



Job Cost Projections

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Editor's Note: *The Job Cost module generates projections automatically and dynamically. Projections are required for profit recognition; actual amounts are compared with projections to compute percent complete at the detail Job chart line and also for the Job as a whole. But projections can also be used as valuable management information. They enable managers to see the projected outcome of a project without having to do complicated manual calculations. There are 17 methods of projection computation, but few users get beyond method 'D' (the default method). There are some methods which are very useful. Method Q (Quantities), method R (Remaining Unit Rate) and the S and I combination of methods are particularly useful. In this article, Richard explains in detail, using practical examples and illustrations, how the various methods of computation work and the situations in which they might be used.*

Introduction

The beauty of JD Edwards Job Cost is that you have the capability to calculate Job projections automatically. The thing is, there is a wide variety of projection computation methods: it takes careful study to understand the use of these projections and how they work. Very few users, in my experience, make full use of these projection computations, preferring to calculate manually outside the system. But it is worth taking some time to review these methods, just to see if you may be missing out on any benefits your organization could derive from this feature.

What you'll want to take into account is that different methods are useful in different situations. For example, Method B is useful where works are subcontracted, while Method U is useful when you know the quantities to complete a project, and the unit rate to apply. Method E might be useful where the project manager has a good feel for how much cost is needed to complete the project. The key to remember is not all methods are useful for all companies. But that doesn't mean it's not worth exploring what may work for you. Even if you're game to opt out of JDE projections in favor of your own calculations, why not let the system calculate them anyway? They may provide a useful cross-check against your own manually computed projections.

JDE works to compute "Estimate At Completion" (EAC) values. Most project managers who chose to manually compute projections normally look at "Estimate To Complete" (ETC) values. That is to say, they would ignore historical costs and look at how much it would cost to bring the project to a successful conclusion. JDE cannot work in this way, because a project manager would have knowledge of factors that cannot be incorporated into JDE or, perhaps, into any computer system. However, projections are required in JDE if you wish to use the automatic profit recognition program, and especially if you use the 'percent of cost' method. Costs to date are compared with EAC cost to compute the percent complete. Accurate and prudent projections are therefore needed to calculate accurate and prudent profit figures.

JDE calculates projections dynamically, starting with the revised budget. At the start of a job, the projection would be equal to the revised budget. As the job progresses and actual and committed costs are accumulated, the projections would be modified. As the job draws to a close, the projection would move closer to the actual cost until the last, when projection and actual would be identical. Projections are stored in F0902 Ledger HA. Monthly movements account for changes



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in projections. To The total projection can be viewed through the cumulative balance on the F0902 ledger HA.

Projections are viewed and managed using the Job Status Inquiry (JSI). To change a projection, or a method of computation, highlight a line on the JSI and double click. You may also make changes to multiple accounts using the 'Job' Form Exit button.

The standard JDE manual is quite good on the subject of Job Cost projections;. I would recommend reading it. This article complements the JDE manual with some additional practical information and examples.

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