

LANDED COST MANAGEMENT



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Abstract

Landed Cost Management offers your organization a clear financial overview of supply chain expenses, encompassing transportation and handling costs, insurance fees, duties, and taxes, which can constitute a substantial portion of an item's total cost.

This system empowers you to accurately integrate these expenses into your overall financial operations and decision-making processes.

Initially, Landed Cost Management estimates these expenses and subsequently updates them with actual figures as they become available, attributing them to shipments, orders, and products. This capability enables you to maximize profits, enhance visibility into outstanding financial obligations, increase competitiveness, and ensure compliance with complex trade regulations.

Landed Cost Management accomplishes three primary tasks:

Capture Charges: Landed Cost Management provides the functionality to capture various charges, ex: freight and insurance. These charges are collected and grouped under a category known as a "**Trade Operation**," representing a single instance of a business transaction or process where all charges are recorded. For instance, this could be a single shipment or container.

Perform Allocations: Charges are associated with material purchase order (PO) schedules. These PO schedules are either part of the trade operation or affected by it. Once the PO schedules are linked to the charges within the trade operation, the charge amount is distributed and allocated to the respective PO schedules and subsequently to the receipts related to those schedules.

Create Accounting: The final step involves accounting for all incurred charges. This is achieved by transferring all charge-related information to Receipt Accounting and Cost Accounting systems.

Landed Cost Management integrates with the following applications:

Oracle Purchasing: Landed Cost Management receives material purchase order (PO) details. It links trade operation charges to the PO schedules and allocates them proportionally to both the PO schedules and receipts.

Oracle Receipt Accounting: Activities involved in managing landed costs rely on data from Receipt Accounting, which generates accounting entries to record accrued landed cost charges.

Oracle Cost Accounting: Landed Cost Management's charges become part of the item cost within Cost Accounting. After goods are received into inventory, the landed cost charges are absorbed into the valuation of inventory.

Oracle Tax: Taxes may apply to charges originating from Landed Cost Management. These charges are defined within Landed Cost Management, and taxes, when applicable, are automatically calculated by interfacing with the Tax application.

Oracle Payables: In most instances, suppliers submit invoices for the services they provide, especially for services like freight. When these invoices pertain to charges specified in a landed cost Trade Operation, it becomes possible to automatically associate an invoice amount with a landed cost charge linked to a receipt. For instance, when items are received, the bill of lading number from the freight supplier is noted on the receipt. Subsequently, when the invoice from the freight supplier is processed, the invoice line references that bill of lading number. Upon interfacing the freight supplier invoice with

the landed cost application, the common bill of lading number between the receipt and invoice lines is automatically linked. This allows the landed cost application to compare the estimated freight charge in the receipt to the actual freight charge billed in the invoice, adjusting the receipt's cost for any calculated cost variance.

Implementing Oracle Receipt Accounting is a prerequisite for Landed Cost Management. Implementation of Oracle Cost Accounting is optional. If you choose to implement Cost Accounting, the landed cost charges will also be visible within the Cost Accounting system. You have several options for implementing Landed Cost Management, depending on the source of these landed cost charges, which 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.

Example:

When a Procurement User purchases an item and it reaches their designated destination, *various charges* may accrue during its journey from the supplier to the inventory.

These charges may *include shipping costs, customs duties, carrier fees, and broker fees*, among others. As a result, the user desires an accurate assessment to capture all these additional expenses. Furthermore, this assessment plays a crucial role in assisting the user with profitability analysis and in making informed decisions when selecting the most suitable supplier.

Let's take an example with Fright and Insurance.
There is a PO having 90 tabs and 50 mobile phones.

PO Price –

- i) Tabs – $90 \times 300 \$ = 27000 \$$
- ii) Mobile Phones – $50 \times 100 \$ = 5000 \$$

	Item	PO price	Total
	Tabs	90	300
	Mobile Phones	50	100
	Freight		500
	Insurance		200

Now let's distribute the Freight and Insurance Amt to the individual item lines..

	Item	PO price	Total	Freight	Insurance	
	Tabs	90	300	27000	421.875	168.75
	Mobile Phones	50	100	5000	78.125	31.25

So, here the Fright and Insurance are calculated in proportion to the PO price.
 Freight for the first line – $500 \times 27000 / (27500)$
 Freight for the second line – $500 \times 5000 / (27500)$
 Similarly, the price has been calculated for Insurance as well.

So, these charges could be created in LCM and the PO lines could be associated as well which are explained in the below sections.

Oracle Fusion Steps:

Step1. Go to Supply Chain Execution -> Receipt Accounting

Step2. Go to Landed Costs -> “Manage Trade Operations”

- Accrual Processing**
 - Create Receipt Accounting Distributions
 - Create Uninvoiced Receipt Accruals
 - Review Receipt Accounting Distributions
- Accrual Clearing**
 - Clear Receipt Accrual Balances
 - Manage Accrual Clearing Rules
 - Adjust Receipt Accrual Balances
- Accrual Reconciliation**
 - Match Receipt Accruals
 - Audit Receipt Accrual Clearing Balances
- Accounting**
 - Create Accounting
 - Review Journal Entries
- Landed Costs**
 - Manage Trade Operations
 - Review Purchase Orders for Landed Cost
 - Manage Charge Invoice Associations
 - Manage Landed Cost Processes
 - Review Landed Cost Processes
 - Manage Trade Operation Templates
 - Reconcile Landed Cost Charges
 - View Item Landed Cost
 - Analyze Landed Cost Charges
 - Analyze Landed Cost Variances
 - Capture Trade Operation Charges in Spreadsheet

Step3.

Manage Trade Operations Done

Search

Name

Number

Procurement BU

Status

Route

Last Update Date -

Advanced Saved Search Open Trade Operations

Search Reset Save...

Search Results

Actions

Name	Number	Procurement BU	Status	Estimated Amount	Actual Amount
No search conducted.					
Columns Hidden 3					

Details

No data to display.

Create Trade Operation ✕

* Procurement BU

* Name

Description

Transaction Type PO receipt

* Document Currency

* Currency Conversion Rate Type

Route

Step4. After creation of Trade Operation, this is where you would land up..

Overview Manage Trade Operations x Trade Operation: Test_Trade_Operation x

Edit Trade Operation: Test_Trade_Operation Associate Default Material Purchase Orders Update Purchase Order Data (0) Actions Save Save and Close Cancel

Procurement BU * Document Currency Status Draft

* Name * Currency Conversion Rate Type Estimated Amount

Number 5 Route Actual Amount

Description Creation Date 21/9/23 8:49 PM Attachments None

Template Last Update Date 21/9/23 8:52 PM Additional Information

Landed Cost Charges

Actions View Format Freeze Detach Wrap Calculate Tax Allocate Charges

Charge Line	Charge Line Status	Charge BU	Charge Name	Charge Basis	Charge Basis UOM	Service PO	PO Number	Service PO Line Number	Service PO Schedule	Supplier	Supplier Site	Allocation Basis	Allocation Basis Base UOM	Charge Currency	Currency Conversion Rate Type	Cu	Cc	Da
No data to display																		

Columns Frozen 4

Step5. Then, we need to add the charges..

Overview Manage Trade Operations x Trade Operation: Test_Trade_Operation x

Edit Trade Operation: Test_Trade_Operation Associate Default Material Purchase Orders Update Purchase Order Data (0) Actions Save Save and Close Cancel

Procurement BU * Document Currency Status Draft

* Name * Currency Conversion Rate Type Estimated Amount

Number 5 Route Actual Amount

Description Creation Date 21/9/23 8:49 PM Attachments None

Template Last Update Date 21/9/23 8:52 PM Additional Information

Landed Cost Charges

Actions View Format Freeze Detach Wrap Calculate Tax Allocate Charges

- Create
- Duplicate
- Edit
- Delete
- Export to Excel
- Calculate Tax
- Allocate Charges
- Cancel Line

Charge Line	Charge Line Status	Charge BU	Charge Name	Charge Basis	Charge Basis UOM	Service PO	PO Number	Service PO Line Number	Service PO Schedule	Supplier	Supplier Site	Allocation Basis	Allocation Basis Base UOM	Charge Currency	Currency Conversion Rate Type	Cu	Cc	Da
No data to display																		

Create Charge Line

Charge Line 1

Charge BU: [Dropdown]

Charge Name: Freight

Charge Basis: Aggregate

Related Charges: Aggregate

Charge Basis UOM: [Dropdown]

PO Number: [Dropdown]

Service PO Line Number: [Dropdown]

Service PO Schedule: [Dropdown]

Supplier: [Dropdown]

Supplier Site: [Dropdown]

Charge Currency: INR Indian Rupee

Rate: [Dropdown]

Amount: 0

Nonrecoverable Tax: [Dropdown]

Total: 0

Charge Line Status: Incomplete

Tentative

Attachments: None +

Additional Charge Line Information

Description: The charge incurred on shipping the goods from one location to another.

Track missing invoices

* Currency Conversion Rate Type: Corporate

* Currency Conversion Date: 21/9/23

Allocation Basis: [Dropdown]

Allocation Basis Base UOM: [Dropdown]

Charge References

+ X Detach

Name	Description	Predefined	Value	Automatically Associate on Match	Attachments
No data to display.					

Tax Attributes

Tax applicable

Enable automatic tax calculation

Tax Determinants: [Dropdown]

Line Type: Services

Document Type: Charge Estimates

Status: [Dropdown]

Save and Create Another Save and Close Cancel

Create Charge Line

Charge Line 1

Charge BU: [Dropdown]

Charge Name: Insurance

Charge Basis: Aggregate

Related Charges: Aggregate

Charge Basis UOM: [Dropdown]

PO Number: [Dropdown]

Service PO Line Number: [Dropdown]

Service PO Schedule: [Dropdown]

Supplier: [Dropdown]

Supplier Site: [Dropdown]

Charge Currency: INR Indian Rupee

Rate: [Dropdown]

Amount: 0

Nonrecoverable Tax: [Dropdown]

Total: 0

Charge Line Status: Incomplete

Tentative

Attachments: None +

Additional Charge Line Information

Description: The charge incurred on insuring the movement of goods.

Track missing invoices

* Currency Conversion Rate Type: Corporate

* Currency Conversion Date: 25/9/23

Allocation Basis: Item value

Allocation Basis Base UOM: [Dropdown]

Charge References

+ X Detach

Name	Description	Predefined	Value	Automatically Associate on Match	Attachments
No data to display.					

Tax Attributes

Tax applicable

Enable automatic tax calculation

Tax Determinants: [Dropdown]

Line Type: Services

Document Type: Charge Estimates

Status: [Dropdown]

Save and Create Another Save and Close Cancel

Create Charge Line

Charge Line: 1

Charge BU: [Redacted]

Charge Name: Insurance

Charge Basis: Aggregate

Related Charges: [Icon]

Charge Basis UOM: [Redacted]

Service PO

PO Number: [Redacted]

Service PO Line Number: [Redacted]

Service PO Schedule: [Redacted]

Supplier: [Redacted]

Supplier Site: [Redacted]

Charge Currency: INR Indian Rupee

Rate: [Redacted]

Amount: 0

Nonrecoverable Tax: [Redacted]

Total: 0

Charge Line Status: Incomplete

Tentative

Attachments: None +

Additional Charge Line Information

Description: The charge incurred on insuring the movement of goods.

Track missing invoices

* Currency Conversion Rate Type: Corporate

* Currency Conversion Date: 25/9/23

Allocation Basis: Item value

Allocation Basis Base UOM: [Dropdown: Equally, Quantity, Volume, Weight, Item value, Manual allocation factor]

Charge References

+ X [Icon] Detach

* Name	Description	Predefined	Value	Automatically Associate on Match	Attachments
No data to display.					

Tax Attributes

Tax applicable

Enable automatic tax calculation

Tax Determinants: [Icon]

Line Type: Services

Document Type: Charge Estimates

Status: [Redacted]

Save and Create Another Save and Close Cancel

Edit Charge Line 1: Insurance

Charge Line: 1

Charge BU: [Redacted]

Charge Name: Insurance

Charge Basis: Aggregate

Related Charges: [Icon]

Charge Basis UOM: [Redacted]

Service PO

PO Number: [Redacted]

Service PO Line Number: [Redacted]

Service PO Schedule: [Redacted]

Supplier: [Redacted]

Supplier Site: [Redacted]

Charge Currency: INR Indian Rupee

Rate: [Redacted]

Amount: 200

Nonrecoverable Tax: [Redacted]

Total: 200

Charge Line Status: Incomplete

Tentative

Attachments: None +

Additional Charge Line Information

Description: The charge incurred on insuring the movement of goods.

Track missing invoices

* Currency Conversion Rate Type: Corporate

* Currency Conversion Date: 25/9/23

Allocation Basis: Item value

Allocation Basis Base UOM: [Redacted]

Charge References

+ X [Icon] Detach

* Name	Description	Predefined	Value	Automatically Associate on Match	Attachments
No data to display.					

Tax Attributes

Tax applicable

Enable automatic tax calculation

Tax Determinants: [Icon]

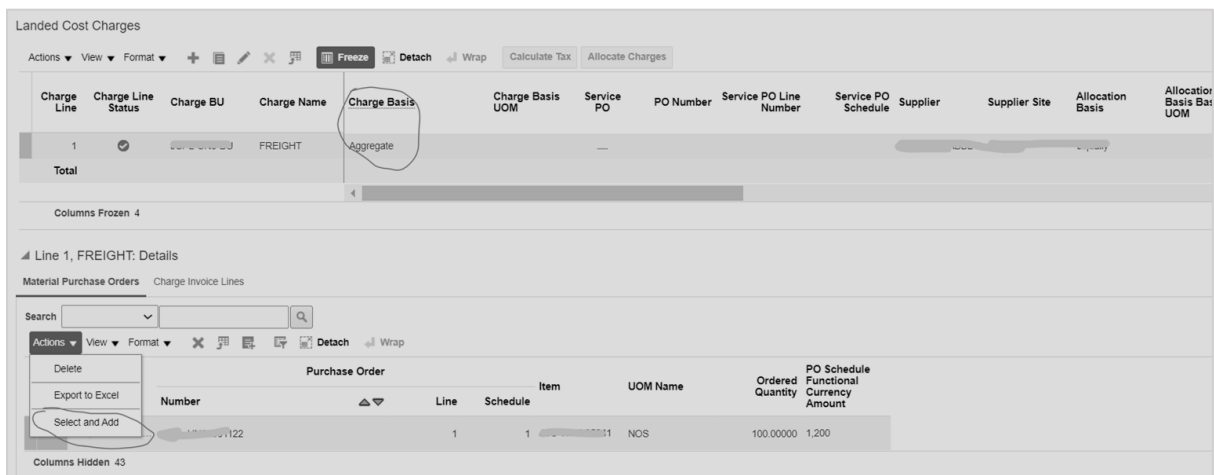
Line Type: Services

Document Type: Charge Estimates

Status: [Redacted]

Save and Next Save and Close Cancel

Step6. Then finally select and add the associated PO lines..



The screenshot displays the 'Landed Cost Charges' interface. At the top, there's a table with columns: Charge Line, Charge Line Status, Charge BU, Charge Name, Charge Basis, Charge Basis UOM, Service PO, PO Number, Service PO Line Number, Service PO Schedule, Supplier, Supplier Site, Allocation Basis, and Allocation Basis UOM. A row for 'FREIGHT' with 'Aggregate' as the 'Charge Basis' is highlighted. Below this, the 'Line 1, FREIGHT: Details' section is visible, showing a 'Purchase Order' table with columns: Number, Line, Schedule, Item, UOM Name, Ordered Quantity, and PO Schedule Functional Currency Amount. A row is selected in this table. The 'Select and Add' button in the actions menu is circled.

Technical details:

Tables:

- i) CML_TRADE_OPERATIONS - This table presents the Trade Operation specifics. A Trade Operation serves as a system entity utilized for grouping anticipated landed cost charges associated with material shipments.
- ii) CML_TRADE_OPERATION_CHARGES – This table retains the landed cost charges within a trade operation, which are then allocated to purchase order schedules and receipts.
- iii) CML_TROP_CHARGE_PO_SCHEDULES – This table stores the Material PO schedules associated to a Trade Operation Charge.
- iv) CML_CHARGES_B

This table contains the landed cost charges. Landed Cost charges are all direct and incidental costs incurred in bringing a product to its final destination. Charges are created at the time of setup and later get associated to the PO schedule/AP invoice line.

v) Integration Details:

- i) **To Create the Trade Operation - /fscmRestApi/resources/latest/tradeOperations**

```
curl --verbose -X POST https://xx.fa.yy.oraclecloud.com/fscmRestApi/resources/11.13.18.05/tradeOperations \
-H "Authorization: [authorization-value]" \
-H "Accept: application/json" \
-H "Content-Type: application/json" \
-d '{
  "ProcurementBU" : "BU1",
  "CurrencyConversionRateType" : "Corporate",
  "TradeOperationName" : "Test_Trade_Operation",
  "TradeOperationCurrency" : "USD"
}
```

ii) To create the Trade Operation Charges:

/fscmRestApi/resources/latest/tradeOperations/{TradeOperationID}/child/charges

```
curl --verbose -X POST https://xx.fa.yy.oraclecloud.com/fscmRestApi/resources/11.13.18.05/tradeOperations/{TradeOperationId}/child/charges \
-H "Authorization: [authorization-value]" \
-H "Accept: application/json" \
-H "Content-Type: application/json" \
-d '{
  "ChargeBasis": "AGGREGATE",
  "ChargeCurrencyConversionDate": "2023-06-27",
  "ChargeCurrencyConversionType": "Corporate",
  "EstimatedAmountInChargeCurrency": 200,
  "ChargeCurrency": "INR",
  "ChargeName": "Insurance",
  "ChargeBU": "BU1",
  "SupplierSiteforCharge": "ABC",
  "ChargeSupplier": "XYZ",
  "ChargeAllocationBasis": "ITEM_VALUE",
  "ChargeId": 23456789
}
```

iii) To associate the charge lines with PO lines:

```
curl --verbose -X POST https://xx.fa.yy.oraclecloud.com/fscmRestApi/resources/11.13.18.05 \
-H "Authorization: [authorization-value]" \
-H "Accept: application/json" \
-H "Content-Type: application/json" \
-d '{
  "parts": [
    {
      "id": "part1",
      "path": "/tradeOperations/{TradeOperationId}/child/charges/{TradeOperationChargeId}/child/chargePurchaseOrderSchedules",
      "operation": "create",
      "payload": {
        "LandedCostPOScheduleId": 12345
      }
    },
    {
      "id": "part2",
      "path": "/tradeOperations/{TradeOperationId}/child/charges/{TradeOperationChargeId}/child/chargePurchaseOrderSchedules/",
      "operation": "create",
      "payload": {
        "LandedCostPOScheduleId": 12346
      }
    }
  ]
}
```

Operation Name: default

Resource URI: /fscmRestApi/resources/11.13.18.05

HTTP Method: POST

Custom HTTP Headers

Add Custom Request Headers

Detach

Custom Header Name	Custom Header Description
Content-Type	application/vnd.oracle.adf.batch+json

This setup is done in order to associate all the PO lines with charge.

To run the process..

1. Step1. Got to "Manage Landed Cost Processes"

<p>Accrual Processing</p> <ul style="list-style-type: none"> • Create Receipt Accounting Distributions • Create Uninvoiced Receipt Accruals • Review Receipt Accounting Distributions <p>Accrual Clearing</p> <ul style="list-style-type: none"> • Clear Receipt Accrual Balances • Manage Accrual Clearing Rules • Adjust Receipt Accrual Balances <p>Accrual Reconciliation</p> <ul style="list-style-type: none"> • Match Receipt Accruals • Audit Receipt Accrual Clearing Balances <p>Accounting</p> <ul style="list-style-type: none"> • Create Accounting • Review Journal Entries <p>Landed Costs</p> <ul style="list-style-type: none"> • Manage Trade Operations • Review Purchase Orders for Landed Cost • Manage Charge Invoice Associations • <u>Manage Landed Cost Processes</u> • Review Landed Cost Processes • Manage Trade Operation Templates • Reconcile Landed Cost Charges • View Item Landed Cost • Analyze Landed Cost Charges • Analyze Landed Cost Variances • Capture Trade Operation Charges in Spreadsheet

Step2. Select all the appropriate process that needs to be run

Search

Search Results

Detach + X Schedule Process ↻

* Run Control	Description	Commit Limit	Last Run Date	Last Process ID
LCM	LCM	15,000	25/9/23 12:24 PM	07

Process Name	Select	Last Process ID	Status	Comments
Prepare material purchase order data ✓	<input checked="" type="checkbox"/>	07	Completed successfully	
Prepare invoice data ✓	<input checked="" type="checkbox"/>	07	Completed successfully	
Associate invoices to trade operation charges ✓	<input checked="" type="checkbox"/>	07	Completed successfully	
Allocate landed cost charges ✓	<input checked="" type="checkbox"/>	07	Completed successfully	

Step3. On the Allocate Landed Cost Charges, select the respective BU..



Important Links/Doc IDs for references:

- i) Understanding Landed Cost in Fusion (Doc ID 2262559.1)
- ii) FAQ Landed Cost Management Accounting (Doc ID 2226990.1)
- iii) <https://docs.oracle.com/en/cloud/saas/supply-chain-and-manufacturing/23b/oedsc/cmlchargesb-12772.html#cmlchargesb-12772>

About Author: -

Samir has over over 13 years of IT experience, currently working at Trinamix Systems Pvt. Ltd since Sep'23. He has worked at LTIMindtree since(Feb,22 to Aug23) and TCS from March 2010 to February 2022. His role includes as a Solution Architect (Techno-Functional Consultant) specialising in Fusion Cloud - SCM/Finance, I excel in various domains such as Business Requirement Gathering, Gap & Risk Analysis, System Design, Application Software Development, Implementation, and Application Testing.

