



GETTING MANUFACTURING ACCOUNTING STRAIGHT FOR REWORK

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Background

On occasion, rework of manufactured products may become necessary for correcting non-conformances to specifications, as a result of engineering changes, or any number of other reasons. In a manufacturing environment the most controlled way of handling rework is by using a special type of work order, and in terms of getting the manufacturing accounting straight it is pretty much the only way.

The reason for needing a special type of work order is that within the standard JD Edwards manufacturing accounting logic, journal entry creation programs do not issue the individual cost components of the item to be reworked to WIP. Instead, the total standard cost of an item is lumped together and issued as "A1", so for manufactured items having cost components other than "A1" this causes incorrect variances to be booked whenever different accounts exist between material variances and other types of variances.

Yes, the standard JD Edwards program logic works fine for standard work orders, but for rework work orders the result at the end of the manufacturing accounting process can be incorrect unfavorable material variances and incorrect favorable labor and overhead variances unless something different is done.

Rework Work Order - Solution

A time-tested solution for the rework work order scenario is to drive both the rework process and the manufacturing accounting process off of a different Document Type than the one used for standard work orders, e.g. "WR" instead of "WO". The separate Document Type not only allows for instant recognition as non-standard production, handy when scheduling manufacturing, but it also facilitates the manufacturing accounting AAI set up since one of the keys to the manufacturing AAI tables is the Document Type.

The AAIs set up for document type "WR" point to a single "Rework" GL account to allow the incorrect unfavorable material variances (the ones caused because a manufactured item's total



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cost is issued as "A1"), to offset or wash with the corresponding incorrect favorable variances on labor and overhead.

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