CIP Asset Additions

Overview

CIP Asset Additions
Effective mm/dd/yy
Page 1 of 27
www.focusthread.com
EDU34BFY
Rev 1

System References

None

Distribution

Oracle Assets

Job Title[*]

Ownership

The Job Title [list@YourCompany.com?Subject=EDUxxxxx] is responsible for ensuring that this document is necessary and that it reflects actual practice.

CIP Asset Additions
Effective mm/dd/yy
Page 2 of 27
www.focusthread.com
EDU34BFY
Rev 1

CIP Asset Additions

Release 12 Oracle Asset Management Fundamentals

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CIP Asset Additions
Effective mm/dd/yy
Page 3 of 27
www.focusthread.com
EDU34BFY
Rev 1

Objectives

After completing this module, you should be able to do the following:

- Explain how Oracle Oracle Assets allows for adding and capitalizing Construction in Process (CIP) assets
- Discuss the 3 ways to add CIP assets: manually, via mass additions, and through Capital Projects
- Explain the CIP capitalization process
- Discuss Oracle Assets integration with the Oracle Projects application

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CIP Asset Additions
Effective mm/dd/yy
Page 4 of 27
www.focusthread.com
EDU34BFY
Rev 1

Agenda

- CIP Asset Additions
- Adding CIP Assets
- CIP Assets and Oracle Projects

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CIP Asset Additions
Effective mm/dd/yy
Page 5 of 27
www.focusthread.com
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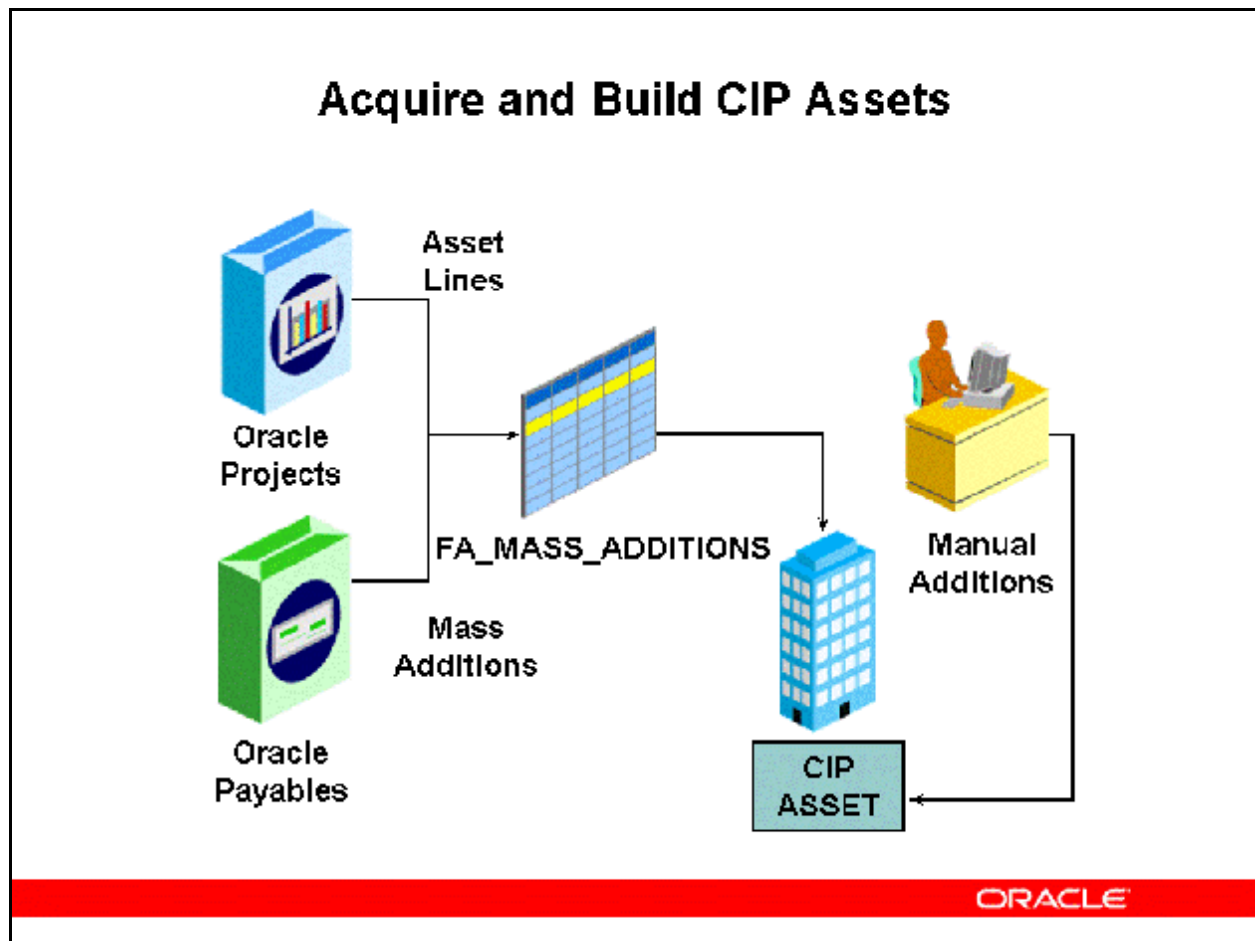Rev 1

Adding and Capitalizing a CIP Asset
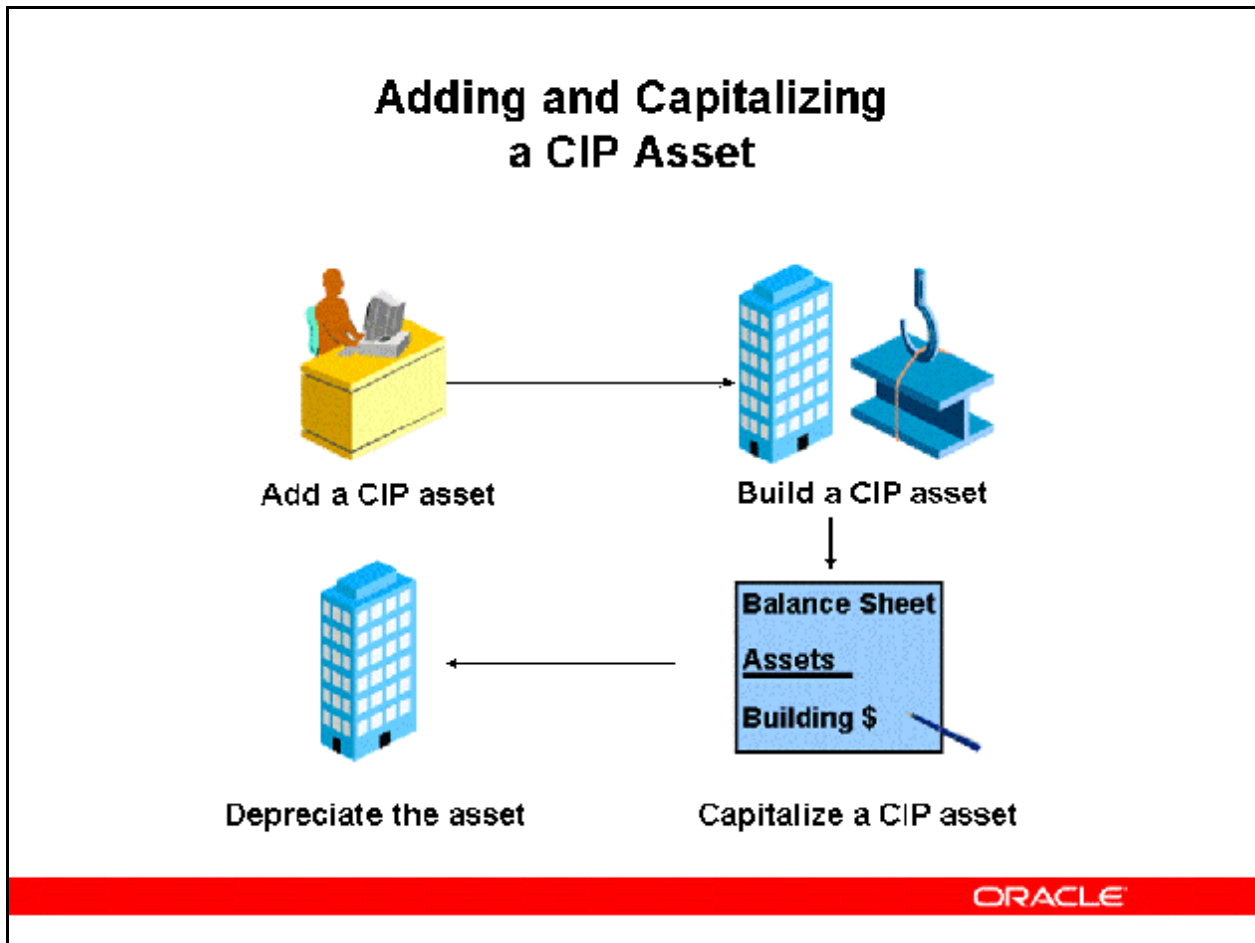
Adding and Capitalizing a CIP Asset

A construction–in–process (CIP) asset is an asset you construct over a period of time. You create and maintain your CIP assets as you spend money for raw materials and labor to construct them. Since a CIP asset is not yet in use, it does not depreciate. When you finish building the CIP asset, you can place it in service and begin depreciating it.

You can track CIP assets in Oracle Assets, or you can track detailed information about your CIP assets in Oracle Projects. If you use Oracle Projects to track CIP assets, you do not need to track them prior to capitalization in Oracle Assets.

CIP Asset Additions
Effective mm/dd/yy
Page 6 of 27
www.focusthread.com
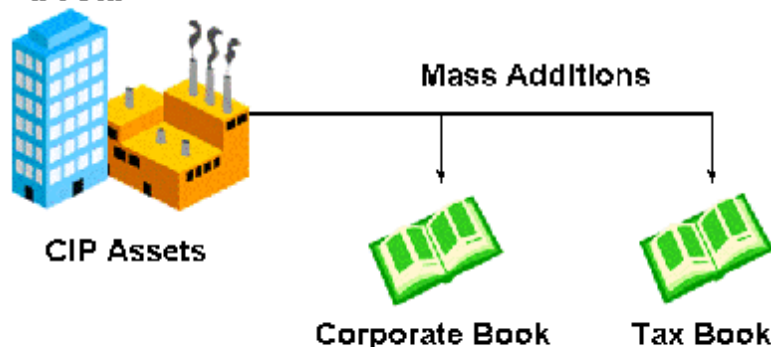EDU34BFY
Rev 1

Acquire and Build CIP Assets

Create CIP assets using mass additions or manual additions. Oracle Assets identifies invoices with distributions to CIP clearing accounts in Oracle Payables, and creates mass additions from them. You can create new CIP assets from your mass additions, or add them to existing assets. You can also add non–invoiced expenses, such as labor cost, to your CIP assets. You can perform transfers or adjustments on your CIP assets if necessary.

- Initially, CIP assets have zero costs. They act as shells for the costs that make up the assets.
- Adding source lines to the new CIP assets will increase the costs.
- Since CIP assets are not ready for use, they are non-depreciable assets.
- For costs that originate in Oracle Payables, you can send CIP costs to Oracle Projects, and then send capitalized costs to Oracle Assets.
- Consider using the asset key flexfield to group CIP assets from the same project if you are not using Oracle Projects.
- You cannot add production amounts to a CIP asset.

CIP Asset Additions
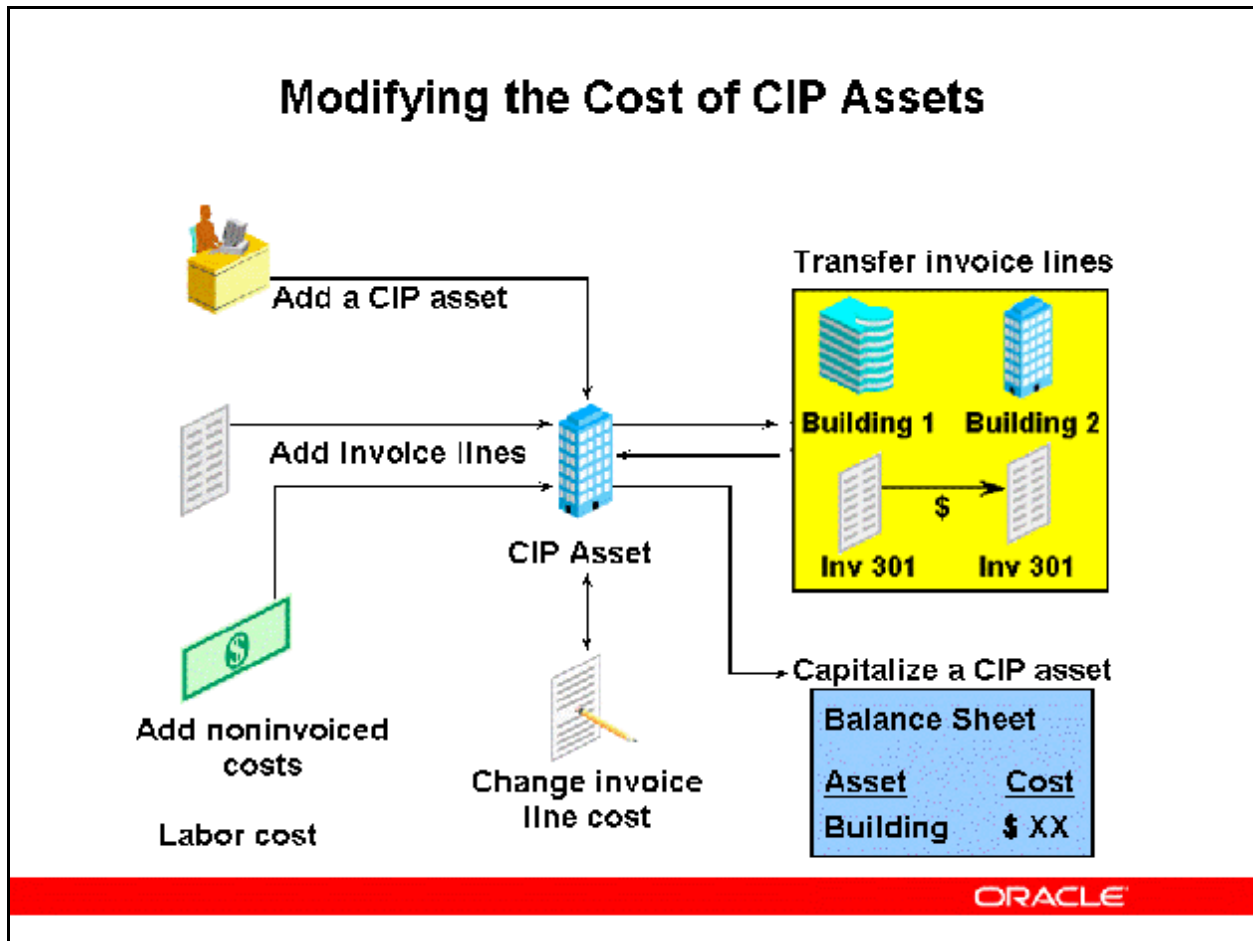Effective mm/dd/yy
Page 7 of 27
www.focusthread.com
EDU34BFY
Rev 1

Automatically Adding CIP Assets to Tax Books

- After you set up Oracle Assets to automatically add CIP assets to your tax book, all CIP assets you add to your corporate book will automatically be added to your tax book at the same time.

- When you capitalize these CIP assets in your corporate book, the same assets will automatically be capitalized in your tax book, even if the corporate and tax books are in different periods.

- If you checked Allow CIP Assets and later you uncheck it, you may have CIP assets that were automatically added to the tax book while Allow CIP Assets was checked. Although Allow CIP Assets is no longer checked, those CIP assets in the tax book will be automatically capitalized when the same assets are capitalized in the corporate book.

- You cannot perform any transactions directly to CIP assets in tax books. You can only perform transactions on CIP assets in your corporate book, and these transactions will automatically be replicated to the tax book.
    - Adjustments, retirements, reinstatements, and capitalizations must be performed on CIP assets in the corporate book.

CIP Asset Additions
Effective mm/dd/yy
Page 8 of 27
www.focusthread.com
EDU34BFY
Rev 1

- These transactions are copied automatically to the related tax book. Cost adjustments are copied as actual adjustment amounts, not as a percentage of the cost.
- Example: The cost of Asset A in the corporate book is $1000. In the tax book, the cost of Asset A is $1500 due to inflationary revaluation. If the cost of Asset A in the corporate book changes by 30% to $1300, the actual adjustment is $300. In the tax book, the cost adjustment amount of $300 will be copied, not the rate of the adjustment (30% of $1500). The adjusted cost for Asset A in the tax book will be $1800, not $1950.

• You cannot view CIP assets in tax books from the Asset Workbench. You can view this information in the View Financial Information window.

CIP Asset Additions   EDU34BFY
Effective mm/dd/yy   Page 9 of 27   Rev 1
www.focusthread.com

Modifying the Cost of CIP Assets

(N) Assets > Asset Workbench (B) Source Lines

You can modify and track the costs incurred as you build an asset by:

Adding Invoice Lines

- Add an invoice distribution line to an existing asset by using Mass Additions.
    - Merge and split invoice lines before they are posted in Mass Additions.

Changing Invoice Lines

- You can manually change the cost of an invoice line from the Asset Workbench after the CIP asset has been added.
    - You can cost adjust or delete invoice lines.
    - You can add non-invoiced costs.

Transferring Invoice Lines

- Transfer an invoice line or partial invoice cost between CIP assets, between capitalized assets, or between CIP assets and capitalized assets to maintain accurate asset inventory.

CIP Asset Additions
Effective mm/dd/yy
Page 10 of 27
www.focusthread.com
EDU34BFY
Rev 1

- You can transfer invoice lines between assets that were BOTH added in the current period or BOTH added in any prior period. You cannot transfer lines between assets added in the current period and assets added in any prior period.
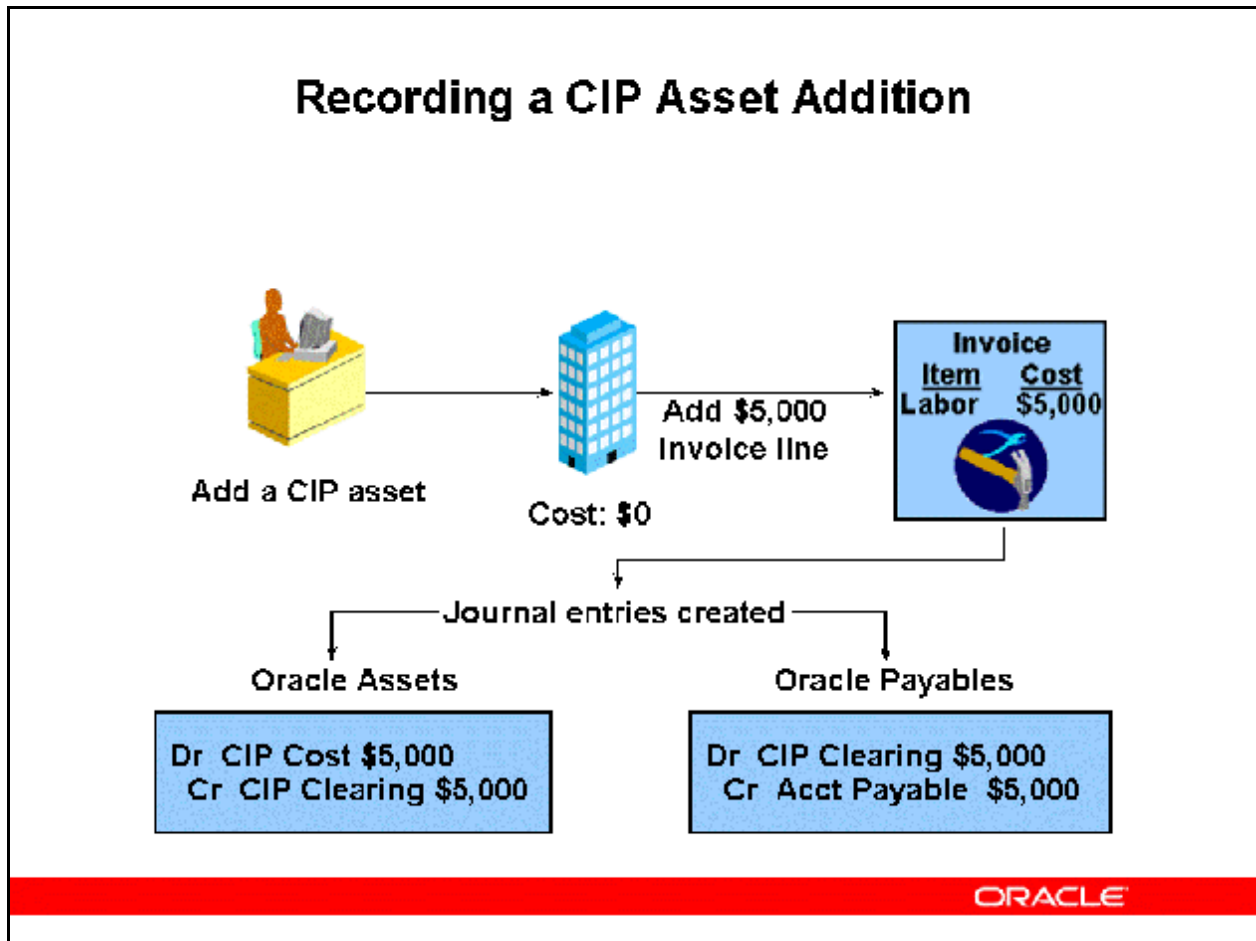
Refer to *Guided Demonstration - Create a CIP Asset and Build Costs [LAB035BY]*

Refer to *Guided Demonstration - Transfer Invoice Lines [LAB035CY]*

Refer to *Practice - Create a CIP Asset and Add Costs [LAB0382Y]*

Refer to *Practice - Transfer Invoice Lines [LAB0383Y]*

CIP Asset Additions   EDU34BFY
Effective mm/dd/yy   Page 11 of 27   Rev 1
www.focusthread.com

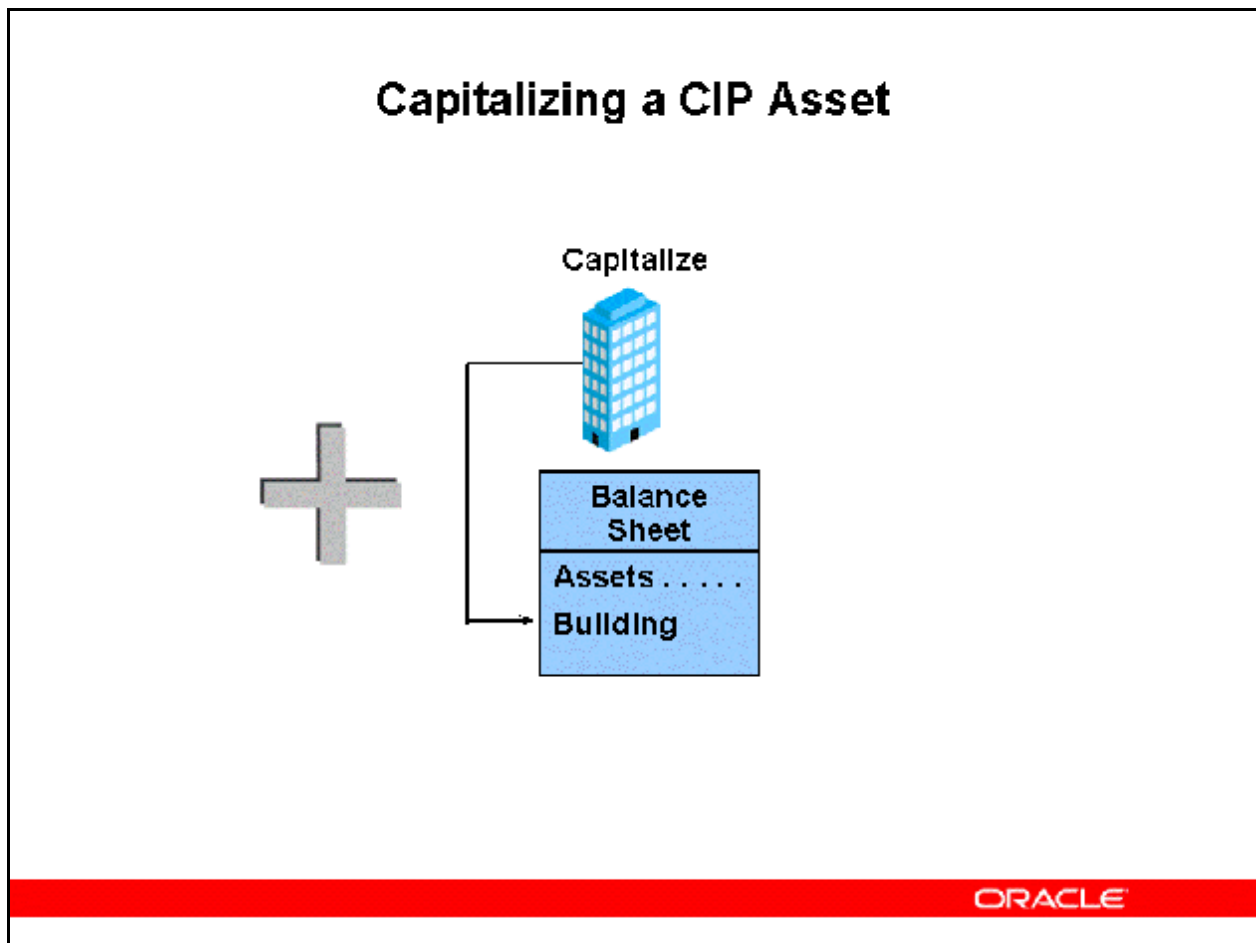## Recording a CIP Asset Addition

The slide shows the journal entries for the following scenario:

- You add a CIP asset with zero cost
- You add a $5,000 invoice line for Labor to the CIP asset

CIP Asset Additions
Effective mm/dd/yy
Page 12 of 27
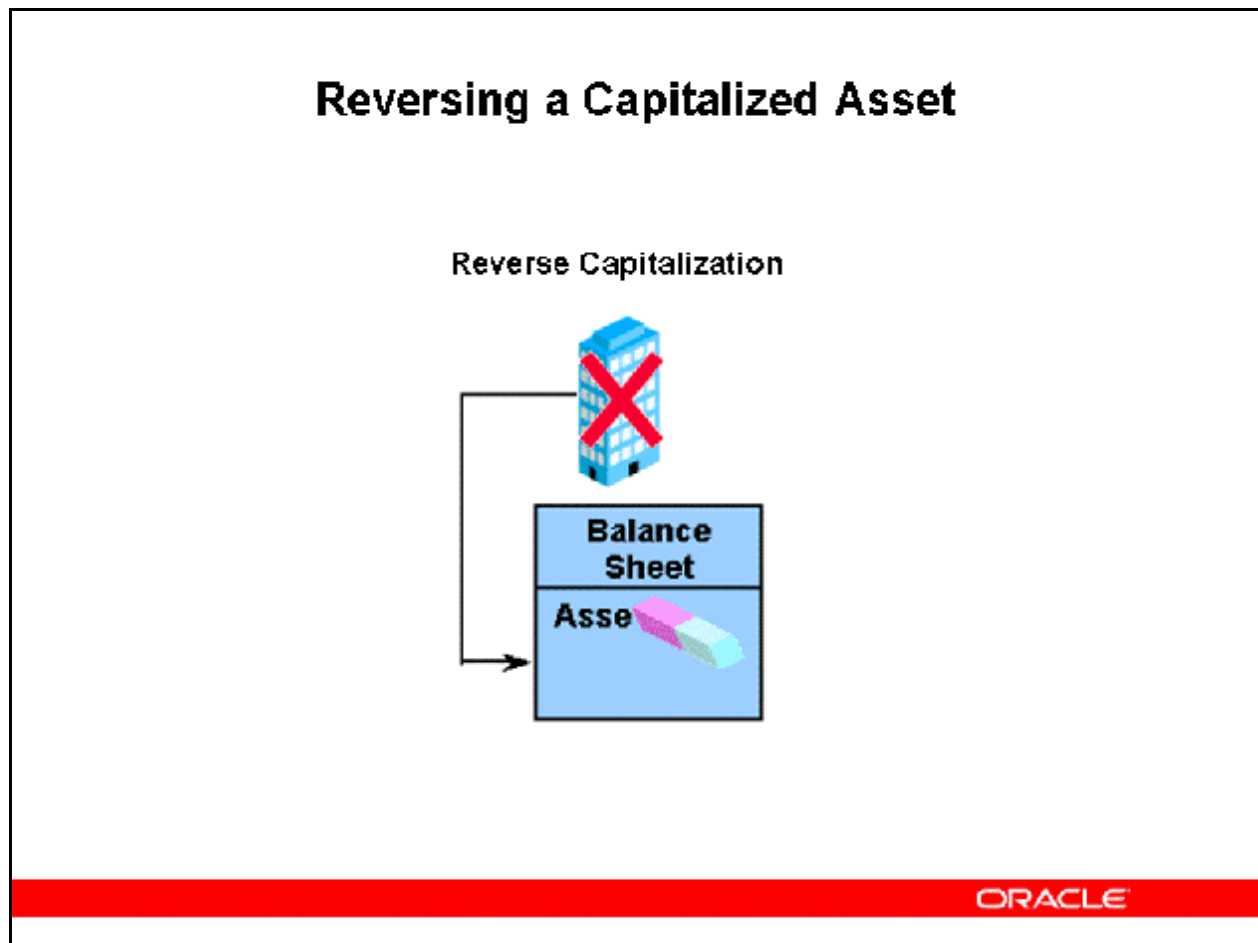www.focusthread.com
EDU34BFY
Rev 1

Capitalizing a CIP Asset

(N) Assets > Capitalize CIP Assets

Capitalization

- You capitalize CIP assets when you are ready to place them in service. You can capitalize or reverse capitalize a single asset or a group of assets.

- When you capitalize an asset, Oracle Assets changes the asset type from CIP to Capitalized, changes the date placed in service to the date you enter, sets the cost to the sum of all source lines for the asset, and re–defaults the depreciation rules from the asset category.

- Oracle Assets creates an Addition transaction for an asset you added in a prior period or changes the CIP Addition transaction to an Addition for an asset you added in the current period.

CIP Asset Additions
Effective mm/dd/yy
Page 13 of 27
www.focusthread.com
EDU34BFY
Rev 1

Reversing a Capitalized Asset

(N) Assets > Capitalize CIP Assets (B) Reverse

Reverse Capitalization

- You can reverse a capitalization:
    - Only in the period the asset was capitalized.
    - If no transactions were performed on the asset.
    - Before you close the period. Note: you can run depreciation and choose not to close the period. If you do not close the period when running depreciation, you can reverse an asset capitalization only if you rollback depreciation
- When you reverse a capitalization, Oracle Assets changes the asset type from Capitalized back to CIP and leaves the date placed in service unchanged.

Note: You can reverse capitalize an asset only in the period you capitalized it, and only if you did not perform any transactions on it.

Refer to *Guided Demonstration - Capitalize a CIP Asset [LAB035DY]*

Refer to *Practice - Capitalize a CIP Asset [LAB0384Y]*

CIP Asset Additions
Effective mm/dd/yy
Page 14 of 27
www.focusthread.com
EDU34BFY
Rev 1

Updating Asset Fields When Capitalizing CIP Assets

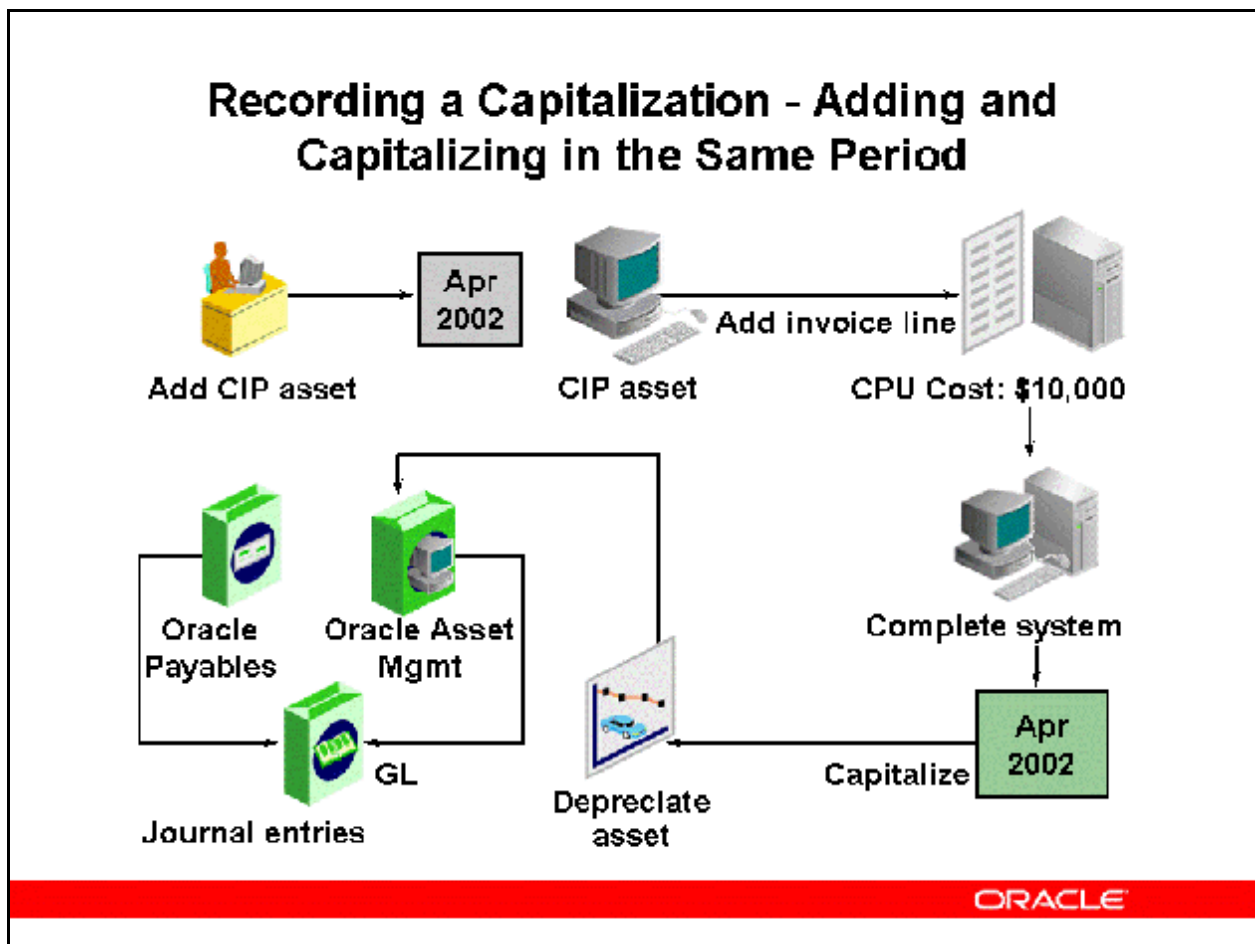| Field	Capitalize	Reverse Capitalize
Asset Type	Capitalized	CIP
Date Place In Service	Date placed in service	Unchanged
Cost	Sum of the invoice distribution lines	Unchanged
Depreciation Rules	Revert to category and book defaults	Unchanged

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CIP Asset Additions
Effective mm/dd/yy
Page 15 of 27
www.focusthread.com
EDU34BFY
Rev 1

Updating Transaction Types When Capitalizing CIP Assets

Transaction Type	Capitalize	Reverse Capitalize
In the period added	Change *CIP Addition* to *CIP Addition/Void* and then create *Addition*	Change *Addition* to *CIP Reverse*
After period added	Create *Addition* distribution lines	Not allowed

ORACLE

CIP Asset Additions
Effective mm/dd/yy
Page 16 of 27
www.focusthread.com
EDU34BFY
Rev 1

Recording a Capitalization - Adding and Capitalizing in the Same Period

Oracle Assets creates journal entries to the asset cost and CIP clearing account for an asset capitalized in the period you added it.
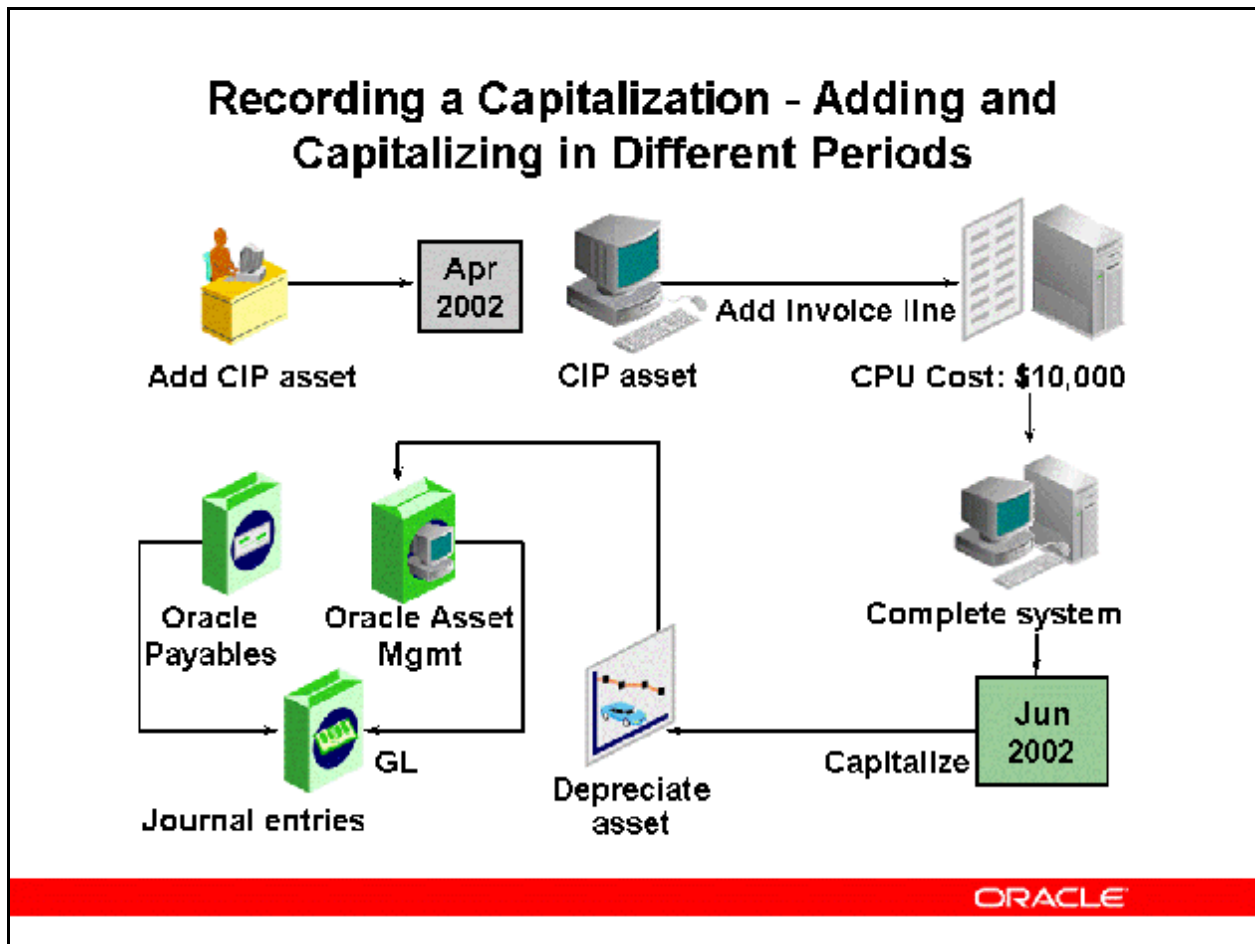
Scenario

- Add a CIP computer system in APR-2002.
- Add invoice lines for $10,000 to the computer system.
- Capitalize the system in APR-2002.

The journal entries that result are:

Create by Oracle Payables:	DR	CR
CIP Clearing	10,000	
Accounts Payable		10,000
Created by Oracle Assets:		
Asset Cost	10,000	
CIP Clearing		10,000

CIP Asset Additions

EDU34BFY

Effective mm/dd/yy

Page 17 of 27

Rev 1

www.focusthread.com

Recording a Capitalization - Adding and Capitalizing in Different Periods

Recording a Capitalization - Adding and Capitalizing in Different Periods

Oracle Assets creates journal entries to the Asset Cost and CIP Cost account for an asset capitalized after the period you added it due to the clearing account being already cleared.

Scenario:

- Add a CIP computer system in APR-2002.
- Add invoice lines for $10,000 in APR-2002 to the computer system.
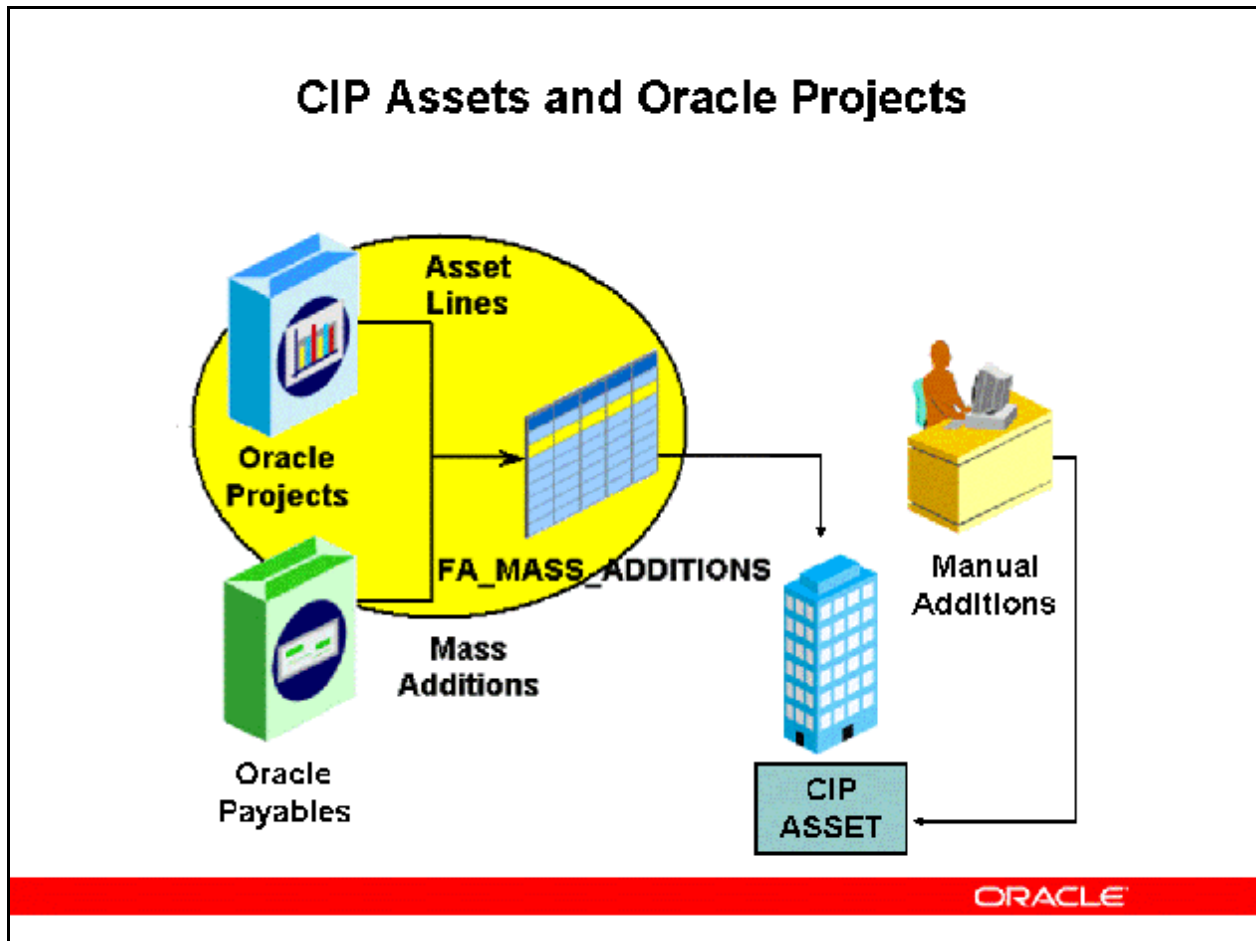- Capitalize the system in JUN-2002.

For APR-2002:

Create by Oracle Payables:	**DR**	**CR**
CIP Clearing	10,000	
Accounts Payable		10,000
Created by Oracle Assets:		
CIP Cost	10,000	
CIP Clearing		10,000

CIP Asset Additions
Effective mm/dd/yy
Page 18 of 27
www.focusthread.com
EDU34BFY
Rev 1

For JUN-2002:

Created by Oracle Assets:

Asset Cost	10,000	
CIP Cost		10,000

CIP Asset Additions   EDU34BFY
Effective mm/dd/yy   Page 19 of 27   Rev 1
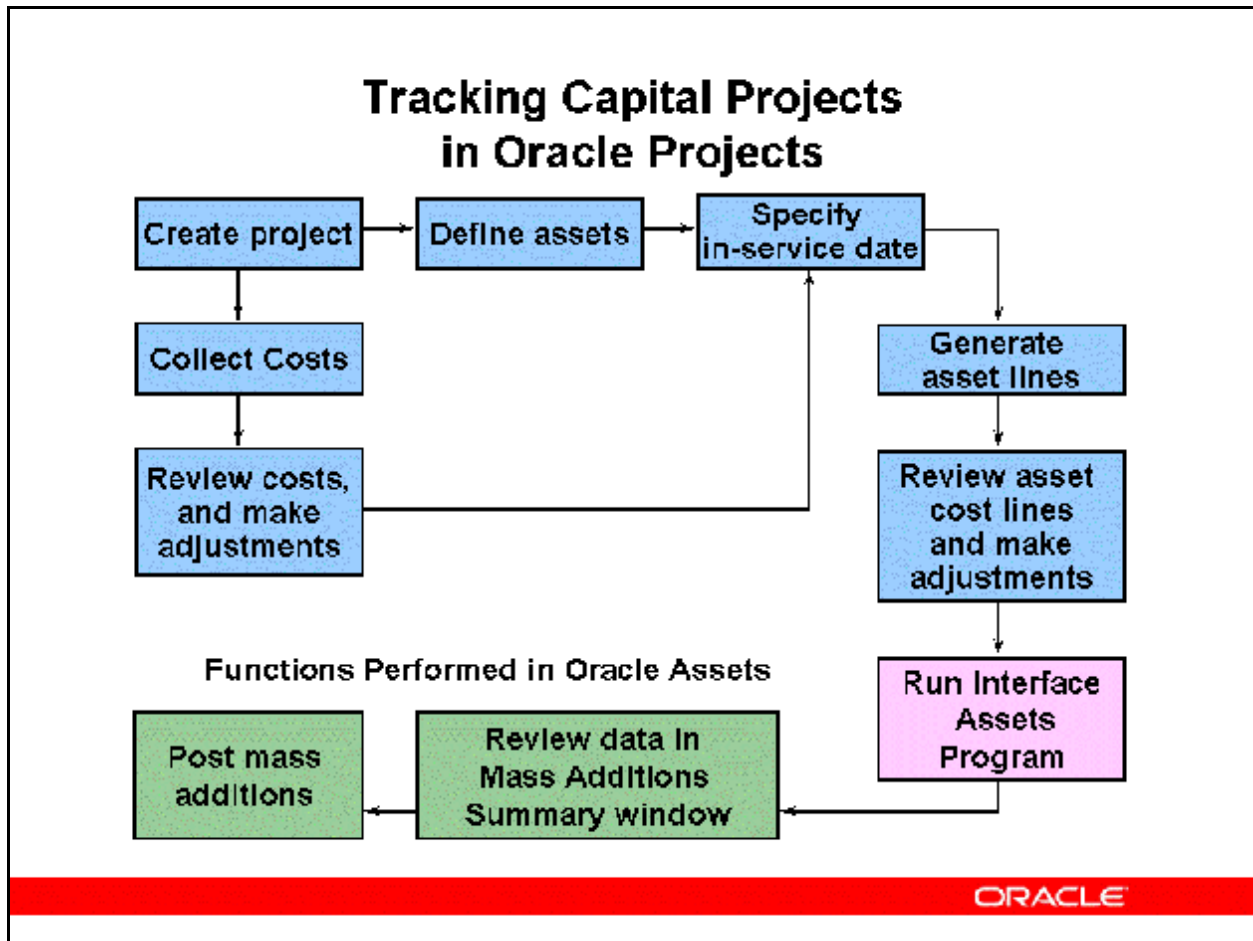   www.focusthread.com

CIP Assets and Oracle Projects

You can collect CIP costs for capital assets you are building in Oracle Projects. When you finish building your CIP asset, you can capitalize the associated costs as asset lines in Oracle Projects and send them to Oracle Assets as mass addition lines. When you run the Interface Assets process, Oracle Projects sends valid capital asset lines to the Mass Additions interface table in Oracle Assets. You can then review these mass addition lines in Oracle Assets and then create assets from them by running the Post Mass Additions program.

You define and build capital assets in Oracle Projects using information specified in the project definition. You can determine which costs will be capitalized to the project and which are expensed. You define and assign the grouping method and levels for CIP costs to summarize them for capitalization. You can review and adjust the summarized CIP costs if necessary. You also can adjust capital project costs before and after capitalization.

The following material is intended as a high level review of the process.

CIP Asset Additions
Effective mm/dd/yy   Page 20 of 27
www.focusthread.com

EDU34BFY
Rev 1

Tracking Capital Projects in Oracle Projects

Functions Performed in Oracle Assets

Tracking CIP Assets in Oracle Projects

- Collect CIP costs for a project asset in Oracle Projects by assigning the asset to a project or tasks.
- Define key asset information such as date placed in service, location, employee assignment, and corporate asset book for each project asset in Oracle Projects.
- Differentiate between capital and expense transactions.
- Capitalize assets prior to completion of the project.
- Define the grouping methods by which CIP costs are summarized for capitalization.
- Review summarized CIP costs, and make adjustments.
- Allocate costs collected under common tasks to multiple project assets.
- Send capitalized asset lines to the FA_MASS_ADDITIONS table with a queue of POST for the parent line and MERGED for all supporting lines.
- Oracle Assets will then create assets when the Post Mass Additions program is run.
- Adjust asset costs after capitalization when additional costs are incurred.
- Drill down from Oracle Assets to Oracle Projects detail transactions.

CIP Asset Additions
Effective mm/dd/yy
Page 21 of 27
www.focusthread.com
EDU34BFY
Rev 1

Capital Projects Flow Integration
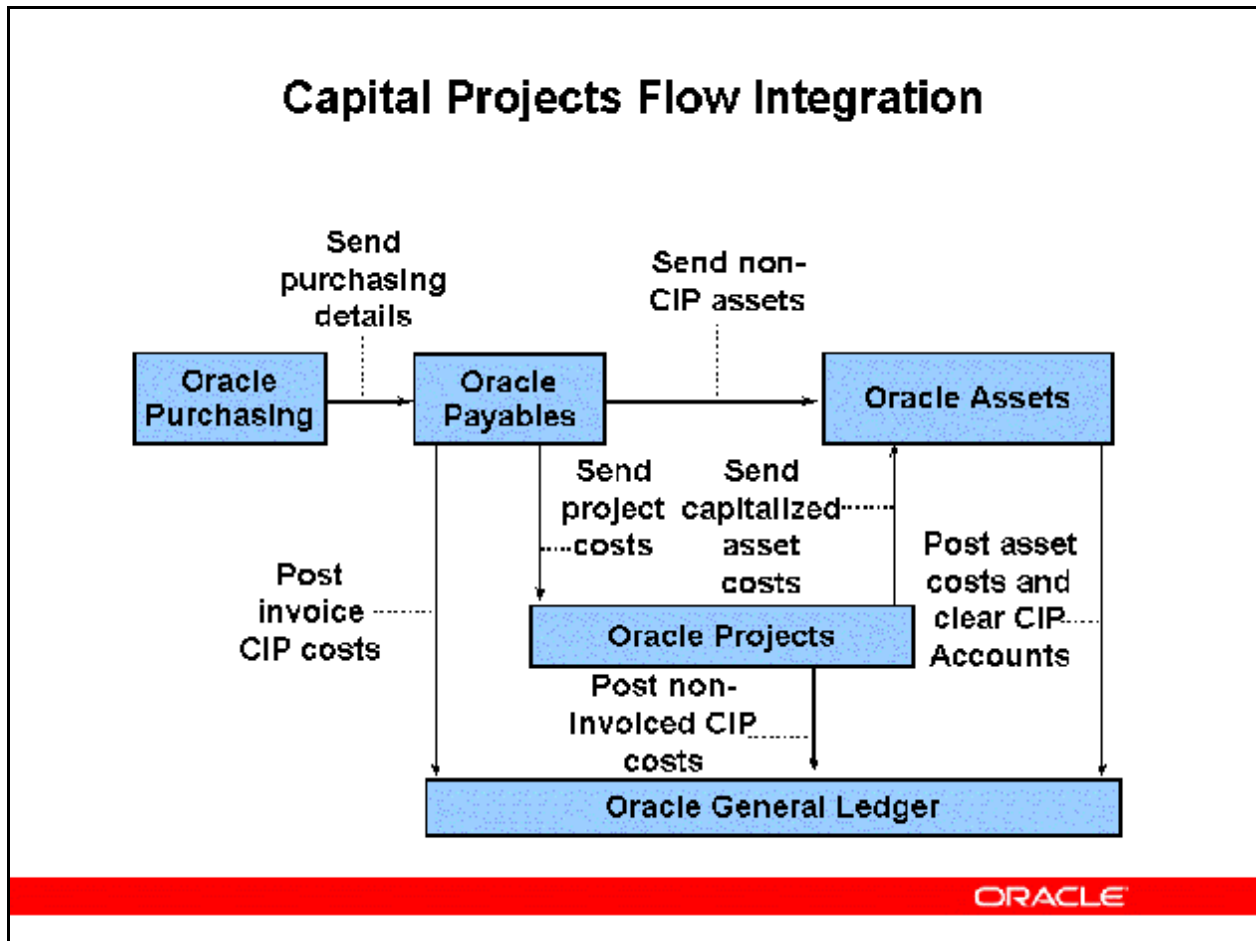
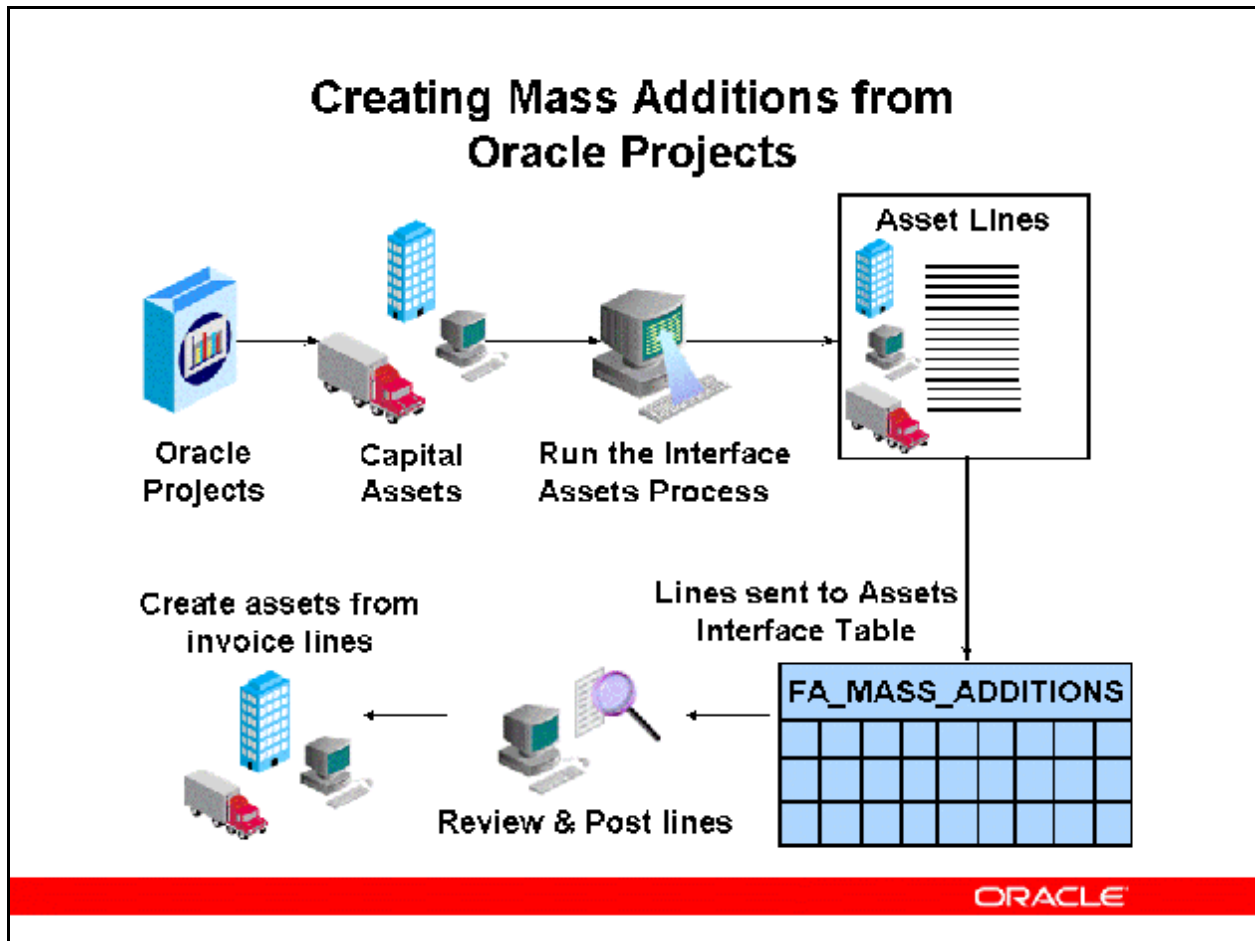**Capital Projects Flow Integration**

Oracle Purchasing

- When you create a purchase order for a capital project in Oracle Purchasing, you enter a project, task number, and expenditure type for each project-related distribution line.

Oracle Payables

- In Oracle Payables, you match the purchase order to an invoice and collect additional invoiced costs against the capital project even after the asset is capitalized. These costs are sent to Oracle Projects and then to Oracle Assets as cost adjustments.

- You cannot send capital project-related distribution lines to Oracle Assets directly from Oracle Payables. You can, however, send non-CIP distribution lines to Oracle Assets by using mass additions.

- Note: Any CIP distribution lines sent directly from Oracle Payables to Oracle Assets will not be tracked in Oracle Projects.

CIP Asset Additions
Effective mm/dd/yy
Page 22 of 27
www.focusthread.com
EDU34BFY
Rev 1

Creating Mass Additions from Oracle Projects

If you use Oracle Projects to build CIP assets, you do not need to create CIP assets in Oracle Assets. For costs that originate in Oracle Payables, you should send CIP costs to Oracle Projects, and capitalized costs to Oracle Assets.

Build Capital Assets in Oracle Projects

You define and build capital assets in Oracle Projects using information specified in the project work breakdown structure (WBS). You define and assign the grouping method and levels for CIP costs to summarize them for capitalization. You can review and adjust the summarized CIP costs if necessary. You also can adjust capital project costs before and after capitalization.
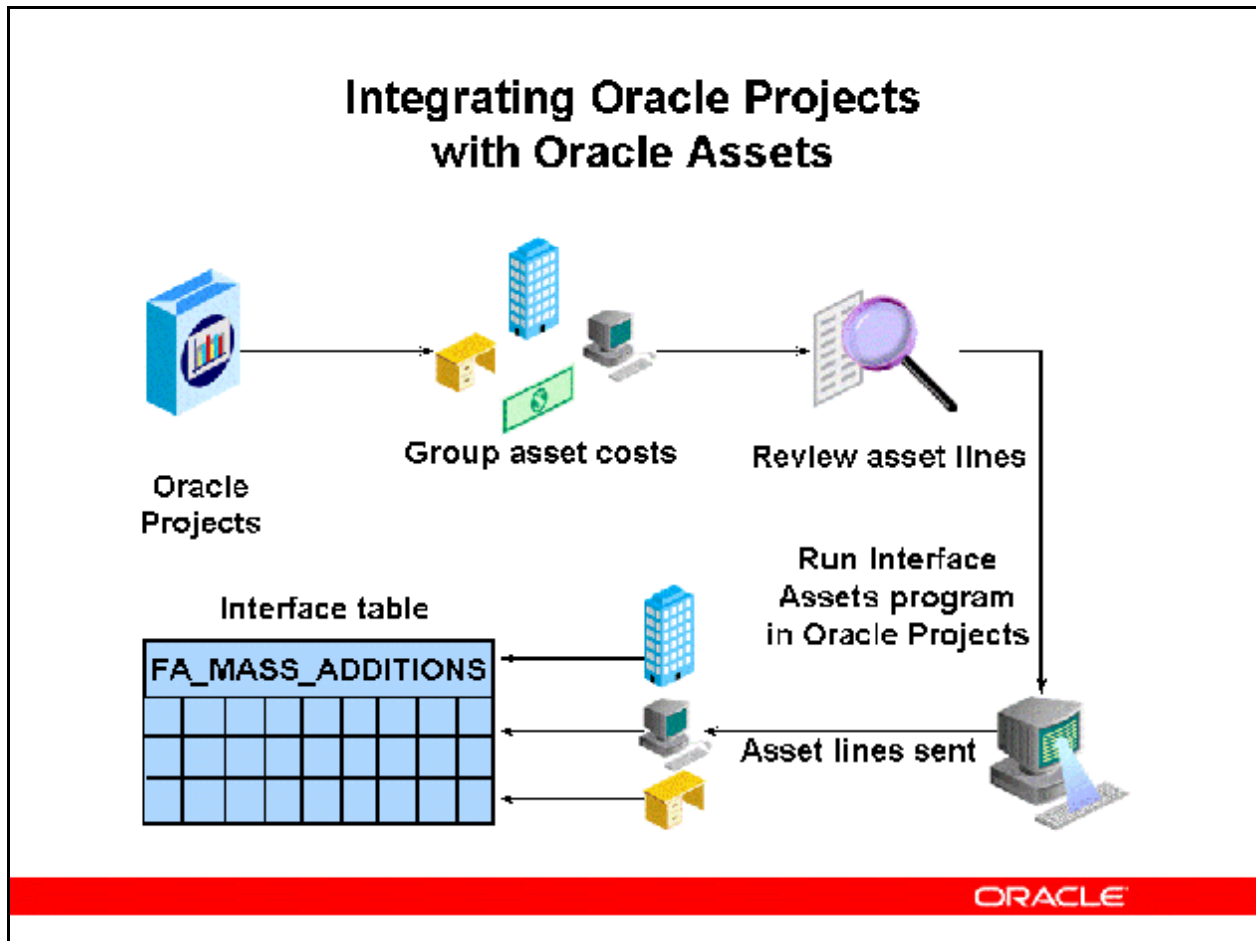
When your CIP asset is built and ready to be placed in service, you can capitalize and send the associated costs as asset lines to Oracle Assets. Oracle Assets places these imported mass addition lines in a holding area, where the capitalized lines can be posted which converts them into assets. Now you can begin using and depreciating your assets. You can review detail project transactions associated with the asset lines in both Oracle Projects and Oracle Assets.

Conditions for Project Information to Be Imported

For Oracle Projects to send asset lines to Oracle Assets, the asset line must meet these specific conditions:

CIP Asset Additions
Effective mm/dd/yy
Page 23 of 27
www.focusthread.com
EDU34BFY
Rev 1

- The actual date in service must fall in the current or a prior Oracle Assets accounting period
- The CIP costs for summarized asset lines must be interfaced to Oracle General Ledger
- The CIP costs for supplier invoice adjustments must be interfaced to Oracle Payables
- A CIP asset must be associated with the asset line

CIP Asset Additions
Effective mm/dd/yy   Page 24 of 27   EDU34BFY
                                            www.focusthread.com   Rev 1

Integrating Oracle Projects with Oracle Assets

Interface Assets

- You run the Interface Assets process in Oracle Projects to send asset lines to Oracle Assets. This process creates a mass addition line for each asset line in Oracle Projects. It then merges all mass additions for one asset into a single parent mass addition line. All of the mass additions appear in the Prepare Mass Additions window. The merged children have a status of MERGED.

- Oracle Assets places the parent mass addition in the POST queue if you completely defined the asset in Oracle Projects, and it is ready for posting. Oracle Assets places the parent mass addition in the NEW queue if the asset definition is not complete; you must enter additional information for the mass addition in the Prepare Mass Additions window, and then update the queue status to POST. You do not need to change the queue status for lines with a status of MERGED.

Query Information

- Oracle Assets places the parent mass addition in the POST queue if you completely defined the asset in Oracle Projects, and it is ready for posting.

CIP Asset Additions
Effective mm/dd/yy
Page 25 of 27
www.focusthread.com
EDU34BFY
Rev 1

- Oracle Assets places the parent mass addition in the NEW queue if the asset definition is not complete; you must enter additional information for the mass addition in the Prepare Mass Additions window, and then update the queue status to POST.
- You do not need to change the queue status for lines with a status of MERGED.

CIP Asset Additions
Effective mm/dd/yy
Page 26 of 27
www.focusthread.com
EDU34BFY
Rev 1

Summary

CIP Asset Additions
Effective mm/dd/yy
Page 27 of 27
www.focusthread.com
EDU34BFY
Rev 1