

**White Paper**  
**Providing an Overview of**  
**PeopleSoft Margin**  
**Manipulation**

**March, 2008**

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## **1. CORPORATE OVERVIEW**

Thales Communications, Inc. (TCI) is a highly dynamic company that specializes in tactical communications equipment. All products are designed, developed and manufactured at one facility with an emphasis on providing near term proof-of-concept equipment easily transitioned from the laboratory to operational testing and into production.

## **2. FACILITIES AND EQUIPMENT**

TCI's 100,000-square-foot facility in Clarksburg, Maryland combines the company's main operations, warehouse, and aviation electronics group into one location. The space was designed with an optimized manufacturing area for streamlined production, advanced product development labs, and efficient administrative space.

TCI has been continually updating and improving its manufacturing capabilities, equipment and software capabilities, leading edge technology, surface-mount technology, Engineering software and PeopleSoft's ERP system for Financials and Supply Chain Management.

## **3. PEOPLESFT MARGIN MANIPULATION**

PeopleSoft at TCI

- Using PSFT FSCM 8.9
  - OM, IN, PO, Mfg, SP, BI, AR, AR, GL, PC...
- HRMS 8.9
- LMS (ELM) 9.0
- Microsoft Shop
  - SQLServer 2000 & 2005
  - SharePoint
- CEO "directive" regarding Margins...
- Adoption of PSFT as means to track and Manage Margins
- Training Users
- Reporting on Progress

#### **4. MARGIN MANIPULATION – FEATURE OVERVIEW**

For this feature Oracle introduced a few new terms applicable to the Product and Quote/Sales Order.

First off...perhaps I should explain the term “Sprinklebacks”. Oracle use this term to describe how the system...by taking a target margin % you’ve entered...will “sprinkleback” through the qualifying line items on the quote and order, and adjust the net unit price to attain the desired target. PeopleSoft says that the system has “sprinkled back” the effects of the target to the qualifying lines.

Known Value Items – this flag allows you to designate products that should not have discounts or surcharges applied to them, but perhaps should be included in margin calculations and included for “counts” towards price breaks. This flag could be employed where the margin on a particular product is so low, you wish to preserve the margins by not allowing adjustments up or down. However, the QUANTITY or EXTENDED AMT can be included when determining the values to be sent to Pricer to find the appropriate rule.

Non-Discountable Products – This flag allows you to designate products where the selling price cannot be decreased, but it can be increased by the application of a surcharge.

Alternate Unit Cost – In many instances, an organization may not want to expose the true financial cost for a product, so the ability to define an alternate unit cost has been provided in 8.9. This could be a cost that represents a “bumped” or “padded” cost – i.e. Standard, Actual, Weighted Avg Cost + a factor % you determine. If you are doing Margin Manipulation against Alternate Unit Cost, the users will see this cost and do their calculation against this cost as opposed to the true financial cost of the Product.

## **5. MARGIN MANIPULATION – PROCESS**

The process of margin manipulation (aka “Sprinklebacks”) is pretty simple. Margins are visible at the Line Level and the total order level. If you use optional section functionality, you also have the ability to view margins and totals by individual sections. Additionally, sections can be used as a selection criteria for loading into the Worksheet.

Initially, the Pricing functionality does its work, finding the Customer’s Buying Agreements, Price Lists and Price Rules and coming up with its first pass at determining a net unit price (NUP). Once that is accomplished, the margins are calculated and displayed...at the line, section or total order level. At this point, the user has the ability (if allowed) to manipulate the margin %, Margin Amount, and or extended totals to attain a specific desired target. The system then goes back and tries to attain that target by adjusting the NUP of the lines on the order to accomplish the stated goal, if possible. It keeps in mind the products that are marked as KVI and NDP in doing so. Once it is able to make the necessary adjustment it displays the net margin %, Margin Amount and extended totals. If you also have upper and lower margin levels designated at the Product or have Margin threshold price rules, the system bounces the NUP against those tolerances and determines if a margin violation has occurred and proceeds to place the order line or order on hold (if you have a HOLD code designated in the OM BU definition).

The user has the option of manipulating the margins on a single order line. To do this, they would go to the Margin’s Tab of the order Line and view the initial Margin Calculations based on the system calculation after applying various adjustments to the qualifying Products (excluding KVI’s). If security has been set properly, the user would see fields open for them to view and adjust the margins.

In addition, the user can also group order lines together by entering a Section ID, which is user-defined and not validated to any internal tables...it doesn’t have to be previously established in order to be entered.

Sections are an optional feature, not really required for margin manipulation, and can be used even though you aren’t doing margin manipulation.

### *PeopleSoft Margin Manipulation Capabilities*

It is a feature to create a logical grouping of order lines, for purposes of viewing subtotals or margin \$'s and %'s. You can actually select and view sections on the Order or Quote and actually do Margin Manipulation at that level. Also, sections is a selection criteria for loading into the Worksheet.

Suppose a client approached you about a project they were doing, and had a specific budget for each phase. In the example here, e.g. in the slide presentation we have a client who wants to configure a very specific workstation, and advises me they have only 12,000.00 to spend on the entire custom workstation system. They want this custom system to be separate from the rest of the items on the order. A good way to segregate this portion of the order would be to assign a section ID to each line item on the order.

## **6. MARGIN MANIPULATION - WORKSHEET**

Probably the easiest way to adjust margins on the Quote or Sales Order is via the Worksheet, especially if there are a huge number of lines to deal with. You can access the worksheet from the quote or sales order header menu, and allows you to download the contents of the quote or order to the worksheet. You have many options for what gets brought to the worksheet...it doesn't have to be the entire quote or sales order. The object is to let the worksheet crunch the numbers for you and act as sort of a scratchpad for you to do some "what if" scenarios. If you don't like the outcome, there is a "do over" button where the worksheet would revert back to the original information and allow you to begin again.

The Worksheet page can do the selection of which lines you want to bring from the Quote or Order into the worksheet. You have options of selecting:

- Entire Order – pretty self-explanatory
- Line Range – option changes to allow you to enter a start Line # and End Line #
- Line Select – option allows you to enter lines separated by a comma...i.e. 1, 2, 3, 11, 12, 25, 100
- Pricing Product Group – option allows you to enter Pricing Product Group ID, and all the lines on the Quote or Order in that Product Group to be brought into the Worksheet.
- Product ID – allows you to enter a specific Product ID – particularly helpful when the Product appears multiple times on the Quote or Order and you want to adjust the price of a particular product
- Product Select – allows you to enter Product ID's separated by a comma
- Schedule Range – allows you to enter a Line Number, then the starting Schedule ID # and an Ending Schedule ID #.
- Section ID – allows you to select a specific Section for loading into the worksheet

### *PeopleSoft Margin Manipulation Capabilities*

Clicking the “Append to Worksheet” button loads your selection Criteria into the Worksheet for you to begin your unit of work.

However, if you wish to remove lines from your worksheet, you can use the selection criteria again, selecting what you’d like to remove, and click on the “Remove From Worksheet” button and whatever you’ve indicated as the selection will be removed from the worksheet. You can view the worksheet summary and apply the changes to the Order/Quote lines. What this does is carry the results of the worksheet over to the corresponding fields on the Quote or Order without you having to key the information in again. If you are not satisfied with the results, you can “Reset all changes”.

When you return to the Order/Quote Line page, you can see the results of your work as the new Net Unit Price in all the rows for the section you worked on. The lines with open fields are lines you elected NOT to work on and didn’t touch the existing prices while in the worksheet. These lines are still open for entry. The net unit price fields that are grayed represent the Price Protect flag being turned on based on the manipulation you did within the worksheet.



## **7. CONCLUSION**

TCI manufacturing is committed to improving its capability to keep up with the latest software and technology. This is especially important to us with regards to improving our capability to ensure that all TCI products are synonymous with quality and value. PeopleSoft Order Management and the margin manipulation ensures that this is so.