Return Accrual	Trade Clearing	-50	USD		PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	50	USD		PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Return	Cost Variance*	10	USD		
Cost Accounting	Trade In-Transit Return	Trade In-Transit	-50	USD	Material	PO Price
Cost Accounting	Trade In-Transit Return	Trade Clearing	-10	USD	Overhead	Overhead Rate
Receipt Accounting	Trade In-Transit Return Receipt	Trade In-Transit	50	USD	Material	PO Price
Receipt Accounting	Trade In-Transit Return Receipt	Trade In-Transit	10	USD	Overhead	Overhead Rate
Receipt Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-50	USD	Material	PO Price
Receipt Accounting	Trade In-Transit Return Receipt	Intercompany Cost of Goods Sold	-10	USD	Overhead	Overhead Rate
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Revenue	100	USD		Transfer Price
Accounts Receivable	Intercompany Accounts Receivable Invoice	Intercompany Receivables	-100	USD		Transfer Price
Receipt Accounting	Supplier Invoice	Liability	50	USD		PO Price
Receipt Accounting	Supplier Invoice	Accrual	-50	USD		PO Price

*Inventory is depleted at the current cost, and the difference between transfer price and cost is booked as cost variance.

Related Topics

- Accounting of Global Procurement Trade Transactions into Inventory: Example

- Global Procurement Trade Accounting: Overview

- Reviewing Item Costs and Accounting for Global Procurement Trade Transactions: Explained

ORACLE

Accounting of Interorganization Transfers Within the Same Business Unit: Example

An interorganization transfer is a trade transaction involving the movement of goods or services between organizations in the supply chain. When the transfer occurs between organizations within the same profit center business unit, the transfer is always at cost and there is no intercompany invoicing. Oracle Fusion Cost Accounting creates the trade events and they do not flow through Oracle Fusion Supply Chain Financial Orchestration.

The following is an example of accounting performed by Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting for an interorganization transfer of goods between inventory organizations within the same profit center business unit.

Scenario

Inventory organization M1 makes a transfer of goods to inventory organization M2. Both inventory organizations are under the profit center business unit US West, which is under the legal entity US Inc.

Interorganization Transfer

The cost of goods transferred from M1 to M2 is USD 50 plus overhead of USD 10.

Analysis

Receipt Accounting and Cost Accounting create the following accounting entries for the transfer of goods.

US Inc (Shipping LE)
US West (Shipping Profit Ctr BU)
CO1 (Shipping Cst Org)
M1 (Shipping Inv Org)

US Inc (Receiving LE)
US West (Receiving Profit Ctr BU)
CO2 (Receiving Cst Org)
M2 (Receiving Inv Org)

In-Transit Shipment
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Inventory MAT $50
Cr Inventory OVH $10

Trade Receipt Accrual
Dr Trade Clearing $60
Cr IO Payable $60

Trade In-Transit Receipt
Dr Trade In-Transit MAT $50
Dr Trade In-Transit OVH $10
Cr Trade Clearing $60

Trade In-Transit Issue
Dr IO Receivable $60
Cr Trade In-Transit MAT $50
Cr Trade In-Transit OVH $10

Interorganization Receipt
Dr Receiving Inspection $60
Cr Trade In-Transit $60

Legend
LE = Legal Entity
BU = Business Unit
MAT = Material
OVH = Overhead
IC = Intercompany
COGS = Cost of Goods Sold
AR = Accounts Receivable
AP = Accounts payable
GP = Gross Profit
Cst Org = Cost Organization
Inv Org = Inventory Organization
IO = Interorganization

Interorganization Delivery
Dr Inventory MAT $50
Dr Inventory OVH $10
Cr Receiving Inspection $60

Accounting Entries

Receipt Accounting generates distributions under business unit US West and inventory organization M1. Cost Accounting generates distributions under cost organization CO1 and inventory organization M1.

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	In-Transit Shipment	Trade In-Transit	50	USD	Material	Current Cost
Cost Accounting	In-Transit Shipment	Trade In-Transit	10	USD	Overhead	Current Cost
Cost Accounting	In-Transit Shipment	Inventory	-50	USD	Material	Current Cost
Cost Accounting	In-Transit Shipment	Inventory	-10	USD	Overhead	Current Cost
Cost Accounting	Trade In-Transit Issue	Interorganization Receivable	60	USD		Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-50	USD	Material	Current Cost
Cost Accounting	Trade In-Transit Issue	Trade In-Transit	-10	USD	Overhead	Current Cost

Receipt Accounting generates distributions under business unit US West and inventory organization M2. Cost Accounting generates distributions under cost organization CO2 and inventory organization M2.

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	60	USD		Sending Organization Cost
Receipt Accounting	Trade Receipt Accrual	Interorganization Payable	-60	USD		Sending Organization Cost
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	50	USD	Material	Sending Organization Cost
Receipt Accounting	Trade In-Transit Receipt	Trade In-Transit	10	USD	Overhead	Sending Organization Cost
Receipt Accounting	Trade In-Transit Receipt	Trade Clearing	-60	USD		Sending Organization Cost

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Interorganization Receipt	Receiving Inspection	60	USD		Sending Organization Cost
Receipt Accounting	Interorganization Receipt	Trade In-Transit	-60	USD		Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	50	USD	Material	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Inventory	10	USD	Overhead	Sending Organization Cost
Cost Accounting	Interorganization Delivery	Receiving Inspection	-60	USD		Sending Organization Cost

Related Topics

- Accounting of Interorganization Transfers Across Business Units: Example

- Reviewing Item Costs and Accounting for Global Procurement Trade Transactions: Explained

Reviewing Item Costs and Accounting for Global Procurement Trade Transactions: Explained

Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting process and create accounting distributions for trade transactions in the supply chain.

The following explains how to review the results of global procurement trade transactions processed by Receipt Accounting and Cost Accounting.

Receipt Accounting Results

In the Receipt Accounting work area, access the Review Receipt Accounting Distributions page. On this page you can view accounting details by Source Document Number and Source Document Line Number. Source documents are purchase order schedules, transfer orders, and sales orders.

Cost Accounting Results

In the Cost Accounting work area:

- Access the Review Item Costs page. On this page you can view a breakdown of the cost of items, cost comparisons of items across organizations, and cost trends over time.

- Access the Review Cost Accounting Distributions page. On this page you can view accounting details of trade transactions by Reference Document Number.

Related Topics
- Receipt Accounting Tasks and Accounting Events: Explained

Reviewing Work Order Costs: Procedure

You can review work order costs by product for combinations of cost organization, cost book, and plant on the Review Work Order Costs page. The accounting transactions for work in process balances are displayed, including costs of input, output, scrap, and standard cost variances.

Prerequisites

The following processes should be run in the Scheduled Processes section of the Tools work area before reviewing work order costs.

- Transfer Transactions from Production to Costing
- Transfer Transactions from Inventory to Costing
- Create Cost Accounting Distributions

To review work order costs, perform the following steps.

1. From the Navigator menu, select Cost Accounting.
2. From the Tasks panel, select Review Work Order Costs.
3. Search for the work order records by Cost Organization. You can also filter by Cost Book, Plant, Output Item, Work Order Number, and Work Order Status. The fields are described in the following table.

Field	Description
WIP Balance	The work in process balance is equal to the sum of input and resource costs, minus completions and scrap costs.
Variance Percentage	The difference between actual and standard cost as a percentage of output cost.
Scrap Percentage	The scrap cost as a percentage of total work order cost. The processing of scrap valuation and scrap accounting is determined by the Cost Profile settings for your organization. For more information, see the guide Implementing Manufacturing and Supply Chain Materials Management.
Quantity	The total quantity of issues, returns, or resources.
Amount in Cost Book Currency	The value of input and resources at operation and cost element levels.
Operation Completion Quantity	The total quantity of completions and returns.

Related Topics

- Work Orders: Overview

- Configured Item Work Orders: Explained

- Setting Up a Cost Profile: Procedure

Tax Accounting for Receipt Transactions Process Flow : Explained

To help you comply with tax regulations, Oracle Fusion Receipt Accounting calculates taxes and generates tax distributions for all receipt transactions.

Taxes can be accounted at two points:

- When the goods are received, that is at delivery

- When an accounts payable invoice is created, accounted, or paid

Receipt Accounting receives transactions and related tax determinants from outside sources such as Oracle Fusion Receiving, Inventory, and Accounts Payable. The following discusses:

- Import of tax determinants into Receipt Accounting

- Tax distributions created by Receipt Accounting

- Tax-inclusive inventory valuation by Oracle Fusion Cost Accounting

- Review of tax distributions

```
┌─────────────────────┐                    ┌─────────────────────┐
│     Receiving       │                    │                     │
│                     │                    │     Inventory       │
│  Accounts Payable   │                    │                     │
└─────────────────────┘                    └─────────────────────┘
           │                                          │
           ▼                                          ▼
    ╱─────────────╲                            ╱─────────────╲
   ╱ Transactions  ╲                          ╱               ╲
  ╱   and Tax       ╲                        ╱  Transactions   ╲
  ╲  Determinants   ╱                        ╲                 ╱
   ╲───────────────╱                          ╲───────────────╱
           │                                          │
           ▼                                          ▼
┌─────────────────────┐                    ┌─────────────────────┐
│      Receipt        │                    │       Cost          │
│    Accounting       │                    │    Accounting       │
└─────────────────────┘                    └─────────────────────┘
           │                                          │
           ▼                                          ▼
┌─────────────────────┐                    ┌─────────────────────┐
│   Create Receipt    │       Tax          │ Create Cost         │
│Accounting Distributions│  Calculations   │ Accounting          │
│ and Calculate Taxes │─────────────────▶ │ Distributions       │
│                     │                    │ ┌─────────────────┐ │
│                     │                    │ │ Acquisition Cost│ │
│                     │                    │ │   Processor     │ │
│                     │                    │ └─────────────────┘ │
└─────────────────────┘                    └─────────────────────┘
           │                                          │
           ▼                                          ▼
┌─────────────────────┐                    ┌─────────────────────┐
│   Review Receipt    │                    │ Review Cost         │
│Accounting Distributions│                 │ Accounting          │
│  and Tax Details    │                    │ Distributions and   │
│                     │                    │ Inventory Valuation │
└─────────────────────┘                    └─────────────────────┘
```

Import of Tax Determinants

Import transactions and related tax determinants from outside sources on the Scheduled Processes page in the Scheduled Processes work area.

Run the following processes:

- Select the Transfer Transactions from Receiving to Receipt Accounting process to import receipt transactions into Receipt Accounting.

ORACLE®

- Select the Transfer Costs to Cost Management process to import accounts payable transactions into Receipt Accounting and Cost Accounting.

Tax Distributions by Receipt Accounting

The Receipt Accounting Processor calls the Tax Application Programming Interface to calculate transaction taxes based on imported tax determinants. The processor also generates tax distributions for receipt transactions.

Run the Receipt Accounting Processor on the Create Receipt Accounting Distributions page in the Receipt Accounting work area.

Tax-Inclusive Inventory Valuation by Cost Accounting

The Cost Accounting Processor uses tax results generated by Receipt Accounting to calculate inventory acquisition costs including nonrecoverable taxes.

Run the Cost Accounting Processor on the Create Cost Accounting Distributions page in the Cost Accounting work area.

Review of Tax Distributions

On the Review Receipt Accounting Distributions page in the Receipt Accounting work area view results of the Receipt Accounting Processor:

- Distributions and journal entries for receipt transactions

- Tax determinants accessed by clicking the links in the Tax Determinants column

- Transaction taxes accessed by clicking the Transaction Unit Cost links in the Cost Information tab

On the Review Cost Accounting Distributions page in the Cost Accounting work area view results of the Cost Accounting Processor:

- Distributions and journal entries for inventory transactions

- Inventory unit costs including taxes in the Cost Information tab

Related Topics

- Tax Accounting for a Simple Procurement Transaction: Example

- Tax Accounting for a Consigned Inventory Transaction: Example

- Tax Accounting for a Purchase Order Retroactive Price Change: Example

- What's the difference between recoverable and nonrecoverable taxes?

Tax Accounting for a Simple Procurement Transaction: Example

This example illustrates tax accounting performed by Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting for a simple procurement transaction that uses a tax point basis of delivery, that is, taxes are accounted at receipt of the goods.

Scenario

The supplier makes a shipment to the inventory organization based on a purchase order (PO) for USD 1,000, with the following tax details:

- Tax A delivery basis = 10%. Recoverable and nonrecoverable portions are both 50%

- Tax B invoice basis = 20%. Recoverable and nonrecoverable portions are both 50%

Tax Details at Receipt and Invoice

Tax details at the time of receipt of goods are:

- Tax A delivery basis = 15%, which is changed from 10% estimated at the time of purchase order. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 75 (that is, USD 1,000 * 15% * 50%).
- Tax B invoice basis = 25%, which is changed from 20% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 125 (that is, USD 1,000 * 25% * 50%).

Tax details at the time of invoice are:

- Tax A delivery basis = 20%, which is changed from 15% reported and accounted on receipt. Recoverable and nonrecoverable portions are both 50%, however taxes are not recalculated because this transaction uses a tax point basis of delivery.
- Tax B invoice basis = 30%, which is changed from 25% estimated on receipt. Recoverable and nonrecoverable portions are both 50%, which is equal to USD 150.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions when the goods are received and when the invoice is accounted.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Receiving Inspection	1,000	USD	Material	PO Price
Receipt Accounting	PO Receipt	Receiving Inspection	75	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	PO Receipt	Tax Recoverable	75	USD	Tax	Tax A Delivery-Based Recoverable: USD 1,000 * 15% * 50%
Receipt Accounting	PO Receipt	Receiving Inspection	125	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 25% * 50%
Receipt Accounting	PO Receipt	Supplier Accrual	-1,275	USD		

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	PO Delivery	Inventory Valuation	1,200*	USD		
Cost Accounting	PO Delivery	Receiving Inspection	-1,200*	USD		

*PO price plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the supplier when invoice is created:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	1,275	USD		
Accounts Payable	Invoice	Tax Recoverable	150	USD	Tax	Tax B Invoice-Based Recoverable: USD 1,000 * 30% * 50%
Accounts Payable	Invoice	Tax B Rate Variance*	25	USD		Difference between tax estimated at 25% and actual calculated at 30%
Accounts Payable	Invoice	Supplier Liability	-1,450	USD		

*Tax variance due to the difference between rates at time of delivery versus invoice.

Receipt Accounting and Cost Accounting generate the following accounting entries when invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Invoice Price	Receiving Inspection	25	USD		
Receipt Accounting	Invoice Price Adjustment	Tax B Rate Variance*	-25	USD		

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation**	25	USD		
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-25	USD		

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

**Inventory acquisition cost adjustment for nonrecoverable tax B.

Related Topics
- What's the difference between recoverable and nonrecoverable taxes?
- What's a tax point basis?
- Tax Accounting for Receipt Transactions Process Flow : Explained

Tax Accounting for a Consigned Inventory Transaction: Example

This example illustrates tax accounting performed by Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting for a consigned inventory transaction in the supply chain. This transaction uses a tax point basis of delivery, that is, taxes are accounted at receipt of the goods.

Scenario

The supplier makes a consigned shipment to the inventory organization based on a consigned purchase order (PO) for USD 1,000 with the following tax details:

- Tax A delivery basis = 10%. Recoverable and nonrecoverable portions are both 50%
- Tax B invoice basis = 20%. Recoverable and nonrecoverable portions are both 50%

Tax Details at Receipt and Invoice

Tax details at the consigned receipt of goods are:

- Item value = USD 1,000
- Tax A delivery basis = 15%, which is changed from 10% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, or USD 75, that is, USD 1,000 * 15% * 50%.
- Tax B invoice basis = 25%, which is changed from 20% estimated at the time of PO. Recoverable and nonrecoverable portions are both 50%, or USD 125, that is, USD 1,000 * 25% * 50%.

Tax details at the time of invoice are:

- Item value = USD 1,000
- Tax A delivery basis = 20%. Recoverable and nonrecoverable portions are both both 50%, however taxes are not recalculated because this transaction uses a tax point basis of delivery.

- Tax B invoice basis = 30%, which is changed from 25% estimated at the time of receipt. Recoverable and nonrecoverable portions are both 50%, or USD 150.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions when the consigned good are received, when the status changes from consigned to owned, and when the invoice is accounted.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt of consigned goods:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	1,000	USD	Material	PO Price
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	75	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	Consigned PO Receipt	Consigned Clearing	125	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 25% * 50%
Receipt Accounting	Consigned PO Receipt	Consigned Accrual	-1,200	USD		
Cost Accounting	Consigned PO Delivery	Consigned Inventory*	1,200	USD		
Receipt Accounting	Consigned PO Delivery	Consigned Clearing	-1,200	USD		

*PO price plus nonrecoverable taxes A and B.

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of change of status from consigned to owned stock:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	1,000	USD	Material	PO Price

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	75	USD		Tax A Delivery-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	Consigned Receipt Consumption	Consigned Accrual	125	USD		Tax B Invoice-Based Nonrecoverable: USD 1,000 * 15% * 50%
Receipt Accounting	Consigned Receipt Consumption	Consigned Clearing	-1,200	USD		
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	1,000	USD	Material	PO Price
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	75	USD	Nonrecoverable Tax	Tax A Delivery-Based Nonrecoverable
Cost Accounting	Transfer to Owned Issue	Consigned Inventory Offset	125	USD	Nonrecoverable Tax	Tax B Invoice-Based Nonrecoverable
Cost Accounting	Transfer to Owned Issue	Consigned Inventory	-1,200	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	1,000	USD		PO Price
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	75	USD		Tax A Delivery-Based Nonrecoverable
Receipt Accounting	Trade Receipt Accrual	Trade Clearing	125	USD		Tax B Invoice-Based Nonrecoverable
Receipt Accounting	Trade Receipt Accrual	Tax Recoverable*	75	USD		Tax A Delivery-Based Recoverable
Receipt Accounting	Trade Receipt Accrual	Supplier Accrual	-1,275	USD		

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	1,000	USD		PO Price
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	75	USD		Tax A Delivery-Based Nonrecoverable
Cost Accounting	Trade In-Transit Receipt	Trade In-Transit	125	USD		Tax B Invoice-Based Nonrecoverable
Cost Accounting	Trade In-Transit Receipt	Trade Clearing	-1,200	USD		
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	1,000	USD	Material	PO Price
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	75	USD	Nonrecoverable Tax	Tax A Delivery-Based Nonrecoverable
Cost Accounting	Transfer to Owned (Receipt)	Inventory Valuation	125	USD	Nonrecoverable Tax	Tax B Invoice-Based Nonrecoverable
Cost Accounting	Transfer to Owned (Receipt)	Trade In-Transit	-1,200	USD		

*Delivery-based recoverable tax A is calculated on consigned receipt but will be accounted after ownership change event.

Accounts Payable generates the following accounting entries when the invoice is created:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	1,275	USD		
Accounts Payable	Invoice	Tax B Recovery	150	USD		Tax B Invoice-Based Recoverable
Accounts Payable	Invoice	Tax B Rate Variance*	25	USD		

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts payable	Invoice	Supplier Liability	-1,450	USD		

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

Receipt Accounting and Cost Accounting generate the following accounting entries when invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Invoice Price Adjustment	Trade Clearing	25	USD		
Receipt Accounting	Invoice Price Adjustment	Tax B Rate Variance*	-25	USD		
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation**	25	USD		
Cost Accounting	Acquisition Cost Adjustment	Trade Clearing	-25	USD		

*Tax variance due to the difference between tax rates at time of delivery versus invoice.

**Inventory acquisition cost adjustment for nonrecoverable tax B.

Related Topics

- Tax Accounting for Receipt Transactions Process Flow : Explained

- What's the difference between recoverable and nonrecoverable taxes?

- What's a tax point basis?

Tax Accounting for a Purchase Order Retroactive Price Change: Example

This example illustrates tax accounting performed by Oracle Fusion Receipt Accounting and Oracle Fusion Cost Accounting for a retroactive price change on a purchase order (PO) receipt that is partially invoiced.

Scenario

The supplier makes a shipment to the inventory organization based on a purchase order for 10 units, at a per unit price of USD 100. After receipt of the goods, a partial invoice is created for 2 units at USD 100 per unit.

The purchase order price changes retroactively from USD 100 to USD 120. The remaining balance of 8 units is invoiced at USD 120 per unit.

Tax Details

This transaction uses a tax point basis of delivery, that is, taxes are accounted at the time of receipt of goods.

Taxes details are the same after the retroactive price change on the PO:

- Tax A delivery basis = 20%. Recoverable and nonrecoverable portions are both 50%.

- Tax B invoice basis = 30%. Recoverable and nonrecoverable portions are both 50%.

Analysis

Receipt Accounting and Cost Accounting create accounting distributions at the time of receipt of goods, after the retroactive purchase order price change, and for the differential invoice.

Tax Accounting Entries

Receipt Accounting and Cost Accounting generate the following accounting entries at the time of receipt of goods:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	PO Receipt	Receiving Inspection	1,000	USD	Material	PO Price
Receipt Accounting	PO Receipt	Receiving Inspection	100	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 1,000 * 20% * 50%
Receipt Accounting	PO Receipt	Tax Recoverable (Tax A)	100	USD	Tax	Tax A Delivery-Based Recoverable: USD 1,000 * 20% * 50%
Receipt Accounting	PO Receipt	Receiving Inspection	150	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 1,000 * 30% * 50%
Receipt Accounting	PO Receipt	Supplier Accrual	-1,350	USD		
Cost Accounting	PO Delivery	Inventory Valuation	1,250*	USD		
Cost Accounting	PO Delivery	Receiving Inspection	-1,250*	USD		

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount

*PO price plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the supplier when partial invoice is accounted:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	270*	USD		Item Price plus Nonrecoverable Taxes A and B for 2 units = USD 1,350/10 * 2
Accounts Payable	Invoice	Tax Recoverable	30	USD	Tax	Tax B Invoice-Based Recoverable: USD 200 * 30% * 50%
Accounts Payable	Invoice	Supplier Liability	-300	USD		

*Accrual is debited to the extent of quantity invoiced, which is 2 units.

Receipt Accounting and Cost Accounting generate the following accounting entries after the retroactive purchase order price change:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	160*	USD		USD 120 - USD 100 * uninvoiced quantity of 8 units
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	16	USD	Tax	Tax A Delivery-Based Nonrecoverable: USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Tax Recoverable (Tax A)	16	USD	Tax	Tax A Delivery-Based Recoverable:

ORACLE®

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
						USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Receiving Inspection	24	USD	Tax	Tax B Invoice-Based Nonrecoverable: USD 160 * 20% * 50%
Receipt Accounting	Retroactive Price Adjustment	Supplier Accrual	-216	USD		
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation	200**	USD		
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-200	USD		

*Retroactive price adjustment accounted only for the uninvoiced quantity, that is, 10 units received minus 2 units invoiced = 8 units uninvoiced.

** Retroactive PO price change plus nonrecoverable taxes A and B.

Accounts Payable generates the following accounting entries for the balance of 8 units:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Supplier Accrual	960	USD		Item Price USD 120 * 8
Accounts Payable	Invoice	Supplier Accrual	96	USD		Tax A Delivery-Based Nonrecoverable: USD 120 * 8 * 20% * 50%
Accounts Payable	Invoice	Supplier Accrual	96	USD		Tax A Delivery-Based Recoverable: USD 120 * 8 * 20% * 50%
Accounts Payable	Invoice	Supplier Accrual	144	USD		Tax B Invoice-Based Nonrecoverable: USD 120 * 8 * 30% * 50%

ORACLE

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Recoverable Tax B	144	USD		Tax B Invoice-Based Recoverable: USD 120 * 8 * 30% * 50%
Accounts Payable	Invoice	Supplier Liability	-1,440	USD		

Accounts Payable generates the following accounting entries for the original invoice quantity of 2 units at the revised PO price:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Accounts Payable	Invoice	Invoice Price Variance	40	USD		Difference in PO Item Price USD 20 * 2
Accounts Payable	Invoice	Tax Invoice Price Variance Tax A	4	USD		Tax A Delivery-Based Nonrecoverable
Accounts Payable	Invoice	Tax Invoice Price Variance Tax B	6	USD		Tax B Invoice-Based Nonrecoverable
Accounts Payable	Invoice	Recoverable Tax A	4	USD		Tax A Delivery-Based Recoverable
Accounts Payable	Invoice	Recoverable Tax B	6	USD		Tax B Invoice-Based Recoverable
Accounts Payable	Invoice	Supplier Liability	-60	USD		

Cost Accounting and Receipt Accounting generate the following accounting entries for the differential invoice:

Subledger	Event Type	Accounting Line Type	Amount in Functional Currency +Dr/-Cr	Functional Currency	Cost Element	Basis of Amount
Receipt Accounting	Invoice Price Adjustment	Receiving Inspection	50	USD		
Receipt Accounting	Invoice Price Adjustment	Invoice Price Adjustment	-40	USD		
Receipt Accounting	Invoice Price Adjustment	Tax Invoice Price Adjustment	-10*	USD		
Cost Accounting	Acquisition Cost Adjustment	Inventory Valuation	50**	USD		
Cost Accounting	Acquisition Cost Adjustment	Receiving Inspection	-50	USD		

*Nonrecoverable taxes A and B on the differential invoice price.

**Difference between invoice price and nonrecoverable taxes A and B.

Related Topics

- What's the difference between recoverable and nonrecoverable taxes?

- What's a tax point basis?

- Tax Accounting for Receipt Transactions Process Flow : Explained

FAQs for Record, Audit, and Review Cost Accounting

What happens if the cost processors are running transactions for several cost organization books involving interorganization transfers?

The cost processor can run the transactions for several cost organization books concurrently and iteratively, until all dependencies caused by interorganization transfers are resolved.

For example, assume that there is an interorganization transfer from cost organization book B to cost organization book A. The cost processor runs the transactions for cost organization book B first, and cost organization book A second. This process is reiterated until all interorganization transfers are accounted for.

Is the accounting date of a transaction always the same as the costing date?

The accounting date of a transaction is generally the same as the costing date, but there may be exceptions; for example, if the costing period is already closed, then the distribution processor sets the accounting date to the next open period.

The accounting transaction is submitted to the general ledger application through the subledger accounting application. If the general ledger period for the accounting date is closed when the accounting transaction is submitted, then the transaction is rejected and returned with an error. The cost processor then automatically proposes a new accounting date in the next open period, and resubmits the revised accounting transaction to the general ledger through subledger accounting.

How can I post cost distributions and journal entries to the general ledger?

First run the cost distribution processor to generate distributions for inventory transactions on the Create Cost Accounting Distributions page. Then create the related subledger journal entries on the Create Entries for Cost Accounting page.

Execute these processes one at a time, or set them up to execute automatically on a prescheduled basis.

How can I create subledger account rules and subledger journal entry rule sets for cost management?

Create your subledger account rules on the **Manage Account Rules** page. It is recommended that you highlight the account rules predefined by Oracle, copy, and modify them as needed.

Create your subledger journal entry rule sets on the **Manage Subledger Journal Entry Rule Sets** page. It is recommended that you highlight the journal entry rule sets predefined by Oracle, copy, and modify them as needed. For each journal line rule specify the copied account combination rule.

Access both the **Manage Account Rules** page and **Manage Subledger Journal Entry Rule Sets** page from an Oracle Fusion Applications Functional Setup Manager implementation project.

> ✏ **Note:** You must customize the predefined account rules and journal entry rule sets before proceeding with the setup of subledger accounting rules for cost management.

What happens during cost processing when an inventory organization is missing setup information?

If the setup information is incomplete for an inventory organization that is directly tied to the cost organization in the process run, the missing information is flagged as an error on the Review Cost Accounting Processes page, and the process fails.

If the setup information is incomplete for an inventory organization that is not directly tied to the cost organization in the process run, the missing information is flagged as a warning, but the process is completed.

Examples of setup information that may be missing are the association of the inventory organization with a cost organization, the assignment of a cost book to the cost organization, the assignment of a cost profile to the item, or the assignment of a valuation unit to the cost organization.

How can I diagnose problems with item cost data that is missing or incorrect?

After interfacing the inventory transaction data, you can run the Item Cost Data Collection Test from the **Help - Supportability** menu.

What are the accounting distribution basis options for consigned inventory transactions?

You can perform cost accounting of consigned inventory transactions using zero value or actual cost. Typically, the valuation on the balance sheet for supplier-owned consigned inventory is zero. But you may sometimes want to perform accounting using actual cost. In either case, the inventory valuation reports always display the pro forma value of consigned goods.

Select the accounting distribution basis for consigned inventory on the Manage Cost Profiles page in the Setup and Maintenance work area.

What's a tax point basis?

A point in the receipt transaction process where taxes are accounted and reported to the tax authorities. These can be classified into two categories: delivery-based and invoice-based tax points.

Delivery-based taxes are accounted and reported on the receipt transaction. Invoice-based taxes are accounted and reported when the supplier invoice is created, accounted, or paid.

What's the difference between recoverable and nonrecoverable taxes?

Recoverable taxes are indirect taxes that are paid on the purchase of goods or services. Taxes can be claimed as credit against the taxes that are payable by the tax payer.

Nonrecoverable taxes are indirect taxes that are paid on the purchase of goods or services. These taxes are accrued and added to the purchase order price of the goods or services.

What's the difference between inclusive basis and exclusive basis in tax calculations?

Inclusive taxes are included in the assessable value or purchase price. For example:

- PO amount: USD 100

- Inclusive tax rate: 10%

- Tax: 100/1.10 = USD 9.09 (distribution amount divided by (1 + tax rate))

Exclusive taxes are added to the purchase price or assessable value. For example:

- PO amount: USD 100

- Exclusive tax rate: 10%

- Tax: 100*0.10 = USD 10.00 (distribution amount multiplied by tax rate))

What's the difference between taxes that are self-assessed and not self-assessed?

Self-assessed taxes are remitted directly to the government.

Taxes that are not self-assessed are paid to the supplier.

Analyze Product Costs

Reviewing Item Costs: Explained

On the Review Item Costs page view the perpetual average cost, actual cost, or standard cost details of items, chart cost trends, and compare cost records.

The options available for analyzing item costs are:

- Cost details
- Transaction costs
- Cost comparisons

Cost Details

View the perpetual average cost, actual cost, or standard cost of an item for combinations of a cost organization, cost book, and valuation unit. View these costs for a current date or any date in the past.

The Cost Details page displays additional information on:

- Cost breakdown: the item cost details for a receipt record. The breakdown is available by cost element, cost element type, and analysis group.

- Cost history: the cost trend of an item over a period of time.

- Depletions: the layer consumption for issues out of a receipt record.

- Cost information: the cost details from the source transaction for a receipt record.

Transaction Costs

Select a time frame to view the perpetual average cost, actual cost, or standard cost history of an item, or specify the number of days for the moving average cost calculation.

For each transaction contributing to the item cost history, you can view the cost elements, transaction source, document number, quantity on hand prior to the transaction, transaction date, and transaction quantity.

Cost Comparisons

Compare the cost details for up to six records of:

- Several items

- One item across several cost organizations or cost books

- One item over a period of time

Related Topics

- Cost Elements and Analysis Groups: Explained

- Cost Components, Cost Elements, and Cost Component Groups: How They Work Together

Standard cost variances arise when the transaction cost of an item differs from the standard cost. The variances could indicate anomalies in the business process that should be addressed. Or they may signal that the standard cost is unrealistic, leading to over or understatement of inventory value. In this case, you will want to update the standard cost.

This figure illustrates the stages of:

- Processing standard cost transactions

- Reviewing the resulting standard cost variances

- Updating standard costs

These tasks are performed in the Cost Accounting work area.
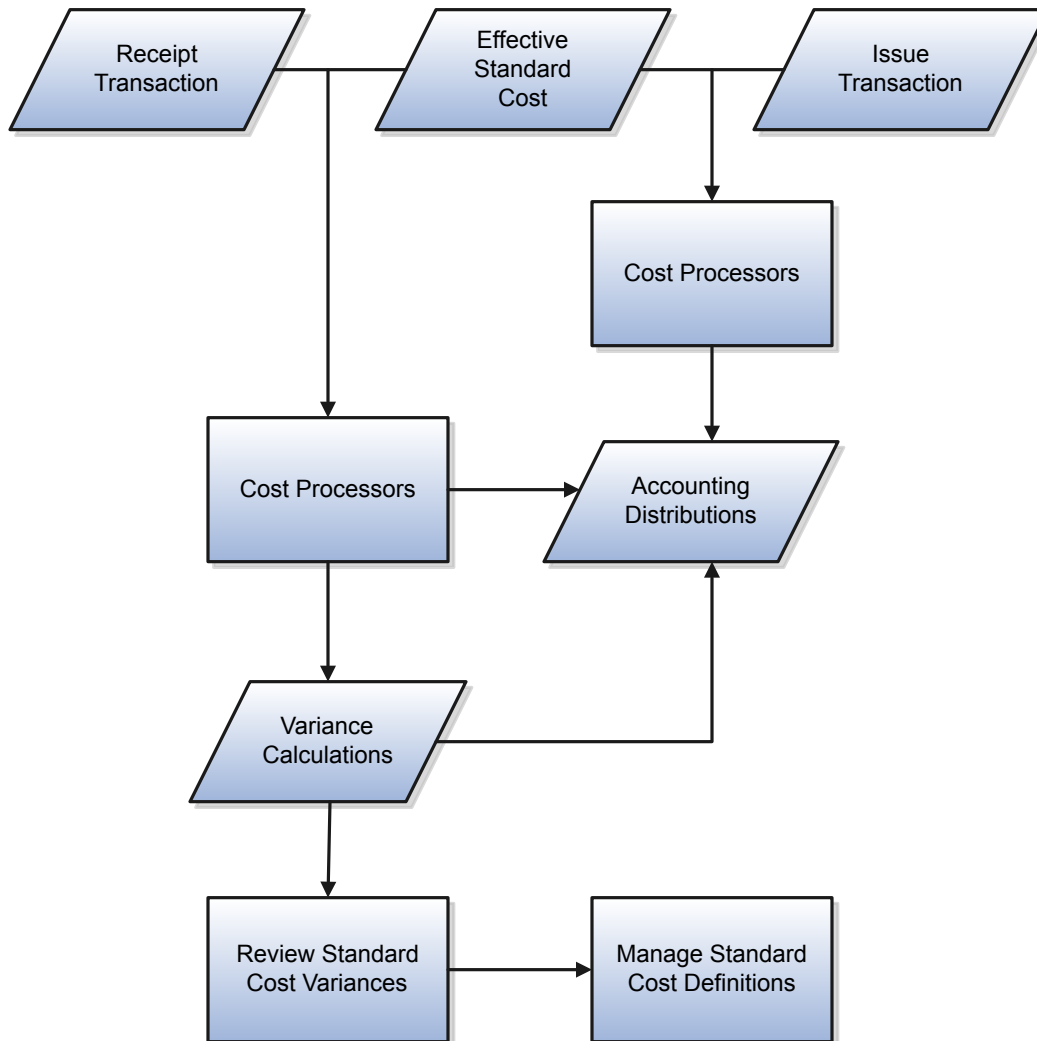
Processing Standard Cost Transactions

On the Create Cost Accounting Distributions page, run the Cost Processor to calculate costs for all receipt and issue transactions using the standard cost method. For receipt transactions, if the standard costs differ from actual transaction costs, the Cost Processor also calculates variances, such as purchase price variance, invoice price variance, or transfer price variance.

On this page also run the Cost Distribution Processor to generate the accounting distributions related to the transaction costs and the calculated variances.

ORACLE®

Reviewing Standard Cost Variances

The Cost Accounting Overview page, Variance Summary tab provides a view of total variances at the cost organization book level, for a user-specified time range. Use the pie chart to see what top items are contributing to these variances. This will help to prioritize the standard costs that require review. Use the historical trend graph to identify any cost patterns that should be investigated. Click on any of the total variance links to go to the Review Standard Cost Variances page. You can also access this page directly from the Cost Accounting work area.

On the Review Standard Cost Variances page you can drill down into more variance details at the item level, valuation unit level, and individual transaction level.

Updating Standard Costs

Based on analysis of variances, and knowledge of upcoming cost changes, you may wish to revise the standard costs you use for cost accounting purposes. You can update standard costs on the Manage Cost Planning Scenarios page. Select your Material Cost Plan, Resource Rate Plan, Overhead Rate Plan, and your Work Definition selection criteria. You can perform cost rollup, review results, make corrections, then review your results and repeat until you are satisfied with the new standard costs. After you have reviewed your costs, in the Cost Planning Scenario you can Publish Costs to Cost Accounting. The new standard costs that you publish can take effect on a future date. The Create Cost Accounting Distributions process will then automatically update your previous standard costs and create accounting entries to revalue inventory to the new standard costs on the effective date of the new standard costs.

Related Topics

- Standard Cost Method: Explained

- Standard Cost Accounting Distributions: Examples

3   **Manage Landed Costs**

Landed Cost Management: Overview

Oracle Fusion Landed Cost Management gives your organization financial visibility into your extended supply chain costs that includes transportation and handling fees, insurance, duties, and taxes. These types of charges can compose a significant portion of the cost of an item. Landed Cost Management enables you to incorporate the charges accurately into overall financial processes and decision-making activities. Landed Cost Management initially estimates these costs and later updates them with actual amounts as they become known, allocating them to shipments, orders, and products. This enables you to maximize profits, improve visibility into outstanding liabilities, enhance competitiveness, and ensure that complex trade activities are compliant with regulatory mandates.

Landed Cost Management performs three main tasks:

- Capture Charges: Landed Cost Management provides the capability to capture charges such as freight, insurance, and so on. These charges are captured and grouped under an entity called trade operation. A trade operation is a logical entity that denotes a single instance of a business transaction or process in which you would like to capture all the charges. An example of this is a single shipment or container.

- Perform Allocations: Material PO schedules are associated to charges. This denotes the PO schedules that are part of the trade operation or that are impacted by this trade operation. After the PO schedules are referenced to charges on the trade operation, the charge amount is distributed and allocated to the respective PO schedules and further on to the receipts that are performed on those schedules.

- Create Accounting: The final step is to account for all the charges that were incurred. This is done by transferring all the charge information to Receipt Accounting and Cost Accounting.

Landed Cost Management interfaces with the following applications:

- Oracle Fusion Purchasing: Landed Cost Management receives the material purchase order (PO) information. The trade operation charges are associated with the PO schedules and allocated proportionately to the PO schedules and receipts.

- Oracle Fusion Receipt Accounting: Tasks performed when managing landed costs use data from Receipt Accounting, and Receipt Accounting will create the accounting entries to accrue landed cost charges.

- Oracle Fusion Cost Management: Charges from Landed Cost Management are absorbed as part of the item cost in Cost Management. After the goods are delivered to inventory, the landed cost charges are absorbed into inventory valuation.

- Oracle Fusion Tax: Taxes may be applicable on the charges coming from Landed Cost Management. The charges are defined in Landed Cost Management. Taxes are automatically calculated, when applicable, by calling the Tax application.

- Oracle Fusion Payables: In most cases, suppliers send invoices for the services they provide (particularly for freight). When these invoices relate to charges defined in a landed cost Trade Operation, it is possible to automatically associate an invoice amount to a landed cost charge applied to a receipt. For example, when a receipt of items is performed, the bill of lading number from the freight supplier is specified in the receipt. Then when the freight supplier invoice is processed, the invoice line references that bill of lading number. When the freight supplier invoice is interfaced to the landed cost application, the bill of lading number that is common to the receipt and invoice lines is automatically associated. As a result, the landed cost application compares the estimated amount of freight charge in the receipt to the actual amount of freight charge billed in the invoice, and adjusts the cost of the receipt for any calculated cost variance.

Implementing Oracle Fusion Receipt Accounting is a prerequisite for Landed Cost Management. Implementing Oracle Fusion Cost Accounting is optional. If you implement Cost Accounting, the landed cost charges are also visible in Cost Accounting. Several options are available for implementing Landed Cost Management, based on the source of these landed cost charges. You can implement a combination of one or more of these options where the source of the landed cost charges can be:

- A payable invoice from a service provider or supplier

- A supplier purchase order for the service

- An estimate provided by a supplier or any other source

Trade Operations: Explained

Create trade operations to capture landed cost charges associated with purchase order receipts of material. A trade operation is an entity that is used to group landed cost charges expected to be incurred for material shipments. You can create a trade operation for an upcoming shipment to capture the landed cost charges incurred for that shipment. You can also create the trade operation after the actual shipment. A trade operation can contain charges from one or more service providers in multiple currencies. Trade operations are created in the Landed Costs work area on the Manage Trade Operations page.

Create a Trade Operation Template to pre-populate the main fields in Trade Operations for repeat purchases. Templates define the structure for the trade operation, such as charges, reference types, routes, currency, and taxes.

To create a trade operation, perform the following steps.

1. From the Navigator menu, select Landed Costs.
2. From the Tasks panel, select Manage Trade Operations.
3. Click Create Trade Operation and complete the required fields. The fields are described in the following table.

Field	Description
Charge BU	The requisitioning business unit for the charge.
Charge Basis	The level where the charge is captured. The charge basis options are as follows: - Aggregate. If the charge is the total amount, use Allocation Basis to specify allocation. - Per Unit. Fixed rate per unit of items. The charge is entered in the Rate field. - Percentage of Item Price. A percentage of the full item price. The charge is entered in the Rate field. - Percentage of Other Charges. Percentage of another charge in the Trade Operation. This is a good way to model tax applying to another charge. The charge is entered on the Related Charges lines as follows: -Item Value of the source charge -Percentage of charge amount - Variable Per Unit. Similar to Per Unit but specified against a specific purchase order line schedule. There may be different rates in a charge for different schedules. The Rate is defined directly at the purchase order schedule level associated with the charge line. - Variable Percentage of Item Price. Similar to Percentage of Item Price but specified against a specific purchase order line schedule. There may be different percentages in a charge for different schedules. The Rate is defined directly at the purchase order schedule level associated with the charge line.

Field	Description
Allocation Basis	The basis used to allocate the charge to purchase order schedules. The allocation basis options are as follows: • Equally. The aggregate charge value is allocated equally across purchase order schedules associated with a charge line. • Quantity. The aggregate charge value is allocated in the ratio of quantities present on each of the purchase order schedules. • Volume. The aggregate charge value is allocated in the ratio of volumes (represented in terms of the Base UOM) present on each of the purchase order schedules. • Weight. The aggregate charge value is allocated in the ratio of weights (represented in terms of the Base UOM) present on each of the purchase order schedules. • Item Value. The aggregate charge is allocated in the ratio of item value (purchase order price multiplied by quantity) present on purchase order schedules. • Manual Allocation Factor. The aggregate charge is allocated to the purchase order schedules based on the manual factor provided by the user at purchase order schedule level on the charge line.
Value	Identification of associated charge reference, such as bill of lading.

Managing Trade Operation Templates: Explained

You can create a trade operation from a trade operation template to streamline the process. Trade operation templates can be used for repeat purchases. Create a template if you need to create a similar trade operation multiple times. This helps to ensure consistency. Trade operation templates contain information about the supplier, charge lines, reference types, routes, and other related information. Whenever a trade operation is created by using a template, all this information is copied to the trade operation. The user can modify the copied information where required. Trade operation templates are managed in the Landed Cost Management work area on the Manage Trade Operation Templates page.

Creating Estimate Landed Costs: Procedure

You can use a Trade Operation to simulate and estimate landed cost charges associated with purchase order receipts of material. You can create a trade operation for an upcoming shipment to capture the landed cost charges incurred for that shipment. The landed cost features provide financial visibility into the extended supply chain costs, including transportation and handling fees, insurance, duties, and taxes. A significant portion of an item's cost can be comprised of landed costs, and it is important to accurately incorporate them into financial processes and decision making. Trade operations are created in the Landed Costs work area on the Manage Trade Operations page.

To create estimate landed costs, complete the following steps.

1. From the Navigator menu, select Costing, and then Landed Costs.
2. From the Tasks panel, select Manage Landed Cost Processes.
3. Query for and run the process Prepare Material Purchase Order Data. This process updates the list of approved purchase orders that can be selected for landed costs.
4. From the Tasks panel, select Manage Trade Operation Templates.
5. Search for the required template and click the Create from Template button. Enter the Trade Operation Name and save the Trade Operation.

6. (Optional). Enable the Tentative option for any charge lines that you do not want to be included in receipt accounting distributions. This option is only applicable for estimate costs.

7. Click on the Associate Default Material Purchase Orders button.

8. Click on the Select and Add button and search for and select the required purchase order. This associates all of the Trade Operation charges to the material Purchase Order specified in the Trade Operation header.

9. Click Save. When the application has associated the purchase order to the Trade Operation charge lines, the Charge Line Status displays a Ready for Allocation message when you hover over it.

10. Click on a charge. The Charge Details area of the page shows the purchase order line schedules associated with the charge.

11. From the Actions menu in the Trade Operation header, select Allocate Charges. The Charge line status is automatically updated, and the message Successfully Allocated is displayed when you hover over the icon. The total amount of each charge is displayed in the Landed Cost Charges area. This is the estimated charge amount that is anticipated to be applied when the items in a Purchase Order are fully received.

12. From the Actions menu in the Trade Operation header, select Update Status.

13. Set the Trade Operation status to Open. This informs Receipt Accounting that the charges in this Trade Operation are to be added to the material cost of the items received against the Purchase Orders referenced in the Trade Operation. Create and submit the receipt in the Receiving application.

14. From the Navigator menu, select Tools, then Scheduled Processes, then run the Transfer Transactions from Receiving to Costing process.

15. In the Landed Costs work area navigate to the Manage Landed Cost Processes page from the Tasks menu. Select the Allocate Landed Cost Charges process and set the Apply Charges to Receipts option to Yes in the Define Parameters region. Submit the process.

16. (Optional). From the Navigator menu, select Costing, then Receipt Accounting. From the Tasks menu select Create Receipt Accounting Distributions.

17. In the Landed Costs work area navigate to the View Item Landed Cost page from the Tasks menu. Select the PO number and receipt. The item landed costs displayed include the material and landed cost charges.

Processing Landed Cost Estimates: Explained

The landed cost reference details can be entered on a Payables invoice. When the invoice is interfaced to Landed Cost Management, the application automatically identifies the match between the trade operation charge line and the Payables invoice based on the charge reference type value. The application adjusts the allocations based on the landed cost charges from the Accounts Payable invoice. The difference in charge amounts is shown as variance. The supplier accrual and the inventory valuation are adjusted according to the Accounts Payable invoice amounts. Landed costs are processed as follows.

- Associate the actual landed cost charge invoices with the trade operation charges.

- Use the reference type to let the application automatically associate the actual invoice amount with the trade operation.

- The application adjusts estimated landed cost to actual landed cost in Receipt Accounting and Cost Accounting.

- Use the Transfer Costs to Cost Management process to transfer the Invoice information from Oracle Fusion Accounts Payables to Oracle Fusion Landed Cost Management. This process can be run manually or can be scheduled to run at periodic intervals.

- Invoices are automatically matched to trade operations.

- After interfacing the Payables invoices to Landed Cost Management, the invoice information can be monitored on the Manage Charge Invoice Associations page. On this page, Landed Cost Management automatically shows the invoice association status for a particular trade operation.

Related Topics

- Setting Up Landed Cost Management: Points to Consider

Analyzing Landed Costs: Procedure

Compare and evaluate landed cost trends and variances, including material costs and third-party charges, across business units, inventory organizations, and routes. You can view landed cost variances and charge analyses in the Landed Cost Management work area on the Analyze Landed Cost Charges page and on the Analyze Landed Cost Variances page. You can analyze landed cost charges and variances based on key dimensions, such as the following:

- Item Category

- Item Name

- Charge Name

- Supplier

To analyze landed cost variances, complete the following steps.

1. From the Navigator menu, select Landed Costs.
2. From the Tasks panel, select Manage Landed Cost Processes.
3. Run the process Summarize Landed Cost Data.

   This process prepares landed cost data for multidimensional analysis.
4. From the Tasks panel, select Analyze Landed Cost Variances, and complete the required search fields.
5. In the View Landed Cost Charges By list select Business Unit.

   The page displays the landed cost charge data, including the accounted amount, estimate amount, and actual amount in an expandable tree table.
6. Click on the Trends icon to display the data in graph format.

Related Topics

- Setting Up Landed Cost Management: Procedure

- Setting Up Landed Cost Management: Points to Consider

FAQs for Landed Cost Management

What are landed costs?

Landed costs are the sum of the material costs and the additional landed cost charges associated with the purchasing and receipt of material.

What's a landed cost charge?

Landed cost charges are additional material supplier charges and third party charges that are incurred in the process of receiving material into ownership or possession, including consigned scenarios where custody may be with another party.

What's a trade operation?

A trade operation is an entity that is used to group landed cost charges expected to be incurred for material shipments. You can create a trade operation for an upcoming shipment to capture the landed cost charges incurred for that shipment. However, you can also create the trade operation after the actual shipment.

4 Reports and Analytics

Reports and Analytics Pane: Explained

The Reports and Analytics pane is a central place for you to quickly view or run analytics and reports that are related to your work. If you have the permission, you can create and edit analytics and reports here, or add them from the business intelligence (BI) catalog to the pane. You may find this pane in a panel tab or in the regional area on some work areas. In the Reports and Analytics work area (**Navigator - Tools - Reports and Analytics**), the pane appears as the Contents pane.

What's In the Pane

This table describes what's in the top level folders of the Reports and Analytics pane.

Folder	Content
My Folders	Any custom analyses or reports that you saved for your own use only.
Shared Folders	• Any predefined analyses and reports that are relevant to your role. Or, in the Reports and Analytics work area, all the analytics and reports that you have permissions to access. Any shared custom reports and analytics in the Custom subfolder. Place your shared reports and analytics in this folder to protect them during upgrades.

Receipt Accounting Reports

Accrual Clearing Report: Explained

The Accrual Clearing Report provides a list of accrual clearing transactions, for a purchase order and accrual account, that have been automatically or manually cleared.

Screen capture of the Accrual Clearing Report

ORACLE

Accrual Clearing Report

Page   1 of 1

Business Unit	Vision Operations
Ledger	Vision Operations (USA)
Currency	USD
From Transaction Date	1/1/13
To Transaction Date	1/21/15
From Item	
To Item	
From Item Category	
To Item Category	
Supplier	
Supplier Site	

Report Date   1/21/15 9:20 AM
Last Run Date   1/20/15 9:52 AM
Run By

Purchase Order	1000180	Item	ZCST-Plain-Asset1	Document Schedule	1	Accounts Payable Accrual Balance	$0.00
Document Line	1	Item Description	Plain, No Controls, Asset Item	PO Match Option	Receipt	PO Accrual Balance	$-493.60
Sold-to BU	Vision Operations	Price	12.34	Purchase Order Distribution	1	Net Accrual Balance	$-493.60
PO Currency	USD	UOM	EA	Destination Type	INVENTORY		
Supplier	Advanced Network Devices	Quantity	1,000	Destination Organization	Seattle Manufacturing		
Site	FRESNO						

					Transaction Currency		Functional Currency	
Transaction Type	Adjustment Mode	Adjustment Rule	Transaction Date	Currency	Amount	Price	Amount
ACCRUAL CLEARING	Auto Clearing	Rule180	12/18/14	USD	493.60		493.60

Frequently Asked Questions

The following table lists frequently asked questions about this report.

FAQ	Answer
How do I find this report?	**Reports and Analytics pane or work area - Shared Reports and Analytics - Accrual Clearing Report**
Who uses this report?	Cost Accountant
When do I use this report?	You typically use this report during period end, to review accruals cleared.
What prompts can I use to narrow the results of this report?	This report can be viewed for a specific business unit and date range. Additional filters include Item Category, Item, Supplier and Supplier Site.
How do I share this report?	• Schedule an agent to run the report
What tool do I use to edit this report?	• Oracle Business Intelligence Publisher

Related Topics

- Creating Briefing Books: Procedure

- Scheduling Reports: Procedure

ORACLE

Accrual Reconciliation Report: Explained

The Accrual Reconciliation Report provides information for reviewing and reconciling accrual balances. You can manage the balance of accrued supplier liabilities for a business unit.

Screen capture of the Accrual Reconciliation Summary Report

ORACLE

Accrual Reconciliation Summary Report

Page   1 of 1

Business Unit	Vision Operations
Ledger	Vision Operations (USA)
Currency	USD
From Transaction Date	1/1/13
To Transaction Date	1/21/15
From Item	
To Item	
From Category	
To Category	
Supplier	
Supplier Site	
Accrual Tolerance	
Age of Last Transaction	

Report Date   1/21/15 9:27 AM
Last Run Date 1/20/15 9:52 AM
Run By

| Accrual Account | Balances | | |
	Receiving	Accounts Payable	Difference
01-000-1110-0000-000	40.00	0.00	40.00
01-110-9110-0000-000	-61,005.02	0.00	-61,005.02
02-111-1340-0000-000	-2,400.00	0.00	-2,400.00
Total	-63,365.02	0.00	-63,365.02

Screen capture of the Accrual Reconciliation Details Report

ORACLE

ORACLE

Accrual Reconciliation Detail Report

Page   1 of 100

Business Unit	Vision Operations
Ledger	Vision Operations (USA)
Currency	USD
From Transaction Date	1/1/10
To Transaction Date	12/31/15
From Item	
To Item	
From Category	
To Category	
Supplier	
Supplier Site	
Accrual Tolerance	
Age of Last Transaction	

Report Date   1/21/15 9:29 AM
Last Run Date   1/20/15 9:52 AM
Run By

Accrual Account	01-110-9110-0000-000		Balance $-61,005.02

Purchase Order	1000180	Item	ZCST-Plain-Asset1	Document Schedule	1	Functional Currency	USD
Document Line	1	Price	12.34	PO Match Option	Receipt	Accounts Payable Accrual Balance	$0.00
Sold-to BU	Vision Operations	UOM	EA	Purchase Order Distribution	1	PO Accrual Balance	$160.42
PO Currency	USD	Quantity	1,000	Destination Type	INVENTORY	Net Accrual Balance	$160.42
Supplier	Advanced Network Devices						

		Invoice Details					Transaction Currency			Functional Currency		
Transaction Type	Receipt Number	Number	Line	Transaction Date	Transaction Quantity	Transaction UOM	Currency	Price	Amount	Price	Amount	Destination Organization
Receipt Into Receiving Inspection	33,640			6/23/14	3	EA	USD	-12.34	-37.02	-12.34	-37.02	Seattle Manufacturing
Receipt Into Receiving Inspection	33,641			6/24/14	3	EA	USD	-12.34	-37.02	-12.34	-37.02	Seattle Manufacturing
Receipt Into Receiving Inspection	33,642			6/26/14	3	EA	USD	-12.34	-37.02	-12.34	-37.02	Seattle Manufacturing

Frequently Asked Questions

The following table lists frequently asked questions about this report.

FAQ	Answer
How do I find this report?	**Reports and Analytics pane or work area - Shared Reports and Analytics - Accrual Reconciliation Report**
Who uses this report?	Cost Accountant
When do I use this report?	Use this report during period end to review balances in the accrual account.
What prompts can I use to narrow the results of this report?	The accrual balances in the accrual account can be viewed for a specific business unit and date range. Additional filters include Item, Item Category, Supplier and the ability to view records which are beyond a user defined tolerance. Using the layouts, summarized or detailed records can be viewed.
How do I share this report?	• Schedule an agent to run the report
What tool do I use to edit this report?	• Oracle Business Intelligence Publisher

Related Topics

- Creating Briefing Books: Procedure

ORACLE

- Scheduling Reports: Procedure

Uninvoiced Receipt Accrual Report: Explained

The Uninvoiced Receipt Accrual Report provides information for reviewing uninvoiced receipt accruals in a business unit.

Screen capture of the Uninvoiced Receipt Accrual Report

Frequently Asked Questions

The following table lists frequently asked questions about this report.

FAQ	Answer
How do I find this report?	**Reports and Analytics pane or work area - Shared Reports and Analytics - Uninvoiced Receipt Accrual Report**
Who uses this report?	Cost Accountant
When do I use this report?	During period end to review the uninvoiced receipt accruals.
What prompts can I use to narrow the results of this report?	The uninvoiced receipt accruals can be viewed for an accounting period and for a specific business unit. Additional filters include Item, Item Category, Supplier and the ability to view records which are beyond a user defined tolerance. Using the layouts, summarized or detailed records can be viewed.
How do I share this report?	• Schedule an agent to run the report

FAQ	Answer
What tool do I use to edit this report?	• Oracle Business Intelligence Publisher

Related Topics

- Creating Briefing Books: Procedure

- Scheduling Reports: Procedure

Cost Accounting Reports

Costing Account Balances Report: Explained

The Costing Account Balances Report provides information for reviewing and reconciling account balances.

Screen capture of the Costing Account Balances Report

Costing Account Balances Report

For the period 2010-05-01 to 2010-07-31

Cost Org	ZCST-Dallas
Cost Book	Dallas Books
Ledger	Vision Operations (USA)
Currency	USD
Account Type	Inventory Valuation

Report Date 2010-07-14
Run By

Account Code	01-000-1245-0000-000	Opening Balance	0

Item Category	Uncategorized

Item Code	Valuation Unit	Event Date	Event Type	Reference	Cost Element	Value
ZCST-LOTSERIAL-ASSET31						
	Dallas-M3-Floor Stock	2010-07-08T00:00:00.000-07:00	Miscellaneous Receipt	Misc Account#	Material	2.41
		2010-07-08T00:00:00.000-07:00	Miscellaneous Receipt	Misc Account#	Tax Invoice Price Variance	0.00
		2010-07-08T00:00:00.000-07:00	Miscellaneous Receipt	Misc Account#	Tax Rate Variance	0.00
		2010-07-08T00:00:00.000-07:00	Miscellaneous Receipt	Misc Account#	Non Recoverable Tax	0.00
		2010-07-08T00:00:00.000-07:00	Miscellaneous Receipt	Misc Account#	Default	0.00
		2010-07-08T00:00:00.000-07:00	Miscellaneous Receipt	Misc Account#	Invoice Price Variance	0.00
		2010-07-08T00:00:00.000-07:00	Miscellaneous Issue	Misc Account#	Material	-2.41
		2010-07-08T00:00:00.000-07:00	Miscellaneous Issue	Misc Account#	Tax Invoice Price Variance	-0.00
		2010-07-08T00:00:00.000-07:00	Miscellaneous Issue	Misc Account#	Tax Rate Variance	-0.00
		2010-07-08T00:00:00.000-07:00	Miscellaneous Issue	Misc Account#	Non Recoverable Tax	0.00
		2010-07-08T00:00:00.000-07:00	Miscellaneous Issue	Misc Account#	Default	0.00
		2010-07-08T00:00:00.000-07:00	Miscellaneous Issue	Misc Account#	Invoice Price Variance	-0.00

ORACLE

Frequently Asked Questions

The following table lists frequently asked questions about this report.

FAQ	Answer
How do I find this report?	**Reports and Analytics pane or work area - Shared Reports and Analytics - Costing Balances Report**
Who uses this report?	Cost Accountant
When do I use this report?	This report is typically used at period end for reviewing balances and reconciliations.
What prompts can I use to narrow the results of this report?	The account balances can be obtained for: • Cost Organization • Cost Book • Account Type • Time Period • Item plus Item Category
How do I share this report?	• Schedule an agent to run the report
What tool do I use to edit this report?	• Oracle Business Intelligence Publisher

Related Topics

- Creating Briefing Books: Procedure

- Scheduling Reports: Procedure

COGS and Revenue Matching Report: Explained

The COGS and Revenue Matching Report provides information for reviewing and reconciling recognized and unrecognized revenue and cost of goods sold (COGS).

ORACLE

Screen capture of the COGS and Revenue Matching Report

ORACLE

Cost of Goods Sold Recognition Report

Page   1 of 2

Item Category, Item

For the Period   **To**

Cost Organization	ZCST-Vision Ops	
Cost Book	ZCST-Vision Ops	
Ledger	Vision Operations (USA)	
Currency	USD	
From Item		
To Item		
From Item Category		
To Item Category		
Customer		
Show Only Mismatched Recognitions	N	

Report Date   1/21/15 12:22 PM
Run By

Item Category	Item	Revenue				Cost of Goods Sold			
		Recognized	Deferred	Total	Recognition (%)	Recognized	Deferred	Total	Recognition (%)
Cases	CM51565	228,000.00	0.00	228,000.00	100	25,992,000.00	0.00	25,992,000.00	100
Total		228,000.00	0.00	228,000.00	100	25,992,000.00	0.00	25,992,000.00	100
Misc. Accessories	CM55437	228,000.00	0.00	228,000.00	100	77,976,000.00	0.00	77,976,000.00	100
Total		228,000.00	0.00	228,000.00	100	77,976,000.00	0.00	77,976,000.00	100
Notebook Computers	AS54888	1,140,000.00	0.00	1,140,000.00	100	1,968,311.58	0.00	1,968,311.58	100
Total		1,140,000.00	0.00	1,140,000.00	100	1,968,311.58	0.00	1,968,311.58	100
Packing Material	KB86324	22,800.00	0.00	22,800.00	100	4,678,560.00	140,356,800.00	145,035,360.00	3.226
Total		22,800.00	0.00	22,800.00	100	4,678,560.00	140,356,800.00	145,035,360.00	3.226

Key Insights

This report can be used to view just unmatched revenue, or Cost of Goods Sold, to help with period-end reconciliation.

Frequently Asked Questions

The following table lists frequently asked questions about this report.

FAQ	Answer
How do I find this report?	**Reports and Analytics pane or work area - Shared Reports and Analytics - COGS and Revenue Matching**
Who uses this report?	Cost Accountant
When do I use this report?	Use this report to ensure that the value of cost of goods sold is synchronized to the amount of recognized revenue in accounts receivable.
What prompts can I use to narrow the results of this report?	The unmatched COGS and Revenue information can be seen for a Cost Organization-Book combination for Costed or Accounted records. Other options available include date range, Items & Item Category, Customer, Sales Order number. By using different layouts, the data can also be summarized (by Item Category, Item) or can be shown for individual sales orders.

ORACLE

FAQ	Answer
How do I share this report?	• Schedule an agent to run the report
What tool do I use to edit this report?	• Oracle Business Intelligence Publisher

Related Topics

- Creating Briefing Books: Procedure

- Scheduling Reports: Procedure

Gross Margin Report: Explained

The Gross Margin Report provides information for reviewing product gross margins.

Screen capture of the Gross Margin Report

Frequently Asked Questions

The following table lists frequently asked questions about this report.

FAQ	Answer
How do I find this report?	**Reports and Analytics pane or work area - Shared Reports and Analytics - Gross Margin Report**
Who uses this report?	Cost Accountant
When do I use this report?	Use this report to analyze product gross margins.
What prompts can I use to narrow the results of this report?	Gross Margin can be analyzed for costed or accounted transactions for a specific cost organization and cost book. Other available filters include Item Category, Items and Date Range. The data can be summarized or provided in full details for different combinations of customer, item, and item category using the different printing formats.
How do I share this report?	• Schedule an agent to run the report
What tool do I use to edit this report?	• Oracle Business Intelligence Publisher

Related Topics

- Creating Briefing Books: Procedure

- Scheduling Reports: Procedure

ORACLE®

In-Transit Valuation Report: Explained

The In-Transit Valuation Report provides information to review inventory value of items in transit.

Screen capture of the In-Transit Valuation Report

ORACLE

In-transit Inventory Valuation Report

Page   1 of 10

As of
1/20/2015 8:00 AM
Summarized by Inventory Organization, Item Category, Item, Shipment

Cost Organization	ZCST-Vision Ops
Cost Book	ZCST-Vision Ops
Ledger	Vision Operations (USA)
Currency	USD
From Item	
To Item	
From Item Category	
To Item Category	
Sending Organization	
Receiving Organization	
Flow Type	
End Date	1/20/15
Valuation Basis	Costed
Zero Cost Items	Include

Report Date   1/21/15 7:22 AM
Run By

Inventory Organization	Item Category	Item	Shipment Number	Quantity	Unit of Measure	In-transit Nature	Cost Element	Cost	Value	Extended Value
Vision Operations	Desk Accessories	CM11000	PO1002775	-61.5	Each	ASSET		0.00	0.00	
							ZCST-MATERIAL	0.00	0.00	
							ZCST-NR-TAX	0.00	0.00	
							ZCST-TP	21.76	0.00	

Frequently Asked Questions

The following table lists frequently asked questions about this report.

FAQ	Answer
How do I find this report?	**Reports and Analytics pane or work area - Shared Reports and Analytics - In-Transit Valuation Report**
Who uses this report?	Cost Accountant
When do I use this report?	Use this report during period end to review the value of material in-transit.
What prompts can I use to narrow the results of this report?	The in-transit inventory costed or accounted value can be viewed as of a specific date for a cost organization and book combination. Other parameters include Item Category, Items, incoming or outgoing, and source organization. Using the different layouts, you can summarize the data for combinations of Item Category, Item, In-Transit Type, Transfer and Shipment Organization.

FAQ	Answer
How do I share this report?	• Schedule an agent to run the report
What tool do I use to edit this report?	• Oracle Business Intelligence Publisher

Related Topics

- Creating Briefing Books: Procedure

- Scheduling Reports: Procedure

Inventory Valuation Report: Explained

The Inventory Valuation Report provides the information needed to review the value of your inventory.You can analyze the value of the assets in your inventory in a variety of ways, and at varying points in time. Use this report to reveal those values as viewed by the cost book or organization, valuation basis or type, and other important criteria.

Screen capture of the Inventory Valuation Report

Asset Inventory Valuation Report

Page   1 of 28

Cost Organization	ZCST-Vision Ops
Cost Book	ZCST-Vision Ops
Valuation Unit	
Ledger	Vision Operations (USA)
Currency	USD
From Item	
To Item	
From Item Category	
To Item Category	
As-of Date	1/20/15
Valuation Basis	Costed
Valuation Type	Asset
Zero Cost Items	
Report Type	By Item, Valuation Unit
Include Negative Quantity	

Report Date   1/21/15 7:30 AM
Run By   cost_accountant_all_cost
_organizations

Item	Item Category	Valuation Unit	Cost Method	Cost Element	Unit of Measure	Quantity	Unit Cost	Value	Extended Value
ABC001	Uncategorized	ORG4-V1	Perpetual average		Each	99,900	0.00	0.00	
				ZCST-DEFAULT			0.00	0.00	
Item Total									0.00
AK_SPLT_M 1M2-SH	Uncategorized	ORG4-V1	Perpetual average		Each	7	0.00	0.00	
				ZCST-DEFAULT			0.00	0.00	
Item Total									0.00
AK_SPLT_M 1V1-ARR	Uncategorized	ORG4-V1	Perpetual average		Each	7	0.00	0.00	
				ZCST-DEFAULT			0.00	0.00	

Frequently Asked Questions

The following table lists frequently asked questions about this report.

FAQ	Answer
How do I find this report?	**Reports and Analytics pane or work area - Shared Reports and Analytics - Inventory Valuation Report**
Who uses this report?	Cost Accountant
When do I use this report?	Use this report in period end to reconcile on-hand inventory quantity and value.
What prompts can I use to narrow the results of this report?	The Inventory Valuation report provides inventory value based on costed or accounted records as of a specific date for a combination of cost organization and cost book. Other filters include Item Category, Item and the ability to exclude zero cost items and items with negative on-hand. Using the different layouts, the inventory value can be reported for a combination including , Inventory Organization, Valuation Unit, and Cost Element.
How do I share this report?	• Schedule an agent to run the report
What tool do I use to edit this report?	• Oracle Business Intelligence Publisher

Related Topics

- Creating Briefing Books: Procedure

- Scheduling Reports: Procedure

Layer Inventory Valuation Report: Explained

The Layer Inventory Valuation Report provides the information needed to review the value of inventory, as maintained for each delivery.

ORACLE

Screen capture of the Layer Inventory Valuation Report

ORACLE

Asset Layer Inventory Valuation Report

Page   1 of 62

Cost Organization	ZCST-Vision Ops
Cost Book	ZCST-Vision Ops
Valuation Unit	
Ledger	Vision Operations (USA)
Currency	USD
From Item	
To Item	
From Item Category	
To Item Category	
Valuation As-of Date	1/21/15
Valuation Basis	Costed
Valuation Type	Asset
Zero Cost Items	Exclude
Report Type	By Item, Valuation Unit, Deliveries
Include Negative Quantity	No

Report Date 1/21/15 9:08 AM
Run By cost_accountant_all_cost_organizations

Item	Item Category	Valuation Unit	Cost Method	Receipt Layer	Cost Element	Unit of Measure	Quantity	Unit Cost	Value	Extended Value
AS54888	Notebook Computers	ORG4-V1	Perpetual average				10,097,998		9,103,536.62	
				DL1Misc Account~			9,994,144	0.90	9,009,910.27	
					ZCST-MATERIAL	Each		0.90	9,009,910.27	
				DL2PICK~1650			2	0.90	1.80	
					ZCST-MATERIAL	Each		0.90	1.80	
				DL3PICK~1651			1	0.90	0.90	
					ZCST-MATERIAL	Each		0.90	0.90	
				DL4PICK~1671			1	0.90	0.90	
					ZCST-MATERIAL	Each		0.90	0.90	
				DL5PICK~1042348			1	0.90	0.90	

Frequently Asked Questions

The following table lists frequently asked questions about this report.

FAQ	Answer
How do I find this report?	**Reports and Analytics pane or work area - Shared Reports and Analytics - Layer Inventory Valuation Report**
Who uses this report?	Cost Accountant
When do I use this report?	When inventory value has to be reconciled at the level of specific deliveries.
What prompts can I use to narrow the results of this report?	The Inventory value report provides inventory value at a delivery level costed or accounted records as of a specific date for a combination of cost organization and cost book. Other filters include Item Category, Item and ability to exclude zero cost items and items with negative on hand.
How do I share this report?	• Schedule an agent to run the report
What tool do I use to edit this report?	• Oracle Business Intelligence Publisher

ORACLE

Related Topics

- Creating Briefing Books: Procedure

- Scheduling Reports: Procedure

Work in Process Inventory Valuation Report: Explained

The Work in Process Inventory Valuation Report provides information for reviewing and reconciling Work-in-Process Inventory Value..

Frequently Asked Questions

The following table lists frequently asked questions about this report.

FAQ	Answer
How do I find this report?	**Reports and Analytics pane or Cost Accounting work area - Shared Folders - Supply Chain Management - Cost Management - Cost Accounting - WIP Inventory Valuation Report**
Who uses this report?	Cost Accountant

FAQ	Answer
When do I use this report?	The WIP Inventory Valuation Report shows the value of the work-in-process, which can be viewed by Item, Work Order etc. The cost accountant will typically view this information at period end to analyze if there are work orders that are completed but not closed. WIP Inventory value visibility is also important since WIP is part of assets of a company's balance sheet.
What prompts can I use to narrow the results of this report?	Cost Organization Cost Book & Value as of date are mandatory information. Other than these you can use the following prompts: • Plant • Work Order Type (Standard/Non-Standard/Both) • Work Order Subtype (user defined value from manufacturing setups) • Valuation Basis - Costed/Accounted • From & To Item Category • From & To Item • Work Order Scope - Contract Manufacturing, Non-contract manufacturing work orders, • Both Order By - Ascending/Descending for WIP value Report formats available are: • By Plant, Item • By Work Order Type, Sub-Type, Work order • By Plant, Item, Work Order • By Item Category, Item, Work Order
How do I share this report?	• Schedule an agent to run the report
What tool do I use to edit this report?	• Oracle Business Intelligence Publisher

Related Topics

- Creating Briefing Books: Procedure

- Scheduling Reports: Procedure

ORACLE

Glossary

actual cost

A cost method that tracks the actual cost of each receipt into inventory. When depleting inventory, the processor logically identifies the receipts that are consumed to satisfy the depletion, and assigns the associated receipt costs to the depletion.

analysis group

Contains analysis code classifications for particular reporting purposes, for example fixed and variable costs analysis group.

analytics

Business intelligence objects such as analyses and dashboards that provide meaningful data to help with decision making.

business intelligence catalog

The repository where all business intelligence objects, including analytics, reports, briefing books, and agents, are stored. The catalog contains separate folders for personal, shared, and custom objects.

cost book

A view or method of cost accounting for inventory transactions. You can create multiple cost books and assign them to a cost organization for different financial and management reporting purposes.

cost element

A cost that you can associate with an item so that you can monitor the cost through the inventory and accounting life cycle. For example, you can monitor the material cost, overhead cost, and tax cost of an item. You can monitor each of these costs as a separate cost element.

cost organization

A grouping of inventory organizations that indicates legal and financial ownership of inventory, and which establishes common costing and accounting policies.

cost organization book

Designates which cost book a cost organization uses for different costing and reporting purposes. For example, the Canada cost organization may use a perpetual average cost book and a primary cost book. In this case, there are two cost organization books: Canada-Perpetual Average, and Canada-Primary.

cost profile

Defines the cost accounting policies for items, such as the cost method and valuation structure.

DCOGS

Abbreviation for deferred cost of goods sold. Portion of cost of goods sold not recognized on the income statement, and deferred to a future accounting period, when matching revenue is recognized.

ORACLE®

ERV

Abbreviation for exchange rate variance. Difference between the exchange rate used for receipt accrual and exchange rate used for reversing the accrual.

FIFO

Abbreviation for first in, first out. A material control technique of rotating inventory stock so that the earliest inventory units received or produced are the first units used or shipped. The ending inventory therefore consists of the most recently acquired goods.

inventory organization

A logical or physical entity in the enterprise that tracks inventory transactions and balances, stores definitions of items, and manufactures or distributes products.

IPV

Abbreviation for invoice price variance. Difference between invoice price and purchase order price.

layer inventory cost

Inventory valuation that is based on the receipt layer cost, including overhead absorption and cost adjustments.

panel tab

A tab on the right side of the page that slides out when you open it. Each panel tab has an icon as the tab label.

perpetual average cost

The average cost of an item, derived by continually averaging its valuation after each incoming transaction. The following equation always holds for each item: average cost of item = sum of debits and credits in inventory general ledger balance / on-hand quantity.

PO

Abbrevation for purchase order.

purchase price variance

Difference between the purchase price and the standard cost of an item.

receipt cost

The transaction cost of a purchase order receipt or a miscellaneous receipt, including additional acquisition cost or other cost adjustment.

receipt layer

Unique identification of delivery or put away of an item into inventory.

regional area

The collapsible region in the work area that lets you control what's in the local area, for example by selecting a task or running a search.

report

An output of select data in a predefined format that's optimized for printing.

RMA

Abbreviation for return material authorization.

standard cost

An inventory valuation method in which inventory is valued at a predetermined standard value. You track variances for the difference between the standard cost and the actual transaction cost, and you periodically update the standard cost to bring it in line with actual costs.

TERV

Abbreviation for tax exchange rate variance. Tax component of exchange rate variance (ERV).

TIPV

Abbreviation for tax invoice price variance. Tax component of invoice price variance (IPV).

transfer price variance

Difference between the price used for transfer of items and the standard cost of the sending organization.

TRV

Abbreviation for tax rate variance. Difference between tax rates in purchase order document and invoice document.

valuation structure

Defines inventory control attributes that are used to calculate the cost of an item. For example, the valuation structure of an item can be inventory organization and subinventory, or lot, or grade.

valuation unit

Defines the set of values for the control attributes that are used to calculate the cost of an item. For example, valuation unit V1 is defined by cost organization A, item I1, and lot L1.

work area

A set of pages containing the tasks, searches, and other content you need to accomplish a business goal.