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**Exam Name:** Oracle E-Business Suite R12 Project  
Essentials Exam

**Version:** DEMO

### QUESTION 1

A customer has two operating units: US and Ireland. A project that is set in the Ireland operating unit requires the services of employees from the US operating unit. Identify three mandatory steps that must be completed for the employees in the US to enter their time on the project and for costs to be successfully distributed.

- A. Set up Internal Billing Implementation options in US and Ireland.
- B. Define provider controls in US and receiver controls in Ireland.
- C. Set up a new transaction source to receive Intercompany transactions in Ireland.
- D. For the project in Ireland, select "Allow Cross Charges to all Operating Units within Legal Entity".
- E. For the project in Ireland, set up transaction controls to allow charges from other operating units.

**Answer:** BCD

#### **Explanation:**

**B: Provider and Receiver Controls Setup**

For each provider operating unit or receiver operating unit involved in the cross charge, the Provider/Receiver Controls window Provider Controls and Receiver Controls tabs specify: The cross charge method to use to process intercompany cross charges and to override default cross charge method for inter-operating unit cross charges. Attributes required for the provider operating unit to process intercompany billing to each receiver operating unit. This includes the Intercompany Billing Project and Invoice Group. Attributes required for the receiver operating unit to process intercompany billing from each provider operating unit. This includes the supplier site, expenditure type and expenditure organization.

\* (C) Intercompany Billing Accounting

Companies choose the intercompany billing method largely due to legal and statutory requirements. When you use this method, Oracle Projects generates physical invoices and corresponding accounting entries at legal transfer prices between the internal seller (provider) and buyer (receiver) organizations when they cross a legal entity boundary or operating units.

\* (D) Overview of Cross Charge

When projects share resources within an enterprise, it is common to see those resources shared across organization and country boundaries. Further, project managers may also divide the work into multiple projects for easier execution and management. The legal, statutory, or managerial accounting requirements of such projects often present complex operational control, billing, and accounting challenges.

Oracle Projects enables companies to meet these challenges by providing timely information for effective project management. Project managers can easily view the current total costs of the project, while customers receive bills as costs are incurred, regardless of who performs the work or where it is performed.

**Reference:** Oracle Project Costing User Guide, Cross Charge

### QUESTION 2

A project is undertaken for a customer where all labor costs are non-billable, and Non-Labor costs are billable if the accumulated costs incurred are greater than \$10k. How can Oracle Projects be implemented to support this?

- A. Use transaction controls to restrict billing to Non-Labor elements and to calculate the bill amounts on Non-Labor.
- B. Use transaction controls to billing Non-Labor elements, capture the value on the project, and then use the Non-Labor billing extension to calculate when an activity is billable.
- C. Create an agreement and funding for \$10k only, and fund only those tasks on a project where you estimate to incur costs of \$10k or more.
- D. Use the cost-to-cost billing extension to build billing rules to meet the requirement.
- E. Use the cost accrual extension.

**Answer: B**

### QUESTION 3

An organization posts project costs to the balance sheet as they are incurred. Each month they recognize project revenue on each project. Select the option that ensures that costs are credited from the balance sheet and debited to profit and loss as revenue is recognized.

- A. Use events for project revenue and use GL journals to carry out the relevant account postings.
- B. Implement a project revenue extension with appropriate event types and AutoAccounting definition.
- C. Use miscellaneous transactions to generate revenue with the appropriate AutoAccounting definition.
- D. Use preapproved batches with a class type of "Work in Process" to generate revenue with the appropriate AutoAccounting definition.

**Answer: B**

### QUESTION 4

A project has two customer billing elements. One part of the project is based on a fixed fee and the other part is a variable based on a cost plus basis. The customer requires separate invoices for fixed fee elements and variable works elements. How can agreements be used to provide separate invoices?

- A. Create each element as a top task and implement top task billing for the project.
- B. Create each element as a top task on the project and create an agreement for variable works and one for fixed fee. Then fund the project at the top task level.
- C. Have one agreement and create an invoice grouping rule in Accounts Receivable.
- D. Create one agreement and fund the project.
- E. Use billing events and create separate events per purchase order.

**Answer: B**

#### Explanation:

One Customer, Multiple Agreements

Use multiple agreements when you have one customer, but a requirement to create a separate invoice for each top task.

You can use this method to accrue revenue cost-to-cost or impose hard or soft revenue limits by task, as well as automatically create separate invoices by task. To create separate invoices by task, you must use a different agreement to fund each task. If you use more than one agreement for a single task, the agreements are used according to the precedence described earlier for projects.

Reference: Oracle Project Billing User Guide, agreements and Project Funding

### QUESTION 5

A company generates revenue at period end, but bills monthly in arrears. The first project revenue is due to be recognized at the end of May and the first invoice sent to the customer in June. What are the accounting entries at the end of May?

- A. Debit: Cost of Goods Sold  
Credit: Unbilled Receivables
- B. Debit: Bank  
Credit: Revenue
- C. Debit: Unearned Revenue

- Credit: Revenue  
D. Debit: Revenue  
Credit: Accounts Payable Liability Account  
E. Debit: Unbilled Receivables  
Credit: Revenue

**Answer: E**

**Explanation:**

Revenue

Once revenue is created, Oracle Projects runs AutoAccounting to determine the appropriate default accounts. AutoAccounting selects all of the AutoAccounting parameters for each item or event, determines the account coding, validates the account coding against the general ledger, and updates each revenue distribution line with the appropriate default account.

Account Debit Credit

Unbilled Receivables and/or Unearned Revenue 200.00

Revenue 200.00

**QUESTION 6**

An organization wants to consolidate work based billing across multiple projects (produce one invoice for a single customer based on multiple contract projects). Which two methods will help them accomplish this?

- A. Create draft Invoices against individual projects, and consolidate them in Receivables.
- B. Create a program. All costs will roll up to the program level and the program can be billed.
- C. Run the invoice consolidation concurrent request to produce a single invoice.
- D. Carry out billing against top tasks across any projects with the same Service Type.
- E. Use inter-project billing so that individual contract projects invoice a single project which, in turn, bills the customer.

**Answer: AC**

**Explanation:**

C: Consolidated Invoicing allows you to consolidate multiple project invoices into one single invoice. Reference: Project Billing Made Easy Using Invoice Consolidation

**QUESTION 7**

A client requires a project definition that allows for charging expenditures to the project at a higher Work Breakdown Structure level than where the manually entered percentage complete progress is captured. Which three Shared Structure relationships will support this requirement?

- A. Shared
- B. Partially shared
- C. Mapped
- D. Not shared
- E. Vertical

**Answer: ABD**

**Explanation:**

Structure Integration Setup

If you enable both a workplan structure and a financial structure for your project or project template, you can decide whether or not they are integrated, and if so, to what degree. You do this by choosing one of the following options on the Structures setup page:

\* Shared Structures: Enables you to generate a financial structure with a task hierarchy that is

fully shared by the workplan structure task hierarchy. Workplan and financial structures are fully shared by default.

\* Partially Shared Structures: Enables you to generate a financial structure that is partially shared by the workplan structure hierarchy.

\* Non-Shared: Task-Based Mapping: Enables you to map individual workplan structure tasks to individual financial structure tasks.

\* Non-Shared: No Mapping: Choose this if you do not want to integrate your project workplan and financial structures in any way.

Reference: Oracle Projects Fundamentals

### QUESTION 8

A contractor is engaged to carry out a statement of work by a customer. The contract is fixed price, and milestone payments will be made based on the individual completion of agreed deliverables. The contract specifies that 10% of any invoice totals must be withheld. The exception to this rule is that if certain deliverables are met ahead of the agreed schedule, then the full amount can be invoiced. How would this scenario be set up in Oracle Projects?

- A. Customer Retention Billing is implemented with a Withholding Term of Expenditure Category.
- B. 10% of project costs is set with a billing hold (as required) in Expenditure Inquiry.
- C. A task is used to collect costs that are to be withholding and the task is set to non-billable as required.
- D. Customer Retention Billing is implemented with a Withholding Term based on Event Types.
- E. A customer bill split is implemented to send 10% of all invoiced costs to a dummy customer.

**Answer: A**

#### **Explanation:**

\* Defining Retention Terms

Retention Terms determine how amounts are withheld from project invoices and how the withheld amounts are billed to the project customer. Retention terms include:

Withholding Terms

Withholding Terms by Expenditure Category

Withholding Terms by Event Revenue Category

Billing Terms

\* Withholding Terms

These terms apply to all sources of project invoice amounts for the specified project or top task.

For each term, you can define a withholding percentage or amount. Optionally, a threshold amount can be defined to determine the maximum amount to be withheld per term.

Reference: Oracle Project Billing User Guide

### QUESTION 9

A company generates revenue at period end, but bills monthly in advance. The customer is invoiced in April with project starting in May and the first project is due to be recognized at the end of May.

What are the accounting entries at the end of May?

- A. Debit: Cost of Goods Sold  
Credit: Unbilled Receivables
- B. Debit: Unearned Revenue  
Credit: Revenue
- C. Debit: Receivable  
Credit: Bank
- D. Debit: Receivable  
Credit: Unearned Revenue

- E. Debit: Bank  
Credit: Revenue

**Answer: D**

**Explanation:**

Invoice

When you run the program to interface invoices to Oracle Receivables, Oracle Projects runs AutoAccounting to determine the appropriate default accounts. If the invoice fails AutoAccounting, then the program marks the draft invoice with an error. See: Overview of AutoAccounting, Oracle Projects Implementation Guide.

The following table shows entries Oracle Projects creates when the Interface Invoices to Oracle Receivables process is run:

Account Debit Credit

Receivables 200.00

Unbilled Receivables and/or Unearned Revenue 200.00

Reference: Oracle Project Billing User Guide

#### **QUESTION 10**

Identify three transactions for which Oracle Project Costing enforces budgetary controls.

- A. project-related purchase requisitions and purchase orders entered in Oracle Purchasing
- B. expense reports entered in Oracle iExpenses
- C. supplier invoices entered in Oracle Payables
- D. contingent worker purchase orders entered in Oracle Purchasing
- E. employee timecards entered in Oracle Time and Labor

**Answer: ACD**

**Explanation:**

Note:

\* Enable Budgetary Controls and Encumbrance Accounting To use budgetary controls, you must implement budgetary control and encumbrance accounting for the ledger in Oracle General Ledger and enable encumbrance accounting in Oracle Payables or Oracle Purchasing. Encumbrance accounting automatically creates encumbrances for requisitions, purchase orders, and invoices.

\* PSA: Budgetary Control Report Template

This profile option can be set at the site, application, responsibility, and user levels. You must select Budgetary Control Results Template as the value for this profile option to enable users to view funds check results from Oracle Purchasing and Oracle Payables after a funds check.

Reference: Oracle Projects Implementation Guide, Implementing Oracle Project Management

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