

Oracle Process Manufacturing Cost Management

ORACLE
E-BUSINESS SUITE **12**

**ORACLE PROCESS MANUFACTURING
COST MANAGEMENT**

KEY BENEFITS

- Obtain accurate cost information and the necessary tools to analyze cost data using several cost types simultaneously
- Use OPM Cost Management in conjunction with Oracle Subledger Accounting to flexibly choose the right accounts for your business and create journal entries for material and resource transactions

Oracle® Process Manufacturing (OPM) Cost Management combines detailed cost-tracking features with flexible analytical tools to help process manufacturers determine their true product costs. OPM Cost Management supports Standard, Actual and Lot types of approaches to calculate costs and create reports to analyze data at the most granular level. Using Oracle Subledger Application, necessary accounting entries are created for all the transactions. OPM Cost Management is part of Oracle Process Manufacturing (OPM), in Oracle E-Business Suite applications, which addresses specific needs of Process Manufacturers.

Increase Profits by Capturing Precise Product Costs

Accurate cost information plays an essential role in helping process manufacturers evaluate production processes and formulate sound pricing strategies. Obtaining reliable costing is often difficult, however, due to factors such as fluctuating, market-driven ingredient costs, and the difficulties inherent in allocating general manufacturing costs to specific products.

Figure1: OPM Cost Management supports multiple Cost Types including Standard, Actual and Lot Costing

Oracle Process Manufacturing Cost Management is designed to support multiple costing methods, including standard and actual costs, as well as lot costing. OPM Cost Management provides four possible approaches for obtaining average actual product costs. It also facilitates comprehensive “what if” analysis, produces variance reports, conducts margin analysis, and improves your inventory-valuation accuracy.

KEY FEATURES

- Supports standard, actual and lot costing
- Actual costing types include period moving average, periodic weighted average, perpetual weighted average and last transaction
- Cost all inventory transactions in Purchasing, Shipping, Production and Inventory using multiple cost types
- Transaction analysis reports that cover current and historical costs
- Supports costing of co-products
- Process losses, yield and scaling used to calculate costs
- Additional charges incurred in Purchasing included in cost calculation (Acquisition costs/ Landed costs)
- Variety of cost inquiries, including item cost and item cost variance summaries, and material inventory consumption analyses
- Uses Oracle Subledger Accounting to create journal entries and post to Oracle General Ledger
- Account Derivation Rules post journal entries to pre-mapped General Ledger accounts
- Simulate journal entries using different cost types using alternate ledger functionality

Monitor Actual Product Costs Accurately and Flexibly

Effective cost management begins with accurate monitoring of actual production costs. OPM Cost Management lets you accumulate all material, resource, and direct burden, or overhead costs related to the production process. Together, these elements give you a unique production detail record for every process associated with manufacturing a product—as well as the cost information for each resource, and the associated overhead activity for an operation on a given routing.

You can monitor material costs using either the actual vendor invoice price of received items or the purchase order price at the time of receipt. In addition, by allocating total acquisition prices to the appropriate purchased items, you can perform an actual unit cost calculation using any of four methods.

Additionally, for those items subject to price volatility, you may choose to calculate costs on a lot by lot basis. When using these ingredients to make a product, the product manufactured will have a different cost, depending on the cost of the specific lots of ingredients used.

Lot Costing enables companies to track the cost of producing their products by individual lots. It will track the costs of all the raw material lots used in manufacturing the products. Lot Costing provides detailed reporting of the costs that go into the manufacture of the product, individual lot costs of ingredients, standard or actual costs of ingredients that are not lot costed, resource costs and burdens are all recorded and calculated.

To calculate actual product unit cost, OPM Cost Management captures:

- Actual batch costs (from ingredient costs)
- Actual reported batch resource and burden costs
- Actual allocated overhead expenses
- Co-product costs based on designated allocation percentages or based on actual quantities produced

After summarizing material, resource, and burden costs based on batch or formula quantities, OPM Cost Management converts them to a unit cost of the manufactured product

Optimize Margins with Multiple Cost Methods

With OPM Cost Management, you can accurately assign costs using multiple cost methods. It helps you easily maintain both perpetual and summary-costed inventories by applying specific costs to specific inventories on a timely basis. Journal entries are created through Oracle Subledger Accounting and exported to Oracle General Ledger.

Improve Inventory Valuation

OPM Cost Management offers tremendous valuation flexibility. You can cost all inventory consumption or transactions for a given time period by inventory type and process, or post them according to pre-mapped inventory account designations. You can also post manufacturing variances during each period by calculating material, resource, and overhead costs against designated standard and actual unit costs.

RELATED PRODUCTS

- Oracle Inventory
- OPM Product Development
- OPM Process Execution
- Oracle Shipping
- Oracle Purchasing
- Oracle General Ledger
- Oracle Subledger Accounting

For posting, all completed and closed production batches during the period are costed using your designated method. Similarly, all finished goods shipments are costed and posted as cost of sales during each period. When the final period cost update is complete, OPM Cost Management performs and posts period revaluations of all affected purchased and manufactured inventory.

In addition, you can post the impact of actual batch material and resource consumption to work-in-process inventory using actual costs. You can also reclassify manufacturing period expenses to product inventory for period valuation and reporting.

Perform Detailed Cost Analyses

You can conduct sophisticated analytical inquiries and produce cost transaction analysis reports for items such as current and historical purchased material costs, applied resource costs, and batch costs.

For better comparison analysis, OPM Cost Management lets you compare costs of items calculated using any/all of the cost types to analyze the performance of the various plants. You can also perform analysis that highlights key cost and manufacturing indicators designated by local plant management. Key cost indicators can include detailed manufacturing variance, production cost, Cost of Goods Sold, and productivity reports.

OPM Cost Management also supports a variety of functionally oriented inquiries, including item cost and item cost variance summaries, production cost and manufacturing efficiency reports, and material inventory consumption analyses.

Oracle Cost Management Command Center

The Cost Management Command Center provides dashboards empowering cost managers with actionable insights that help them monitor and reconcile transaction costing and accounting, run smooth costing operations and close accounting periods on time.

The Oracle Cost Management Command Center feature is available at no additional cost to licensed users of Oracle Process Manufacturing, Release 12.2.4 and above.

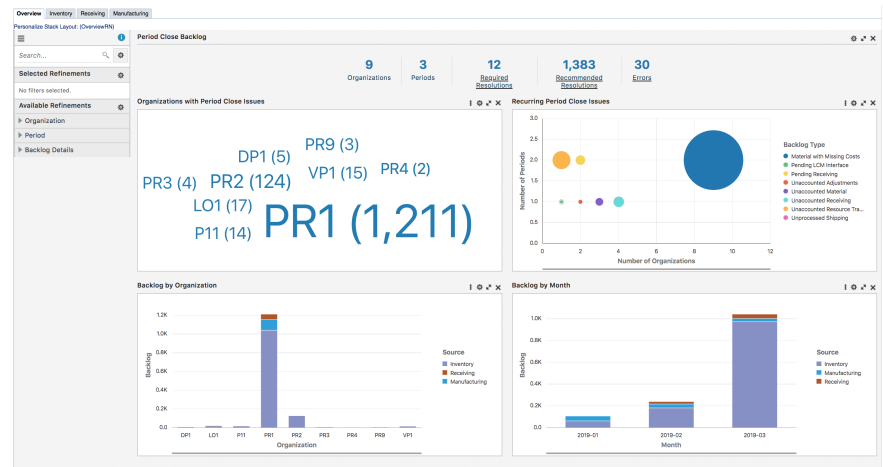


Figure 2: Overview Dashboard in Oracle Cost Management Command Center

Benefits

OPM Cost Management provides you with accurate cost information and provides you with the necessary tools to analyze the cost data using several cost types simultaneously. Using OPM Cost Management and Oracle Subledger Accounting's flexible Account Derivation Rules, you can choose the right accounts for creating the account entries created for all material and resource transactions.

Oracle E-Business Suite: The Complete Solution

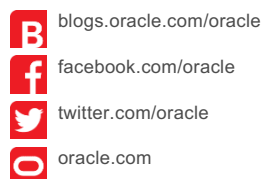
Oracle E-Business Suite enables companies to efficiently manage customer processes, manufacture products, ship orders, collect payments, and more—all from applications that are built on unified information architecture. This information architecture provides a single definition of your customers, suppliers, employees, and products—all important aspects of your business. Whether you implement one module or the entire Suite, Oracle E-Business Suite enables you to share unified information across the enterprise so you can make smarter decisions with better information.



CONTACT US

For more information about Oracle Process Manufacturing Costing, visit oracle.com or call +1.800.ORACLE1 to speak to an Oracle representative.

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Hardware and Software, Engineered to Work Together

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