Oracle Order To Cash Accounting - Made Easy

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I. Introduction

This white paper will provide a comprehensive view and understanding of accounting details for inventory and receivables transactions in an Order To Cash scenario. The presentation will capture complete accounting details in every step of a standard Sales Order life cycle. The explanation will be detailed by fulfilling a standard Sales Order by booking, shipping, closing and AR Invoicing.

This paper will highlight the following:

- Explain the difference between the Inventory Cost and Selling Price of an Item
- Accounting on the Inventory and Receivables side
- How to recognize Profit made on a Sale by Cost Profit Margin Analysis Report

II. Business Background

When it comes to selling, it helps to have as much information about the account distribution as possible right from the inventory cost of a product to its billing revenue. Most enterprises want to track the cost of products and profit made by selling the product. This plays a critical role in the Profit and Loss Accounting to determine a company's overall worth. Management accounting and reporting based of product plays a significant role to reduce its cost and enhance its revenue effectively.

In Oracle E-Business suite, accounting segment values in the account distributions are based on master and transaction type set up.

Following table illustrates the logic of obtaining accounting segment values in an Order To Cash business case:

Accounting Source of Values

Module Name	Transaction Type	Account Type	Source of Values
Oracle Inventory	Shipment	Cost of Sales	Item or Order type
Account Receivables	Invoice/Credit or Debit Memo	Revenue	Auto accounting/ transaction type

Following table illustrates Debit and Credit side of account in an Order To Cash business case:

Debit/Credit Account on a Sale

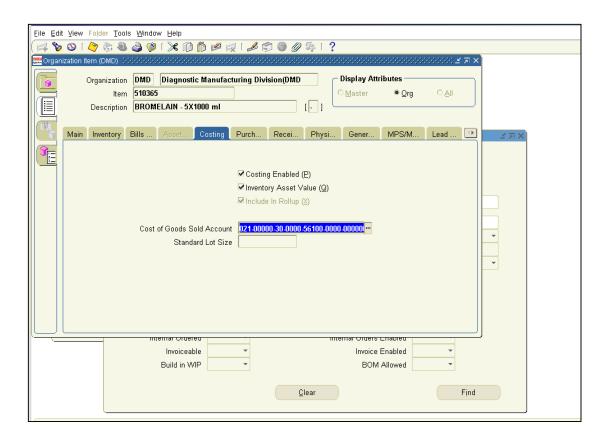
ON THE COST SIDE (INCUR Cost)	ON THE REVENUE SIDE (REALIZE Revenue)
 DR COGS (via Account Generator) 	DR Receivables
CR Inv Valuation Account	CR Revenue

Following table indicates various Order/ Shipping functions and their results:

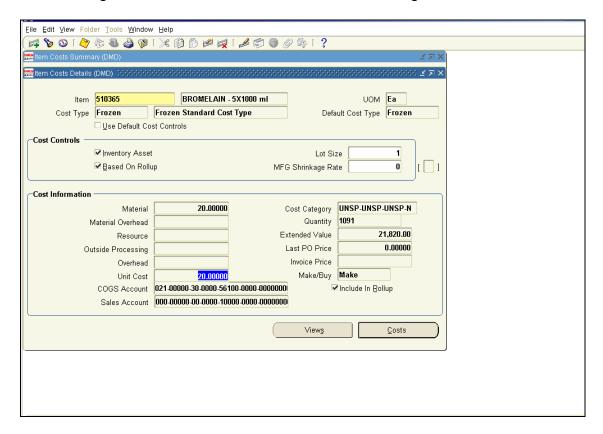
Anatomy of various OM/ Shipping functions

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Function	Result		
Ship Confirm	Closes the delivery		
Trip Stop (INV and OM)	Updates the order lines to Shipped		
Workflow Background Process	Updates the Order lines to ClosedPopulate AR Interface Table		
Auto Invoice	Generate Invoice		

Order To Cash Scenario with Cost and Revenue Accounting

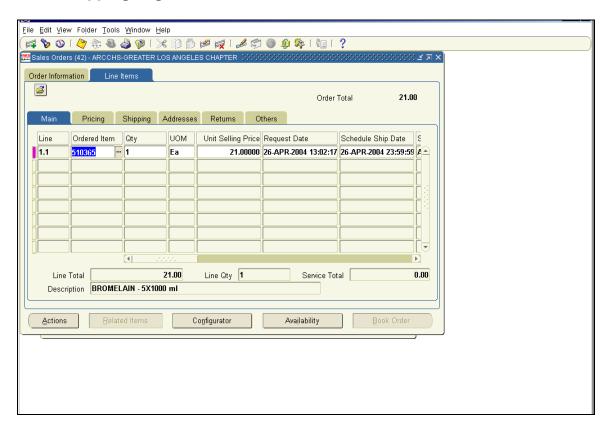


2. Assuming 510365 has a unit cost of \$20.00 in the Org.

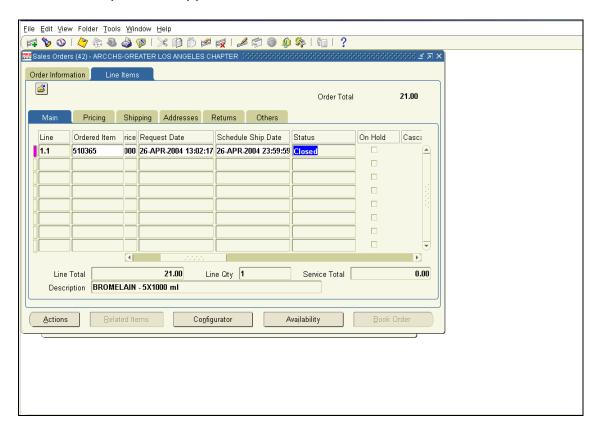


3. Order # 42 booked for order total of \$21.00. Unit selling price of 510365 is \$21.00.

Note: Shipping Org is DMD

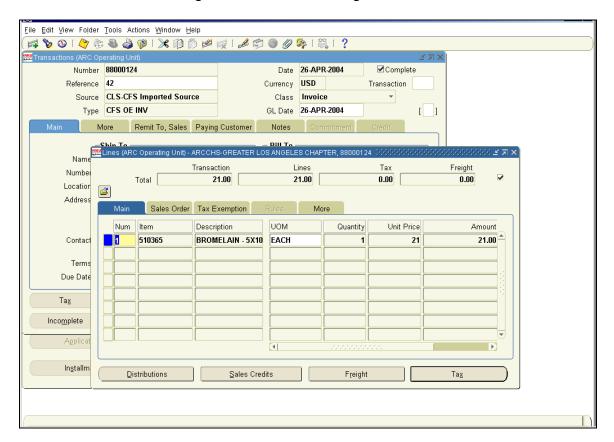


4. Order line picked, shipped and closed.

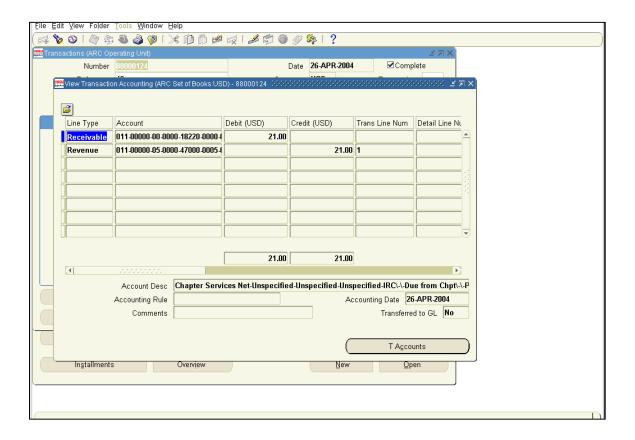


ACCOUNTING ON THE RECEIVABLE SIDE

5. Run Auto Invoice and generate the Invoice against the Order

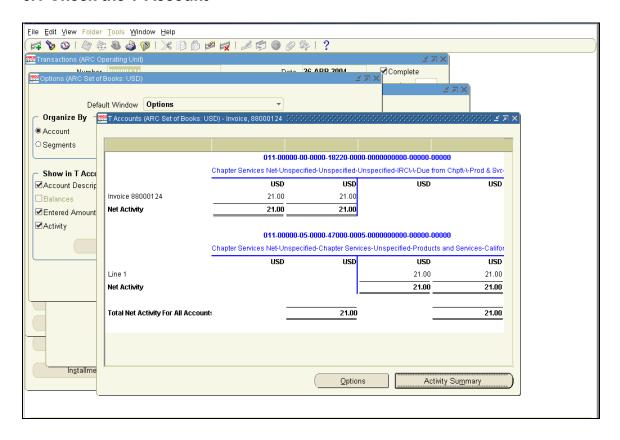


6. Following shows the Receivable and Revenue account distributions:



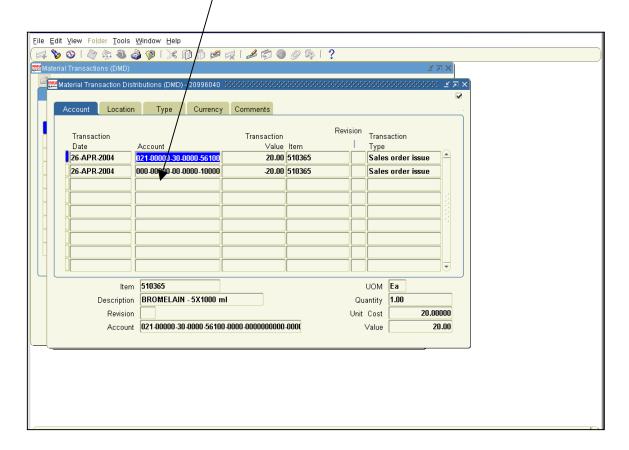
Receivables Account getting Debit Revenue Account getting Credit

6.1 Check the T-Account



7. ACCOUNTING ON THE INVENTORY SIDE

COGS Account String - 021-00000-30-0000-56100-0000-000000000000-00000-00000 equals to Item/Org COGS String setup (see Page 2)

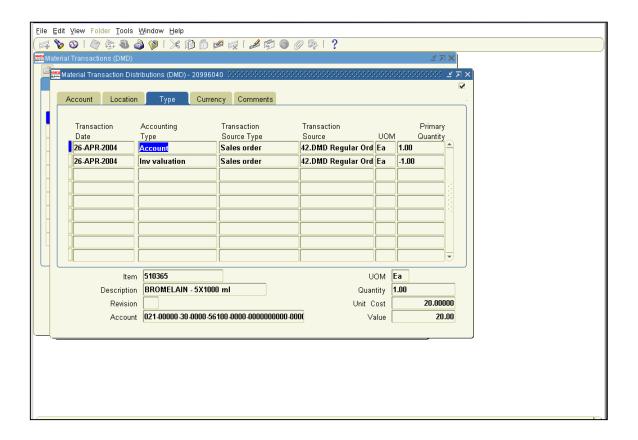


COGS getting Debit

COGS Account String: 021-00000-30-0000-56100-0000-0000000000-00000-00000

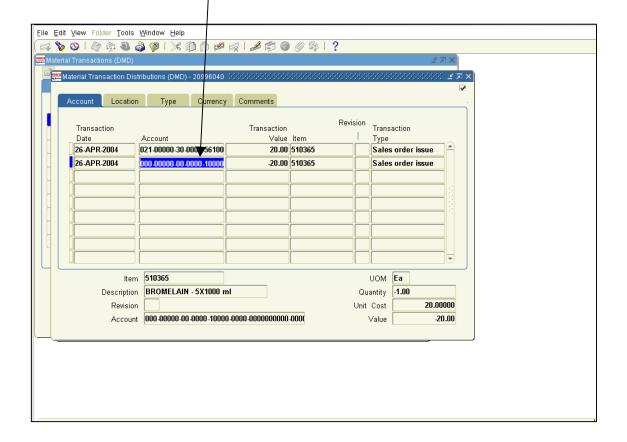
Revenue Account String: 011-00000-05-0000-47000-0005-0000000000-00000-00000

7.2 COGS Account Contd......

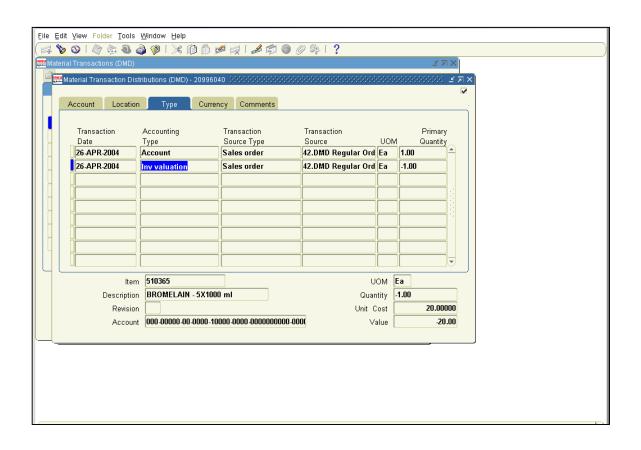


INV Valuation Account String: 000-00000-00-0000-10000-0000-00000-00000-00000 equals to Subinventory Material Account

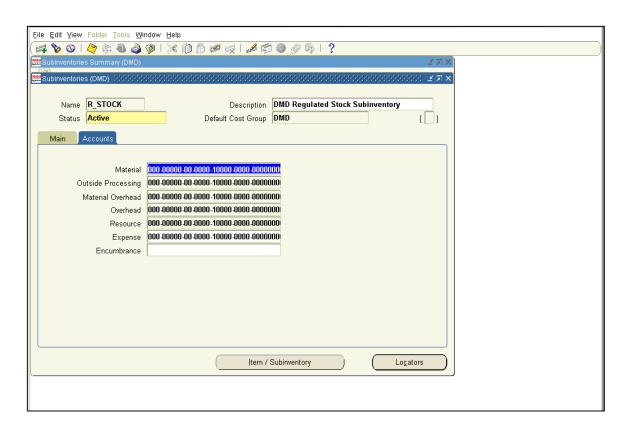
INV Valuation getting Credit



7.3 Inv Valuation Account .. Contd..

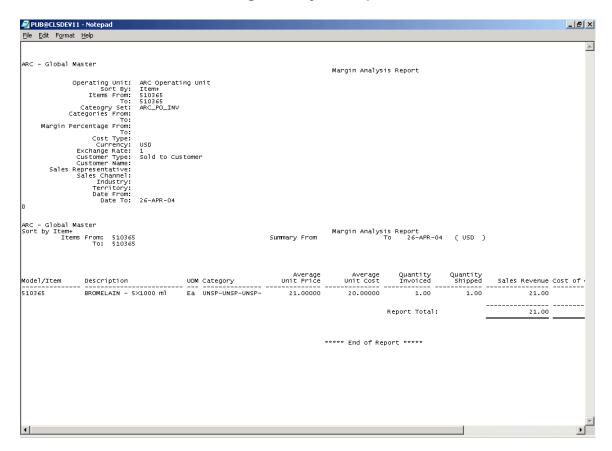


7.4 INV Valuation Account Setup on the Subinventory Level:

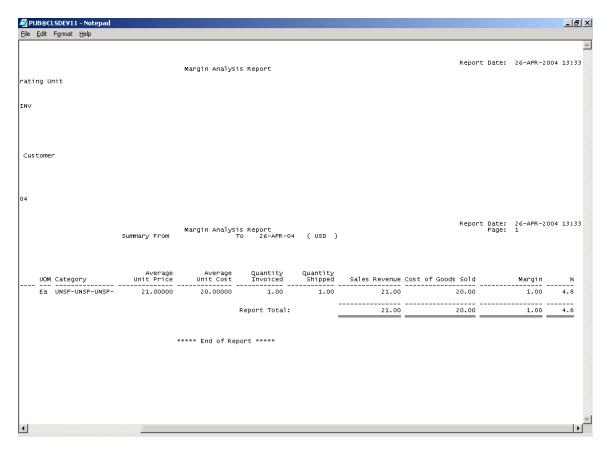


8.0 Check the Profit made on this sale

Run the Cost Profit Margin Analysis Report on this Order



Margin Analysis Report ... Contd...



About the author – Brijesh Bharat, PMP has more than 14 years of IT experience with 11 years of dedicated experience in Oracle Applications. He has helped many clients including Honeywell, AT&T, Cingular, Lucent Technologies, Fellowes, Welch's and American Red Cross to achieve their business objectives. He is currently working as an independent consultant specializing in Oracle E-Business Supply Chain solution.