Standard Cost Accounting in Oracle ERP

The Basics for Discrete Manufacturing

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Audience

- Cost Accountants
- Operations Managers
- Procurement Specialists

It is important you already have a basic understanding of Oracle navigation and Standard Costing Methods. At a minimum, you will need the Inventory, Bills of Materials and Cost Management responsibilities. The information presented is applicable to release 11i and 12 versions of the Oracle Applications.
Areas Covered

• Setting the Frozen or Pending Cost
• Viewing Costs and Cost History
• Updating Costs
• Costing for Bills of Materials
• Resource Costs
• Assembly Cost Rollups
Setting the Cost Value
Here is the responsibility and path to the Item Costs screen.
Depending on your setups, you can change all cost types except Frozen, so in order to update a cost, you must first update a non-frozen cost.
Here you can update the cost manually. Be sure to save your work after you make the change.
Viewing Cost and Cost History
Here you can see the break down of costs and the different cost types. This is a good form to use Folder Tools on so you can see more information.
This is a very useful screen. It tells us the carrying cost of the part, the current quantity on-hand and the last PO and Invoice price paid for the part.
The above image shows the path to the Standard Cost History form. DON’T use the Item Cost History form. It is for other costing methods.
The cost history shows changes made over time to the unit cost of the part. In the tabbed areas you can also view the adjustments made during each of the updates.
Updating Cost
Now you have a situation where the pending and frozen costs are different, so you want to update the frozen cost with the new pending cost.
It is very important you performed all your research before you update your costs because it will revalue the on-hand inventory balances. Submitting the request begins the process to update the costs. Once the requests completes, you can view the report to see the changes made to inventory values.
Costing for Bills of Materials
Component costs and material overhead × quantity required per assembly = Extended Component Cost

Resource cost and resource overhead × quantity needed per assembly = Extended Resource Cost

Extended Component Cost + Extended Resource Cost = Total Cost per Assembly

If you make changes to the Frozen Component Cost or the Resource Costs, you need to perform an Assembly Cost Rollup to update the Pending Cost of the Assembly.
Resource Costs
In order to understand how resource costs are derived, you need to view routings. The image above show the navigation to access a routing.
This shows the operations used in a Routing. For each operation, you will have an Operation Resources form.
This shows the resource used and the amount of time per assembly for the resource. This information is used in the cost calculations.
This shows the navigation to access the resources form. From that form, you can access the unit cost of the resource. For this resource, the cost is a per hour cost.
Assembly Cost Rollups
This shows the navigation to the Bills screen. Once you are here, you can pull up the BOM and see your components. From the TOOLS menu, you can perform “Rollup Costs”. When the request completes, view it’s output.
This is an example of the report you would see. This report can be a little complex especially if you have quantities less than two decimal places. The main thing to note is the proper rollup of components and resource costs to establish the proper assembly cost.
The example above shows a cost report with resource costs applied.

<table>
<thead>
<tr>
<th>Level</th>
<th>Q Seq</th>
<th>Cost Element</th>
<th>Description/ Sub-Element</th>
<th>Department</th>
<th>Last Make</th>
<th>Buy</th>
<th>Yield/ Pct Basis</th>
<th>UOM Rate or Amount</th>
<th>Basis Factor</th>
<th>Extended Qty/ Rate or Amount</th>
<th>Extended Cost</th>
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<tr>
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<td>0</td>
<td>Material Overhead</td>
<td>1/2 RH-RH ER ROD</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>EA</td>
<td>1.00</td>
<td>0.24</td>
<td>2.75498</td>
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<td>787F</td>
<td>Yes</td>
<td>Yes Item</td>
<td>Yes</td>
<td>Ttl value USD</td>
<td>0.24</td>
<td>2.02</td>
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<td>0.00000</td>
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<tr>
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<td>Item</td>
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<td>Yes</td>
<td>Yes</td>
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<td>1.00</td>
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<tr>
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<td></td>
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<td>Yes</td>
<td>No</td>
<td>Item</td>
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<td>0.00700</td>
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<table>
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<tr>
<th>Cost Element</th>
<th>Standard Cost</th>
<th>Report Value</th>
<th>Difference</th>
<th>Percent</th>
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</tbody>
</table>

| Total          | 2.75498       | 2.75498      | 0.00010    |         |