Project Reporting – Job Cost vs. Work Orders & Subledgers: What To Consider

By Hartley Farmer

W E1 *Editor's Note: Job Cost vs. Work Orders? Which of these methods is most likely to meet your project's reporting needs? To help you sort out the best solution, Hartley Farmer provides an overview of both methods, then lists the decision points you'll need to consider before you select. So whether your project is very large or very small, this article will help you determine which is right for you.*

This article applies to all releases of EnterpriseOne® and World®.

JD Edwards® includes a series of powerful options and tools for Project Reporting. There is no one specific factor to define which of the available tools is the optimal solution as it depends very much on the business requirements. This article will help you to evaluate and determine which of the two options presented – Job Cost or Work Orders – will best satisfy those requirements, or if the best solution is a mix of the two.

Overview

Job Cost is also called Project Costing. It is used to record processes surrounding the planning, management, and accounting of business activities that:

• Have a specific purpose

• Have a discrete start and end date/period

• Cross the usual business organization structures

Based on the evaluation of the Decision Points listed in this article, either the JDE® Job Cost Module or the Work Order functionality can be utilized.

JDE's project reporting solutions are designed such that all the data is embedded within the Financial modules. In one solution, the Job Cost solution, the Business Unit (BU) becomes the Project or Job number. The alternate solution uses the Subledger Code to group costs and activities; as such, the project's details are embedded in the Financial's "Coding Block" and are therefore available to every module and/or interface that is integrated with the Financial modules.

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These two alternate methods for Project Reporting Financials are:

Job Cost Solution

In the Job Cost solution:

• The project number is the Business Unit (BU)

• The Object Code becomes the Cost Type (e.g., the identifier of types of expenses or statistics/units)

• The Subsidiary becomes the Cost Code (e.g., a time-scale phase or a discrete activity within a project)

The actual creation of the BU uses the special forms in the Job Cost module in order to enable additional fields such as further dates or Address Book and Capex type codes to be entered. There are some "nice to have" forms to copy projects from base "models". Otherwise, the remaining functionality is identical to the base JDE G/L.

Work Orders (Subledger Codes) Solution

While initially developed for the Energy sector, Work Orders are now an integral part of modules such as Manufacturing, Warranty/Claims, Contract and Service Billing, etc. There is a separate Work Orders table (plus linked tables for Parts Lists, Labor, and Machine details, etc.); however, the details of costs and activities are embedded into the Financial tables because the Work Order number becomes the Subledger Code.

Thus, project information can be segregated from other projects, or from non-project related activities, by means of either the BU or the Subledger Code or a mixture of both.

There are only a very few areas where Job Cost's functionality dictates that it offers the only solution. In the decision points forthcoming, I have noted these situations. In many cases, both Business Unit-based or Subledger-based tools will provide the same functionality; however, with some isolated exceptions in which it was specifically designed as a project reporting tool, Job Cost satisfies most project requirements in a more user-friendly and efficient manner.

Decision Points for Choosing a Job Cost or a Subledger-Based Solution

Size

As a general rule, Job Cost is the preferred option when projects are large and require significant parts of the functionality as noted in this article. JDE initially introduced Job Cost for clients such as contractors on large projects (i.e., engineering) where normal reporting to other parties and regular GAAP compliant accounting for profit recognition, etc., was required. It has now been expanded to cater to internal projects and other modules, such as project housing, sales/advertising promotions, and pre-build activities for Capital Projects.

Work Orders, on the other hand, while originally developed for AFEs (Approvals for Expenditure) in the Oil & Gas sectors, became the tools of choice for a multitude of tasks, including:

• Collection of costs for batches of goods in manufacturing

• R & M/workshop activity

• Accumulation of costs to bill through Service Billing

The design of Work Orders, therefore, is set to control business processes that are smaller than and less complex than Job Cost projects and generally run for a shorter time period.

Another attribute of size is the amount of information to be collected and reported on. JDE terms this as Level of Detail (LOD). In Job Cost, users can set up an "account structure" to satisfy the level of detail required by the project managers and to show the accountant's view of that same project. For example, a project manager may wish to see actual or budgeted costs by phase within a series of milestones. Conversely the accounting staff may wish to view it at a higher level such as by type of expense within the project (via LOD roll up). In Work Orders, users have one "down

the page" structure and are restricted to the defined "accounting convention-controlled" chart of accounts coding.

Reporting Hierarchies

Through Business Unit Category Codes and externally-defined Business Unit organizational structures, users may either:

• Create a multi-level hierarchy of projects

• Have the same project included in more than one hierarchy

Uses of a multi level hierarchy may include instances in which the parent Work Order is the original Capex approval and every change order becomes a lower level "project" within it.

Multi-tier reporting may apply when the structure enables reporting based on:

• Project manager

• Department

• Required separation of going concern from environmental reporting. In some countries, GAAP Board-level reporting requires separation of project costing into four or five high level categories including:

   – Cost of maintaining the business as a going concern

   – Costs needed to satisfy environmental issues

Multi-tier reporting can be done by Work Order; however, more than one level is difficult and there are only ten available Category Codes on the Work Order Master to cater to the required reporting structures. Job Cost is virtually limitless in both these regards.

Through the use of either Account Category Codes or (preferably) the three "Alternate Codes", the Job Cost module allows users to report "down the page" in any alternate manner required; e.g., users may wish to exclude certain accounts, such as recovery accounts, when creating reports/inquiries for project managers, or to summarize accounts in a specific fashion to satisfy reporting to a Joint Venture partner (JV) or funding organization such as a Capital Equity partner. Work Orders do not offer the same functionality without the need to set up reports or create spread sheets and download into them.

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