

# Oracle<sup>®</sup> Financials for Australia User's Guide

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Oracle® Financials for Australia User's Guide, Release 11

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Primary Authors: Craig A. Brennan, Stuart Goggin, Alison Holloway, John Karouzakis, Irene Paradisis, Michael Trigila

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# Contents

	<b>Preface</b> .....	<b>v</b>
	About This User's Guide .....	vi
	Assumptions .....	vii
	Do Not Use Database Tools to Modify Oracle Applications Data .....	vii
	Other Information Sources .....	viii
	Related User's Guides .....	viii
	Training and Support .....	xiii
	About Oracle .....	xiv
	Thank You .....	xiv
<b>Chapter 1</b>	<b>Oracle Inventory</b> .....	<b>1 – 1</b>
	Item Search .....	1 – 2
	Associate Subinventories and Locations .....	1 – 3
	Imprest Count Sheet .....	1 – 4
	Internal Charges .....	1 – 6
<b>Chapter 2</b>	<b>Oracle Purchasing</b> .....	<b>2 – 1</b>
	Import Requisitions .....	2 – 2
	Define Automatic Accounting .....	2 – 6

<b>Chapter 3</b>	<b>Oracle Payables</b> .....	<b>3 – 1</b>
	Maintain Tax Certificates & Exceptions .....	3 – 2
	Certificates Zone .....	3 – 2
	AutoSelect and Build Payments .....	3 – 4
	Rate Determination .....	3 – 4
	Tax Authority Payment Rounding .....	3 – 4
<b>Chapter 4</b>	<b>Oracle Assets</b> .....	<b>4 – 1</b>
	Revaluation Report .....	4 – 2
	Report Parameters .....	4 – 3
	Report Headings .....	4 – 3
	Column Headings .....	4 – 4
	Revalued Asset Sales .....	4 – 5
	Report Parameters .....	4 – 6
	Report Headings .....	4 – 6
	Column Headings .....	4 – 7
<b>Chapter 5</b>	<b>Australian Taxation Functionality</b> .....	<b>5 – 1</b>
	Overview of Australian Taxation Functionality .....	5 – 2
	Basic Business Needs .....	5 – 2
	Major Features .....	5 – 3
	Definitions .....	5 – 3
	Allocation of Balancing Charges to New Assets .....	5 – 4
	Australian Taxation Reporting .....	5 – 5
	Relevant Australian Tax Legislation .....	5 – 6
<b>Chapter 6</b>	<b>Australian Revaluation Requirements</b> .....	<b>6 – 1</b>
	Australian Revaluation Requirements .....	6 – 2
	Basic Business Needs .....	6 – 3
	Overview of Current Revaluation Functionality .....	6 – 3
	Parameters Required to Comply with AAS10 .....	6 – 4
	Generation of the Revaluation Report .....	6 – 5
	Generation of the Revalued Asset Sales Report .....	6 – 5



# Preface

Welcome to 11 of the *Oracle<sup>®</sup> Financials for Australia User's Guide*.

This user's guide includes information to help you effectively work with Oracle Financials for Australia and contains detailed information about the following:

- Overview and reference information
- Oracle Financials for Australia implementation suggestions
- Specific tasks you can accomplish using Oracle Financials for Australia
- How to use Oracle Financials for Australia windows
- Oracle Financials for Australia programs, reports, and listings
- Oracle Financials for Australia functions and features

This preface explains how this user's guide is organized and introduces other sources of information to help you use Oracle Financials for Australia.

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## About This User's Guide

This user's guide documents country-specific functionality developed for use within your country and supplements our core Financials user's guides. This user's guide also includes tips about using core functionality to meet your country's legal and business requirements, as well as task and reference information. The following chapters are included:

- Chapter 1 describes Oracle Inventory features that were developed for Australia.
- Chapter 2 describes Oracle Purchasing features that were developed for Australia.
- Chapter 3 describes Oracle Payables features that were developed for Australia.
- Chapter 4 describes Oracle Assets features that were developed for Australia.
- Chapter 5 describes how Oracle Assets features support the Australian tax legislation as it pertains to balancing charges and CGT.
- Chapter 6 describes the Asset Revaluation report and the Revalued Asset Sales report.

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### **This user's guide is available online**

All Oracle Applications user's guides are available online, in both HTML and Adobe Acrobat format. Most other Oracle Applications documentation is available in Adobe Acrobat format.

The paper and online versions of this manual have identical content; use whichever format is most convenient.

The translated HTML version of this book is optimized for on-screen reading, and lets you follow hypertext links for easy access to books across our entire library; you can also search for words and phrases if your national language is supported by Oracle's Information Navigator. You can access our HTML documentation from the Oracle Applications toolbar, or from a URL provided by your system administrator.

You can order an Oracle Applications Documentation Library CD that contains Adobe Acrobat versions of each manual in the Oracle Applications documentation set. Using this CD, you can search for information, read the documentation online, and print individual pages, sections, or entire books. When you print from Adobe Acrobat,

the resulting printouts look just like pages from an Oracle Applications hardcopy manual.

There may be additional material that was not available when this user's guide was printed. To learn if there is a documentation update for this product, look at the main menu on this product's HTML help.

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## Assumptions

This guide assumes you have a working knowledge of the principles and customary practices of your business area. It also assumes you are familiar with Oracle Financials for Australia. If you have never used Oracle Financials for Australia, we suggest you attend one or more of the Oracle Financials for Australia training classes available through Oracle Education. See Other Information Sources for more information about Oracle Financials for Australia and Oracle training.

This guide also assumes that you are familiar with the Oracle Applications graphical user interface. To learn more about the Oracle Applications graphical user interface, read the *Oracle Applications User's Guide*.

---

## Do Not Use Database Tools to Modify Oracle Applications Data

Oracle provides powerful tools you can use to create, store, change, retrieve and maintain information in an Oracle database. But if you use Oracle tools like SQL\*Plus to modify Oracle Applications data, you risk destroying the integrity of your data and you lose the ability to audit changes to your data.

Because Oracle Applications tables are interrelated, any change you make using an Oracle Applications form can update many tables at once. But when you modify Oracle Applications data using anything other than Oracle Applications forms, you may change a row in one table without making corresponding changes in related tables. If your tables get out of synchronization with each other, you risk retrieving erroneous information and you risk unpredictable results throughout Oracle Applications.

When you use Oracle Applications forms to modify your data, Oracle Applications automatically checks that your changes are valid. Oracle Applications also keeps track of who changes information. But, if you enter information into database tables using database tools, you may

store invalid information. You also lose the ability to track who has changed your information because SQL\*Plus and other database tools do not keep a record of changes.

***Consequently, we STRONGLY RECOMMEND that you never use SQL\*Plus, Oracle Data Browser, database triggers, or any other tool to modify Oracle Applications tables, unless we tell you to do so in our manuals.***

---

## Other Information Sources

You can choose from many sources of information, including documentation, training, and support services, to increase your knowledge and understanding of Oracle Financials for Australia.

Most Oracle Applications documentation is available in Adobe Acrobat format on the *Oracle Applications Documentation Library* CD. We supply this CD with every software shipment.

If this manual refers you to other Oracle Applications documentation, use only the Release 11 versions of those manuals unless we specify otherwise.

### **Oracle Applications User's Guide**

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This guide explains how to navigate, enter data, query, run reports, and introduces other basic features of the graphical user interface (GUI) available with this release of Oracle Financials for Australia and any other Oracle Applications product. This guide also includes information on setting user profiles, as well as running and reviewing reports and concurrent requests.

You can also access this user's guide online by choosing *Getting Started with Oracle Applications* from any Oracle Applications help file.

## Related User's Guides

This user's guide documents country-specific functionality developed in addition to our Oracle Financials core products. Because our country-specific functionality is used in association with our core Financials products and shares functional and setup information with other Oracle Applications, you should consult other related user's guides when you set up and use Oracle Financials for Australia.

If you do not have the hardcopy versions of these manuals, you can read them by choosing Library from the Help menu, or by reading from the Oracle Applications Document Library CD, or by using a web browser with a URL that your system administrator provides.

### **Oracle General Ledger User's Guide**

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Use this manual when you plan and define your chart of accounts, accounting period types and accounting calendar, functional currency, and set of books. It also describes how to define journal entry sources and categories so you can create journal entries for your general ledger. If you use multiple currencies, use this manual when you define additional rate types, and enter daily rates. This manual also includes complete information on implementing budgetary control.

### **Oracle Cash Management User's Guide**

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This manual explains how you can reconcile your payments with your bank statements.

### **Oracle Purchasing User's Guide**

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Use this manual to read about entering and managing the purchase orders that you match to invoices.

### **Oracle HRMS User's Guide**

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This manual explains how to enter your employees, so you can enter expense reports for them. It also explains how to set up organizations and site locations.

### **Oracle Payables User's Guide**

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This manual describes how accounts payable transactions are created and entered into Oracle Payables. This manual also contains detailed setup information for Oracle Payables.

### **Oracle Receivables User's Guide**

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Use this manual to learn how to implement flexible address formats for different countries. You can use flexible address formats in the suppliers, banks, invoices, and payments windows.

## **Oracle Projects User's Guide**

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Use this manual to learn how to enter expense reports in Projects that you import into Payables to create invoices. You can also use this manual to see how to create Project information in Projects which you can then record for an invoice or invoice distribution.

## **Oracle Assets User's Guide**

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Use this manual to add assets and cost adjustments directly into Oracle Assets from invoice information.

## **Oracle Applications Flexfields Guide**

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This manual provides flexfields planning, setup, and reference information for your implementation team, as well as for users responsible for the ongoing maintenance of Oracle Applications product data. This manual also provides information on creating custom reports on flexfields data.

## **Oracle Workflow Guide**

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This manual explains how to define new workflow business processes as well as customize existing Oracle Applications–embedded workflow processes. You also use this guide to complete the setup steps necessary for any Oracle Applications product that includes workflow–enabled processes.

## **Oracle Alert User's Guide**

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This manual explains how to define periodic and event alerts to monitor the status of your Oracle Applications data.

## **Country–Specific Manuals**

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These manuals document functionality developed to meet legal and business requirements in countries that you do business in. Look for a User's Guide appropriate to your country; for example, see the *Oracle Financials for the Czech Republic User's Guide* for more information about using this software in the Czech Republic.

## **Oracle Applications Character Mode to GUI Menu Path Changes**

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This is a quick reference guide for experienced Oracle Applications end users migrating from character mode to a graphical user interface

(GUI). This guide lists each character mode form and describes which GUI windows or functions replace it.

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### **Oracle Financials Open Interfaces Guide**

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This guide contains a brief summary of each Oracle Financial Applications open interface.

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### **Multiple Reporting Currencies in Oracle Applications**

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If you use the Multiple Reporting Currencies feature to report and maintain accounting records in more than one currency, use this manual before implementing Oracle Financials for Australia. The manual details additional steps and setup considerations for implementing Oracle Financials for Australia with this feature.

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### **Multiple Organizations in Oracle Applications**

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If you use the Oracle Applications Multiple Organization Support feature to use multiple sets of books for one Oracle Financials for Australia installation, use this guide to learn about setting up and using Oracle Financials for Australia with this feature.

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### **Report eXchange User's Guide**

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Read this guide to learn more about Report eXchange, which lets you customize the output of certain reports and download them to a spreadsheet program.

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### **Oracle Applications Implementation Wizard User's Guide**

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If you are implementing more than one Oracle product, you can use the Oracle Applications Implementation Wizard to coordinate your setup activities. This guide describes how to use the wizard.

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### **Oracle Applications Developer's Guide**

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This guide contains the coding standards followed by the Oracle Applications development staff. It describes the Oracle Application Object Library components needed to implement the Oracle Applications user interface described in the *Oracle Applications User Interface Standards*. It also provides information to help you build your custom Developer/2000 forms so that they integrate with Oracle Applications.

## **Oracle Applications User Interface Standards**

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This manual contains the user interface (UI) standards followed by the Oracle Applications development staff. It describes the UI for the Oracle Applications products and how to apply this UI to the design of an application built by using Oracle Forms 4.5.

## **Installation and System Administration**

### **Oracle Applications Installation Manual**

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This manual and the accompanying release notes provide information you need to successfully install Oracle Financials, Oracle Public Sector Financials, Oracle Manufacturing, or Oracle Human Resources in your specific hardware and operating system software environment.

### **Oracle Financials Country-Specific Installation Supplement**

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Use this manual to learn about general country information, such as responsibilities and report security groups, as well as any post-install steps required by some countries or the Global Accounting Engine.

### **Oracle Applications Upgrade Manual**

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This manual explains how to prepare your Oracle Applications products for an upgrade. It also contains information on finishing the upgrade procedure for each product. Refer to this manual and the *Oracle Applications Installation Manual* when you plan to upgrade your products.

### **Oracle Applications System Administrator's Guide**

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This manual provides planning and reference information for the Oracle Applications System Administrator. It contains information on how to define security, customize menus and online help, and manage processing.

### **Oracle Financials Regional Technical Reference Manual**

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The *Oracle Financials Regional Technical Reference Manual* contains database diagrams and a detailed description of regional and related applications database tables, forms, reports, and programs. This information helps you convert data from your existing applications, integrate Oracle Financials with non-Oracle applications, and write custom reports for Oracle Financials.

You can order a technical reference manual for any product you have licensed. Technical reference manuals are available in paper format only.

### **Oracle Applications Product Update Notes**

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This book contains a summary of each new feature we added since Release 10.7, as well as information about database changes and seed data changes that may affect your operations or any custom reports you have written. If you are upgrading from Release 10.6 or earlier, you also need to read Oracle Applications Product Update Notes Release 10.7.

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## **Training and Support**

### **Training**

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Oracle Education offers a complete set of training courses to help you and your staff master Oracle Applications. We can help you develop a training plan that provides thorough training for both your project team and your end users. We will work with you to organize courses appropriate to your job or area of responsibility.

Training professionals can show you how to plan your training throughout the implementation process so that the right amount of information is delivered to key people when they need it the most. You can attend courses at any one of our many Educational Centers, or you can arrange for our trainers to teach at your facility. In addition, we can tailor standard courses or develop custom courses to meet your needs.

### **Support**

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From on-site support to central support, our team of experienced professionals provides the help and information you need to keep Oracle Financials for Australia working for you. This team includes your technical representative, account manager, and Oracle's large staff of consultants and support specialists with expertise in your business area, managing an Oracle server, and your hardware and software environment.

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## About Oracle

Oracle Corporation develops and markets an integrated line of software products for database management, applications development, decision support, and office automation, as well as Oracle Applications, an integrated suite of more than 45 software modules for financial management, supply chain management, manufacturing, project systems, human resources, and sales and service management.

Oracle products are available for mainframes, minicomputers, personal computers, network computers, and personal digital assistants, allowing organizations to integrate different computers, different operating systems, different networks, and even different database management systems, into a single, unified computing and information resource.

Oracle is the world's leading supplier of software for information management, and the world's second largest software company. Oracle offers its database, tools, and applications products, along with related consulting, education, and support services, in over 140 countries around the world.

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## Thank You

Thank you for using Oracle Financials for Australia and this user's guide.

We value your comments and feedback. At the end of this manual is a Reader's Comment Form you can use to explain what you like or dislike about Oracle Financials or this user's guide. Mail your comments to the following address or call us directly at (650) 506-7000.

Oracle Applications Documentation Manager  
Oracle Corporation  
500 Oracle Parkway  
Redwood Shores, CA 94065  
U.S.A.

Or send electronic mail to [globedoc@us.oracle.com](mailto:globedoc@us.oracle.com).

# Oracle Inventory

**T**his chapter overviews Oracle Inventory functionality developed for Australia. The following windows and reports are discussed in this chapter:

- Windows:
  - Enter Replenishment Counts
  - Item Search
  - Associate Subinventories and Locations
- Reports:
  - Imprest Count Sheet
  - Internal Charges

## Item Search

The screenshot shows a window titled "Find Items" with the following fields and options:

- Organization: AA2 (selected), AAA-NEW NICK
- Item Mask: [Empty]
- Description: [Empty]
- Base Model: [Empty]
- Status: [Empty]
- Show Quantity:
- Purchase Details (dropdown menu):
  - Manufacturer:
    - Name: [Empty]
    - Part: [Empty]
  - Supplier:
    - Name: [Empty]
    - Item: [Empty]
    - Contract: [Empty]
    - Blanket Agreement: [Empty]

Buttons: Clear, Find

Standard menu path: Australian Inventory Manager: Oracle Inventory > Items > Item Search

## Search Criteria Region

### Vendor Quote Number

You can search for items based on the *Vendor* Quote Number. The *Vendor* Quote Number is entered in the Enter Quotations screen.

## Associate Subinventories and Locations

Location	Sub-inventory	Description

Standard menu path: Australian Inventory Manager: Australian Globalization > Setup > Subinventory Associations

You can associate Subinventories with specific Deliver-to Locations. This association is used in Enter Replenishment Counts to default the Deliver-to Location for a Subinventory. The association is also used in the flexbuilder rules for determining the distribution for a requisition.

The relationship between Deliver-to Locations and Subinventories is one to one, and unique. That is, a Deliver-to Location can be associated with one Subinventory and, a Subinventory may be associated with only one Deliver-to Location. Only the Subinventories of the Inventory organization to which the Deliver-to Location is attached (in the Define Locations screen) are eligible for association.



---

## Column Headings

### **Subinventory**

---

Oracle Inventory prints the Subinventory name that the item will go into.

### **Item**

---

Oracle Inventory prints the item number and description.

### **Min-Max Min Qty**

---

Oracle Inventory prints the minimum quantity (where defined).

### **Min-Max Max Qty**

---

Oracle Inventory prints the maximum quantity (where defined).

### **Primary UOM**

---

Oracle Inventory prints the Primary Unit of Measure for the item.

### **Counts**

---

Oracle Inventory prints four columns to allow Replenishment Counts to be entered against items.

# Internal Charges

Parameters

Start Date

End Date

Account Low

Account High

Item Low

Item High

Category Set

Category Low

Category High

Clear Cancel OK

Standard menu path: Australian Inventory Manager: Australian Globalization > Reports

INTERNAL CHARGE REPORT									
Account Range : 01-0000-0100-000-000 to 01-9000-9999-000-000					Date Executed : 11-MAY-95				
Cost Ctr Range : All to All					Page : 1				
Item Range : All to All									
Category Set : Purchasing									
Category Range : All to All									
Date Range : 11-MAY-95 to 11-MAY-95									
Accounting Flexfield									
Transaction Date	Pick Slip	Item	Item Description	UOM	Qty Rec'd	Unit Cost	Total Cost	Break Total	
01-1000-3010-000-000 : Materials Management									
27-SEP-93	2835	M0002	Cork Tile	Carton	100	\$5.00	\$500.00		
27-SEP-93	2835	M0002	Cork Tile	Carton	10	\$5.00	\$50.00		
								-----	\$550.00
01-1000-3110-000-000 : Materials Management									
27-SEP-93	2835	M0001	Bucket of Axminster	EACH	10	\$6.50	\$65.00		
								-----	\$65.00
01-9000-7050-000-000 : Materials Management									
27-SEP-93		M0001	Bucket of Axminster	EACH	10	\$6.50	\$65.00		
27-SEP-93		M0001	Bucket of Axminster	EACH	-10	\$6.50	-\$65.00		
27-SEP-93	2835	M0001	Bucket of Axminster	EACH	-10	\$6.50	-\$65.00		
27-SEP-93		M0002	Cork Tile	Carton	100	\$5.00	\$500.00		
27-SEP-93	2835	M0002	Cork Tile	Carton	-10	\$5.00	-\$50.00		
27-SEP-93	2835	M0002	Cork Tile	Carton	-100	\$5.00	-\$500.00		
27-SEP-93		M0002	Cork Tile	Carton	-100	\$5.00	-\$500.00		
27-SEP-93		M0002	Cork Tile	Carton	10	\$5.00	\$50.00		
27-SEP-93		M0002	Cork Tile	Carton	-10	\$5.00	-\$50.00		
								-----	\$615.00
								-----	\$0.00
*** END OF REPORT ***									

The Internal Charge report lists all stock accounting transactions incurred during a selected period, enabling

- A customer to report on their stock expenditure
- Management to review expenditure for selected customers, periods and items
- Reconciliation between stock Issues and Returns against the General Ledger

These internal charges include stock transactions processed directly using the Inventory Account Transaction screen as well as those processed by means of the Oracle Inventory Order Cycle against Internal Sales Orders.

---

## Report Options

When you request the Internal Charge report, Oracle provides you with the following selection criteria:

- Account Range
- Cost Centre Range
- Item Range
- Category Set
- Category Range
- Date Range

---

## Column Headings

### **Accounting Flexfield**

---

Oracle Inventory sorts the Internal Charge Report in Account order and prints the Account Flexfield at the start of each block of transactions charged to that Account. The cost center name is also displayed next to this.

### **Transaction Date**

---

Oracle Inventory prints the date of the accounting transaction.

**Pick Slip**

---

Oracle Inventory prints the Pick Slip number under which the Issue transaction took place. This applies to Internal Sales Order issues only.

**Item**

---

Oracle Inventory prints the Item Number and Description of the transacted item.

**UOM**

---

Oracle Inventory prints the Primary Unit of Measure of the transacted item.

**Qty Rec'd**

---

Oracle Inventory prints the transacted quantity in the Primary Unit of Measure.

**Unit Cost**

---

Oracle Inventory prints the Unit Cost of the item in the Primary Unit of Measure.

**Total Cost**

---

Oracle Inventory prints the Total Transaction Cost charged against the nominated Account.

**Break Total**

---

Oracle Inventory prints a sub-total of all transactions charged against the nominated Account, as well as a Grand Total of all transaction charges against the selected Account Range.

CHAPTER

# 2

## Oracle Purchasing

**T**his chapter overviews Oracle Purchasing functionality developed for Australia. The following windows are discussed in this chapter:

- Enter Requisitions
- Enter Express Requisitions
- Enter Purchase Orders
- AutoCreate Purchase Orders
- MultiSource Requisitions
- Import Requisitions
- Define Automatic Accounting



---

# Import Requisitions

---

## Unit of Measure Conversion

Import Requisitions creates two requisition types:

- Purchase Requisitions
- Internal Requisitions

Internal Requisitions are produced in Unit of Issue and Purchase Requisitions are produced in Unit of Purchase.

---

## Purchase Requisitions

If the requisition type is Purchase, Oracle Purchasing checks for a valid AutoSource Rule. The number one ranked vendor and the lowest sequence numbered document for that vendor are used as the quotation.

The unit of measure on the quotation line becomes the unit of measure on the vendor-sourced requisition line. The quantity is converted to this unit of measure and rounded to the nearest integer.

---

### Pricing Rules

1. If a single valid shipment line exists for the quotation line, the price will be taken from the shipment line.
2. If there are multiple valid shipment lines for the quotation line, the price will be taken from the shipment line that has a quantity closest to the order quantity.
3. If there are no valid shipment lines the price will be taken from the quotation line.
4. If there is no price on the quotation line, the price will be 0.

A valid shipment line must have:

- The same unit of measure as the quotation line
- Today's date fall between its effective start date and its effective end date

If there is no valid AutoSource rule, the unit of measure on the requisition line is the primary unit of measure and the price is the list price for the item.

**Example** The four pricing rules are demonstrated in this example. Follow each of the four products through the pricing process.

- Rule 1 is demonstrated using product S1000
- Rule 2 is demonstrated using product S2000
- Rule 3 is demonstrated using product S3000
- Rule 4 is demonstrated using product S4000

<b>Requisition Line</b>			
<i>Item</i>	<i>Unit of Measure</i>	<i>Quantity</i>	<i>System Date</i>
S1000	Each	100	1.JAN.95
S2000	Each	200	1.JAN.95
S3000	Each	300	1.JAN.95
S4000	Each	400	1.JAN.95

<b>Quotation</b>		
<i>Item</i>	<i>Unit of Purchase</i>	<i>Price</i>
S1000	Box 10	95

<i>Qty</i>	<i>Unit of Purchase</i>	<i>Price</i>	<i>Effective</i>
10	Box 10	80	1.JAN.95 – 1.DEC.95
1	Box 100	75	1.JAN.95 – 1.DEC.95

S2000	Box 10	95
-------	--------	----

5	Box 10	80	1.JAN.95 – 1.DEC.95
10	Box 10	50	1.AUG.95 – 1.DEC.95
20	Box 10	40	1.JAN.95 – 1.DEC.95

S3000	Box 10	100
-------	--------	-----

1	Box 100	50	1.JAN.95 – 1.DEC.95
2	Box 100	30	1.AUG.95 – 1.DEC.95

S4000	Box 10	-
-------	--------	---

<b>Result Requisition Lines</b>			
<i>Item</i>	<i>Unit of Measure</i>	<i>Quantity</i>	<i>Price</i>
S1000	Box 10	10	80
S2000	Box 10	20	40
S3000	Box 10	30	100
S4000	Box 10	10	0

---

## Internal Requisitions

If the requisition type is Internal, Oracle Applications retrieves the Unit of Issue for the item in the source organization on the requisition line. If no Unit of Issue exists, the primary Unit of Measure is used. The quantity ordered and unit price are converted to the new Unit of Measure.

---

## Internal Requisition Accounting

Imported Requisitions use AutoAccounting to determine the account combinations for Internal Requisitions of delivery type Inventory. Each segment of the account is derived from the subinventory replenishment account, the item replenishment account or a constant.

For example, if your accounting structure is:

Company — Cost Centre — Account

you may decide that your AutoAccounting definition is:

Company            01  
 Cost Centre        MTL\_SECONDARY\_INVENTORIES  
 Account            MTL\_SYSTEM\_ITEMS

This definition says that the replenishment account is generated using “01” for the Company value, the Cost Centre value is from the destination subinventory and the Account value is taken from the item.

Suppose you have an item X1000, with a replenishment expense account of 01-000-3100. If you order item X1000 to be delivered to WARD-1 with a replenishment expense account of 01-200-5000, then AutoAccounting will generate an account combination of 01-200-3100 on the requisition line. If AutoAccounting cannot generate an account, then the default is the A/P accrual account defined in Oracle Inventory.

**Note:** To achieve consistent accounting between Internal requisitions that are Imported and Internal requisitions that are entered via Enter Requisitions, the FlexBuilder rules for Enter Requisitions must be set up to reflect the AutoAccounting rules that you have set up.

## Define Automatic Accounting

Segment	Table Name	Constant

Standard menu path: Australian Purchasing Manager: Australian Globalization > Setup > AutoAccounting

Use this form to define how Import Requisitions generate your account numbers for internal requisitions of delivery type “Inventory”.

## Replenishment Account Region

Use this region to enter your set of books and account type details.

### **Set of Books**

---

Enter the name of the set of books for which you wish to create your automatic account numbers.

### **Type**

---

Enter “Replenishment Expense” as the type in this field.

---

## Segments Zone

### Segment

---

Oracle Subinventory Replenishment automatically defaults each segment name in this field.

### Table Name

---

Select the name of the table you wish to use to automatically default the segment value for. If you wish to use a constant value for this particular segment leave this field blank. You can choose:

- MTL\_SYSTEM\_ITEMS to make AutoAccounting use the item replenishment expense account
- MTL\_SECONDARY\_INVENTORIES to make AutoAccounting use the subinventory replenishment expense account

### Constant

---

If you have entered a table name in the previous field, leave this field blank. If you wish to always use the same value for this segment, regardless of the user or item, enter the value in this field.



CHAPTER

# 3

## Oracle Payables

**T**his chapter overviews Oracle Payables functionality developed for Australia. The following windows are discussed in this chapter:

- Maintain Tax Certificates and Exceptions
- AutoSelect and Build Payments

# Maintain Tax Certificates & Exceptions

Supplier Name

Supplier Number

Site

Clear Find

Certificate

— Certificate

Tax Name	Number	Type	Priority	Rate	From	To	Comments

Standard menu path: Australian Payables Manager: Oracle Payables > Setup > Tax > Withholding > Certificates

Use this window to enter and maintain Tax Certificates and Exceptions for individual vendors.

## Certificates Zone

### Certificate (Number & Type)

The Certificate Number must begin with 'V', 'R' or 'E' and should be unique for a vendor. The first letter of the Certificate Number automatically determines the entry for the Certificate Type, as follows:

<i>First Character</i>	<i>Certificate Type</i>
'R'	Reporting
'E'	Exemption
'V'	Variation

### **Certificate Effective Dates**

---

Only one certificate can be valid at any given time for each vendor.

You must complete the 'To' column of the Effective Dates for the old certificate before entering a new certificate for a vendor.

---

# AutoSelect and Build Payments

---

## Rate Determination

The rate of Withholding Tax to be applied to an invoice is determined provisionally at the time of invoice entry and finally at the time of payment according to the rules below:

- If the vendor is the holder of a Reporting Exemption Certificate, then no tax is deducted and no elective higher rate can be specified.
- If the vendor has no Tax File number, then Withholding Tax is deducted at the current “PENALTY” rate and no elective higher rate can be accepted.
- If there is a current Payee elected payment variation rate, Withholding Tax is deducted at this rate. This is done after checking that this Payee elected rate is higher than the valid certificate or “STANDARD” rate. If the elected variation rate is not higher, then the valid certificate or “STANDARD” rate is used.
- If there is a current Exemption or Variation certificate for the vendor, Withholding Tax is deducted at the rate defined on the certificate.
- Tax is deducted at the current “STANDARD” rate.

---

## Tax Authority Payment Rounding

The final payment made to the Tax authority is truncated to whole dollars and the Withholding Tax and invoice payment amounts are proportionally adjusted so the amounts balance.

CHAPTER

# 4

## Oracle Assets

**T**his chapter overviews Oracle Assets functionality developed for Australia. The following reports are discussed in this chapter:

- Revaluation Report
- Revalued Asset Sales Report



---

## Revaluation Report

The Revaluation report helps you comply with the revaluation requirements of the Australian Accounting Standard AAS10, *Accounting for the Revaluation of Non-current Assets*.

This report enables you to determine the split of the revaluation movement between the reserve account and the profit and loss account, based on previous movements. This allows you to correctly post the transactions in the General Ledger.

---

## Report Parameters

When you request the Revaluation Report in the Submit Requests form, Oracle Assets asks you for the following information:

### Transaction Number

---

Enter the unique reference number of the revaluation.

### Asset Book

---

Enter the Asset Book you want to run the report for.

### Class

---

Enter the asset category that you want to run the report for. Leave this field blank if you want all asset categories.

### Status

---

Enter the revaluation status that you want to run the report for.

---

## Report Headings

<b>In this heading...</b>	<b>Oracle Assets prints...</b>
Asset Book	The asset book that you requested
Class	The asset category you requested or ALL if you left the Class parameter blank.
MAS Transaction Number	The unique reference number of the revaluation you requested.
MAS Transaction Status	The status of the revaluation you requested.

## Column Headings

<b>In this heading...</b>	<b>Oracle Assets prints...</b>
Asset Class	The asset category ID of the asset
Asset Number	The asset number
Description	The asset description
Orig Cost + Adj Cost	The original cost of the asset plus any cost adjustments, excluding revaluations
Prev Rev	The asset's revaluation reserve before revaluation
Prev Dep'n W/Back	The asset's depreciation reserve before revaluation
Total Value	The asset's cost value before revaluation. Total Value equals Orig Cost + Adj Cost plus Prev Rev minus Prev Dep'n W/Back
Cost Rev	The asset's revaluation amount for the current revaluation
Reval %	The asset's revaluation rate expressed as a percentage
New Dep'n W/Back	The asset's depreciation reserve after the revaluation
Reval Amount	<p>The revaluation amount charged to the revaluation reserve for this revaluation. Reval Amount equals Cost Rev plus New Dep'n W/Back</p> <p>The total for each asset class is then split between the profit and reserve figure. The calculation of the split is based on previous movements of the revaluation reserve as defined in paragraphs 38 and 40 of AAS10</p>
New Book Value	The asset value after the revaluation
New Reval Value	The new revaluation reserve, which is Prev Rev. plus Reval Amount

---

## Revalued Asset Sales

This report shows sales of revalued assets over a period of time, as well as the revaluation balance for an asset class or all asset classes.

You can use this report to identify the net revaluation movement life-to-date for an asset class and the net position for the asset being sold at a specific point in time (point of sale of an asset). Adjustments to the revaluation reserve for that asset and its net class movement can then be recorded via journal entries.

---

## Report Parameters

When you request the Revalued Asset Sales report in the Submit Requests form, Oracle Assets asks you for the following information:

### Asset Book

---

Enter the Asset Book for which you want to run the report.

### Class

---

Enter the asset category for which you want to run the report. Leave this field blank if you want all asset categories.

### Start Date

---

Enter the start date for the asset sales. The start date should be at least the day after the last revaluation for the class. It may be any date since, but should be consecutive over multiple reports to ensure that all sales are reported.

### Finish Date

---

Enter the finish date for the asset sales.

---

## Report Headings

In this heading...	Oracle Assets prints...
Asset Book	The asset book that you requested
Class	The asset category you requested or ALL if you left the Class parameter blank.
Start Date for Asset Sales	The start date of the asset sales you entered.
Finish Date for Asset Sales	The finish date of the asset sales you entered

---

## Column Headings

<b>In this heading...</b>	<b>Oracle Assets prints...</b>
Asset Class	The asset category ID
Asset Number	The asset number
Description	The asset description
Sale Date	The date the asset was sold
Asset Value	The asset's value on its sale date
Total Prev Reval	The total of the net revaluation movements for the asset on the sale date. this figure reflects the total of revaluation movement as at the previous revaluation
Revaluation Position at Start Date	The total of net revaluation movement for all assets in the class as at the start date of the report
Asset Sales	The Asset Sales revaluation reserve total value of all assets sold in the class for the date range
Adjusted Revaluation Position	The adjusted revaluation position. This figure is Revaluation Position at the Start Date minus Asset Sales
Revaluations During the Period	Any revaluations during the period for the class
Revaluation Position at End Date	The total of the revaluation reserve for all assets in the class as at the end date. This figure is the sum of the Adjusted Revaluation Position and Revaluations During the Period



CHAPTER

# 5

## Australian Taxation Functionality

**T**his chapter overviews how Oracle Financials for Australia addresses your business needs.

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## Overview of Australian Taxation Functionality

This topical essay gives an overview of the Australian tax legislation pertaining to balancing charges and CGT.

The Oracle Assets Australian taxation functionality gives you a powerful, flexible and easy to use facility for improved control over the allocation of the proceeds of sale. This enhanced functionality will track proceeds through the tax books from the sale of an asset to the application of the surplus against new asset additions and, provides comprehensive reporting on balancing charge allocations and CGT liability. The functionality complies with the Australian tax legislation and accounting conventions.

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### Basic Business Needs

The Oracle Assets Australian taxation functionality provides you with the features you require to satisfy the following business needs on a monthly, periodic and annual basis:

- You can distribute the balancing charge to accurately account for net proceeds
- The balancing charge is allocated from the “gain” calculated by Oracle Assets according to your depreciation and pro rata conventions at the date of realization
- You can invoke routines to determine which balancing charges have and have not been applied
- Balancing charges may be applied fully against one asset addition or spread over a number of additions
- A history of transactions is available for reconciliation and substantiation
- Complete reporting of all balancing charge transactions is available as standard
- You can maintain a table of CGT Index rates
- You have control over the basis for CGT calculation to give you more accurate reporting of your tax liability
- You can satisfy the Australian Taxation Office substantiation requirements without having to manually track, analyze and investigate each transaction

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## Major Features

### Balancing Charges

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With Oracle Assets you can enter proceeds of sale and have the system calculate the gain or loss on the sale automatically. Certain gains on sale can be applied as balancing charges against a new asset.

You can apply a balancing charge to a new asset by selecting the unallocated gains on sale from one or more retired assets. On the application of a balancing charge a cross-reference is established between the retired asset and the new asset.

An audit trail report is available to provide details of all balancing charge allocations. You can print this report on an 'as required' basis to substantiate the balancing charge figures in your tax reports.

The balancing charges applied to new assets acquired in the financial year are shown on a new end of year retirement report.

### CGT

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Oracle Assets calculates the CGT liability when you retire an asset, taking into account the index rate applicable to the life of the asset.

You can enter a deemed value and date for the asset at the time of retirement and any incidental costs pertaining to that asset.

The CGT report shows the tax liability for all eligible assets retired in the year.

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## Definitions

### Proceeds of Sale

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The amount received from the sale of an asset as a gross amount prior to any deductions.

### Profit on Sale (Gain)

---

The amount received from the sale of an asset as a net amount after deducting any amounts for pro rata depreciation, removal expenses and salvage value.

## **Cost**

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Asset's purchase or construction cost, customs duty, transportation costs to bring the asset to where it is to be installed, in-transit insurance and installation costs. [Taxation Ruling IT 2197]

## **Depreciated Value**

---

Cost price less amounts for depreciation allowed or allowable. [Section 62 *Income Tax Assessment Act* ("ITAA")]

## **Consideration Receivable**

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The amount received from an insurance policy on loss or destruction, or the sale proceeds less expenses of sale upon selling of an asset, or market value at disposal date if a separate value cannot be ascribed to an asset – it was gifted, scrapped and so on. [Section 59(3) ITAA]

## **Plant or Articles**

---

"Asset" and "depreciable asset" are used in this document to refer to what the ITAA refers to as "plant or articles". Plant or Articles are defined according to case law and are not defined in the ITAA except for specific items "included" in the definition of "plant" in Section 54(2) ITAA.

---

## **Allocation of Balancing Charges to New Assets**

You can allocate all or a portion of the gain on the sale of an asset to a new asset within the year of purchase of the new asset.

This is achieved using the allocate balancing charge form which is invoked for a selected new asset. You can retrieve the unallocated gains from one or more retired assets, select all or a portion of the unallocated amounts and, allocate that amount as a balancing charge against the selected new asset.

You may retrieve the unallocated amounts by asset ID, partial asset ID or by category. The selected assets are presented in the sequence of retirement, with the latest first.

To comply with the Australian tax rules you should allocate the balancing charges successively to:

- Units of property acquired as replacement assets during the year of income
- Other units of property acquired during the year of income

Unallocated amounts for retired assets are available for application as balancing charges up to the end of the financial year, two years after the year of retirement of the asset.

---

## Australian Taxation Reporting

The Tax Retirement report for all assets shows information relating to the gain or loss on retirement by detailing both assessable and non-assessable amounts and unadjusted CGT. This report can be run selectively by category and period.

### Balancing Charges

---

You can view unallocated asset gain amounts by running the Calculated Balancing Charge report. The report can be selected by category and shows all balancing charges calculated, their status and outstanding balances.

You should run the Australian Tax Depreciation Schedule on a regular basis and, as a requirement, at the end of the financial year. This report shows the details of all assets, including those acquired during the financial year, any balancing charges applied and the written down value of the assets at the end of the year. You should run this report after the end of year depreciation run.

The Balancing Charge Allocations report lists the details of balancing charge allocations made during the financial year. This report is printed in the sequence of asset number for all assets to which a balancing charge was allocated in the year and shows details of the amount applied and the retired assets from which it was applied. Totals of the balancing charges applied and of the effect on the financial year tax book for the current and previous years are provided.

The Taxation Retirement report for depreciable assets shows details of all assets retired in the defined period. For each asset, the report shows the amount of calculated balancing charge applied against replacement assets and the amount unapplied and, thus, assessable as income.

## CGT

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All asset retirements in a defined period can be listed on the Capital Gains Tax report which is designed to show the capital gains and capital losses which have accrued during a tax year. The report shows both CGT affected and non-CGT affected assets.

---

## Relevant Australian Tax Legislation

The following text is designed to

- Concisely summarize Australian taxation legislation (ITAA) as it applies to the calculation and application of taxation balancing charges and in the calculation and application of the capital gains provisions of the Act
- Present examples which illustrate the operation of balancing charges and capital gains and which show the impact on the calculation of depreciation, gains and losses

### Scope

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This document is limited to specifying the required functionality in respect of the application of the balancing charge provisions of the Act [Section 59 ITAA] and the application of the capital gains provisions of the Act [Part IIIA ITAA]. This functionality assumes that this legislation applies only to “tax books” in Oracle assets and to a company which uses its assets completely for business use. Therefore, no personal use assets or assets which have a private use component are assumed to exist and are considered to be beyond the scope of this functional requirement.

The scope of this functional requirement also excludes:

- The operation of other sections of the Act such as Section 25 (General Income Provisions), Section 26AAA (Capital Profit on Sale of Property), Section 26AAB (Profit on Sale of Leased Vehicle), Section 57AF (Luxury Motor Vehicle Depreciation Cost Limit) and special depreciation and write-off provisions relating to primary producers and mining/exploration companies.
- Functionality providing for the carry forward of capital losses and the application of balancing charges against the tax depreciated values of existing assets. Not carrying forward capital losses recognizes that the CGT calculations may be subject to manual re-calculation and that the scope of CGT goes beyond the

fixed asset register. Not providing for the application of balancing charges against existing assets recognizes that this functionality is rarely, if ever, used.

- Tax effect accounting issues arising from the calculation and application of balancing charges and capital gains or losses.
- Implications resulting from other non-taxation related fixed asset issues are also beyond the scope of this functional requirement.
- Mass additions in Oracle Assets. Mass additions operate by updating one set of books only (the “corporate” book). The “corporate” book which has been updated should then be copied to other sets of books as required, such as to a taxation book.

These assumptions help to simplify the application of this legislation in Oracle Assets and, therefore, help to keep Oracle Assets efficient, easy to use and to maintain.

## Review of the Relevant Taxation Legislation

The taxation legislation pertaining to the calculation and application of balancing charges is summarized diagrammatically below.

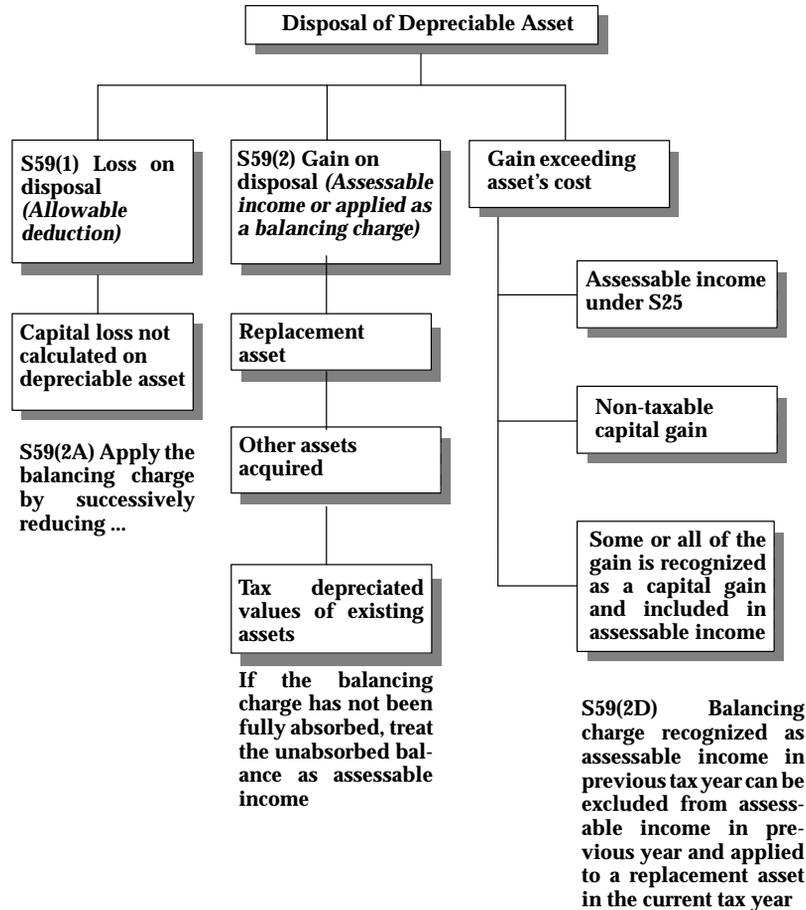
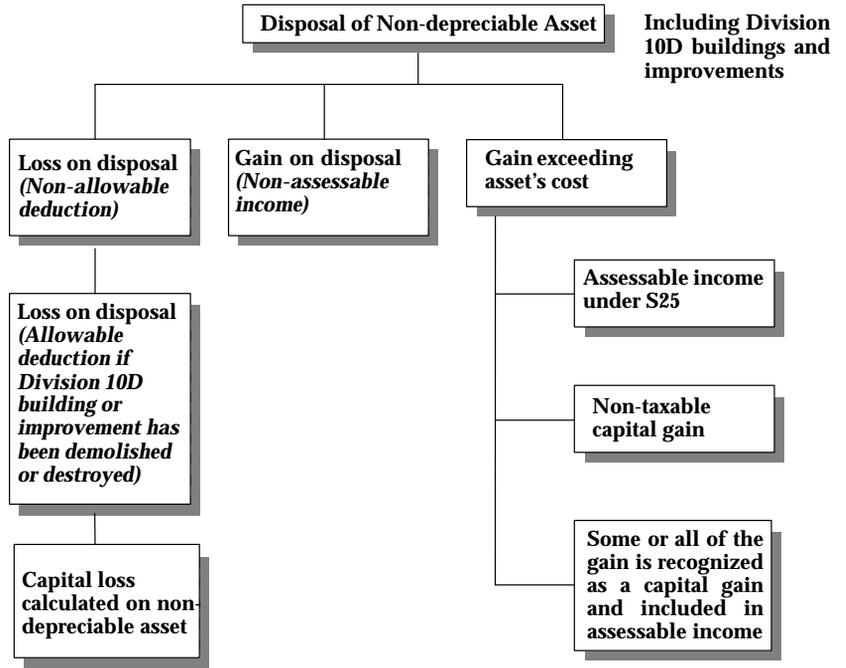


Figure 5 - 1 Disposal of depreciable asset

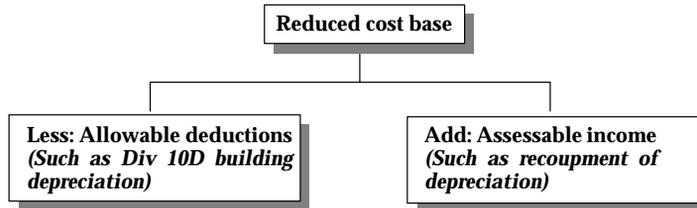
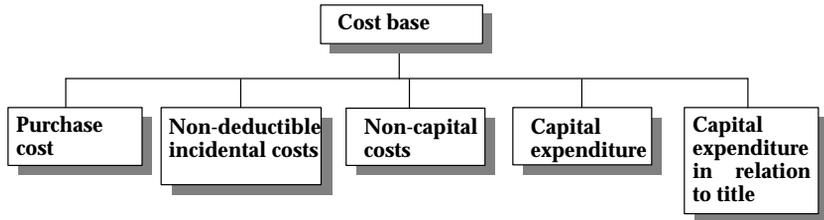


**Figure 5 – 2 Disposal of non-depreciable asset**

The major features in the operation of the CGT taxation provisions are summarized diagrammatically below.

$$\begin{aligned} \text{Capital gain} &= \text{Consideration} - \text{Cost base} \\ \text{Capital gain} &= \text{Consideration} - \text{Indexed cost base} \\ \text{Capital loss} &= \text{Reduced cost base} - \text{Consideration} \end{aligned}$$

If an asset is acquired and disposed of within 12 months, do not index the cost base



$$\begin{aligned} \text{Net capital gain} &= \text{Capital gains during year} - \text{Capital losses during year} - \text{Accumulated net capital loss} \\ \text{Net capital loss} &= \text{Capital loss(es) during year} + \text{Accumulated net capital loss} - \text{Capital gains during year} \end{aligned}$$

Figure 5 - 3 Capital gains

## **Balancing Charge**

---

A deduction is available for depreciation on property which qualifies as “plant or articles” and which is used or installed ready for use during the income year for the purpose of producing assessable income. [Section 54(1) ITAA]

When an item of plant or articles (depreciable asset) is disposed of during an income year, its disposal may give rise to a balancing adjustment in that year in respect of depreciation [Section 59 ITAA]. The balancing adjustment may be:

- An allowable deduction (loss on disposal) in the year of income
- Included in assessable income (gain on disposal) in the year of income

No balancing adjustment may arise if the consideration receivable is equal to the asset’s depreciated or written down value.

## **Balancing Adjustment Giving Rise to an Allowable Deduction (Loss on Disposal)**

---

*“Where any property of a tax-payer, in respect of which depreciation has been allowed or is allowable ... , is disposed of, lost or destroyed at any time in the year of income, the depreciated value of the property at that time, less the amount of any consideration receivable in respect of the disposal, loss or destruction, shall be an allowable deduction.”* [Section 59(1) ITAA]

That is, the depreciated value is ascertained and is compared with the amount of consideration receivable on disposal. If the depreciated value exceeds the amount of such consideration so that effectively insufficient depreciation has been allowed, a further deduction of the excess of the depreciated value over the consideration receivable is allowable. It is akin to claiming additional depreciation in the year of the disposal.

**Example 1** A loss on disposal of a depreciable asset.

- Plant and equipment
- Depreciated using the prime cost method at 10% per annum
- Purchased 01/07/90
- Cost \$20,000
- Disposed 30/06/93
- Selling price \$12,000
- Accumulated depreciation \$6,000 (\$2,000 pa x 3 years)
- Written down value \$14,000

Cost	\$20,000
Accumulated depreciation	<u>(\$6,000)</u>
Depreciated value	\$14,000
Selling price	<u>\$12,000</u>
Allowable deduction	(\$2,000)

**Balancing Adjustment Giving Rise to Assessable Income  
(Gain on Disposal)**

---

*“If that consideration exceeds the depreciated value, the excess, to the extent of the sum of the amounts allowed and allowable in assessments for income tax ... in respect of depreciation, shall, subject to the succeeding provisions of this section, be included in ...” the company’s “... assessable income of that year.”*  
[Section 59(2) ITAA]

That is, if the consideration receivable exceeds the depreciated value so that an excessive amount of depreciation has been allowed, such excess (the “balancing charge”) is assessable to the extent of the total amounts of depreciation allowed or allowable in the assessments. It is seen as a recoupment of depreciation previously claimed.

If the consideration receivable exceeds the original cost, the excess profit is not assessable as a balancing charge. The excess may be assessable as income under Section 25 ITAA (that is, a sale in the ordinary course of business or in a profit making scheme), or under part IIIA of the ITAA (CGT provisions) as a capital gain. Generally, a capital gain arises if:

- the asset is disposed after 19 September 1985 and the consideration receivable exceeds the indexed cost base of the asset or,
- the asset was disposed within 12 months of its acquisition, and the consideration receivable exceeds the unindexed cost base of the asset. [Sections 160ZA(4), S160ZK ITAA]

**Example 2** A gain on disposal of a depreciable asset.

- Plant and equipment
- Depreciated using the prime cost method at 10% per annum
- Purchased 01/07/90
- Cost \$20,000
- Disposed 30/06/93
- Selling price \$18,000
- Accumulated depreciation \$6,000 (three years)
- Written down value \$14,000

Cost	\$20,000
Accumulated depreciation	<u>(\$6,000)</u>
Depreciated value	\$14,000
Selling price	<u>\$18,000</u>
Assessable income	(\$4,000)

**Example 3** A gain in excess of cost on disposal of a depreciable asset.

- Plant and equipment
- Depreciated using the prime cost method at 10% per annum
- Purchased 01/07/90
- Cost \$20,000
- Disposed 30/06/93
- Selling price \$23,000
- Accumulated depreciation \$6,000 (three years)
- Written down value \$14,000

Cost	\$20,000
Accumulated depreciation	<u>(\$6,000)</u>
Depreciated value	\$14,000
Selling price	<u>\$23,000</u>
Gain on disposal	\$9,000
Assessable income	\$6,000
Gain in excess of cost	<u>\$3,000</u>
Gain on disposal	\$9,000

The gain on disposal is composed of two parts:

- Assessable income of \$6,000 represents the recoupment of depreciation claimed to date. That is, the difference between the asset's original cost and its written down value. This amount is included in assessable income as per the previous example.
- A gain of \$3,000 which is the difference between the asset's original cost and its selling price. This gain is not necessarily included in assessable income. The operation of the general income provisions of the ITAA and the CGT provisions will determine whether some, all or none of this gain is included in assessable income.

### **Alternative Treatment of the Balancing Charge (Balancing Adjustment Giving Rise to Assessable Income)**

---

The balancing charge legislation only applies to assessable gains calculated under Section 59(2) ITAA. It does not apply to deductible losses calculated on the disposal of depreciable assets under Section 59(1) ITAA.

Section 59(2A) ITAA permits a tax-payer, in lieu of including the balancing charge in assessable income as per Section 59(2) ITAA, to successively reduce

- The cost of any unit of property acquired by the tax-payer during the income year to replace a unit of property disposed, lost or destroyed
- The cost of any other unit of property acquired by the tax-payer during the year of income
- The depreciated values, at the beginning of the year of income, of other units of property by such amounts as do not exceed, in the aggregate, the balancing charge

If the balancing charge is not fully absorbed in this manner the excess remaining is to be included in the tax-payer's assessable income of the year of income. [Section 59(2C) ITAA]



**Attention:** Where the balancing charge or part thereof is to be applied against the depreciated values at the beginning of the income year of other units of property, there is no statutory direction as to which assets the balancing charge should be applied.

If an asset is not replaced in the year of its disposal, loss or destruction but it is replaced before the end of the third year (assuming that a request to apply the balancing charge was not made in the disposal year), then the amount included in assessable income in the previous years could be excluded from income in that year and, applied as a balancing charge against a replacement asset purchased in the second or third year". [Section 59(2D) ITAA]

Where a balancing charge has been applied pursuant to Sections 59(2A) or 59(2D) ITAA, the balancing charge is deemed to be depreciation which has been allowed against that asset; that is, for the purposes of future deductions for depreciation and for any balancing adjustment on the disposal, loss or destruction of the asset. [Section 59(2E) ITAA]

The following examples illustrate the application of balancing charge.

**Example 4** A balancing charge applied to a replacement asset.

- Asset disposed on the 30/06/93
- Replacement asset acquired on the 31/12/93 for \$20,000
- Asset depreciated using the prime cost method at 10% per annum
- Balancing charge applied per S59(2) \$1,000
- Adjusted cost for purposes of calculating depreciation \$19,000
- Depreciation for 6 months to 30/06/94 (\$19,000 x 10% for six months) \$950
- Written down value \$18,050

Cost	\$20,000
Balancing charge	(\$1,000)
Adjusted cost for depreciation	\$19,000
Accumulated depreciation	<u>(\$950)</u>
Depreciated value	\$18,050

**Example 5** A balancing charge applied to existing assets where no replacement assets or other asset additions have been made.

- Asset disposed 30/06/93
- Existing asset depreciated using the prime cost method at 10% per annum
- Depreciated value of existing plant and equipment as at 30/06/93 was \$20,000
- Balancing charge previously applied to existing asset per S59(2) \$1,000
- Adjusted cost of existing asset for purposes of calculating depreciation \$19,000
- Depreciation calculated for the year ended 30/06/94, \$1,900 (one year)
- Depreciated or written down value \$17,100

Depreciated value	\$20,000
Balancing charge	(\$1,000)
Adjusted cost for depreciation	\$19,000
Accumulated depreciation	<u>(\$1,900)</u>
Depreciated value	\$17,100

**Example 6** A balancing charge applied against an asset partially replacing the disposed asset and the balance to existing assets.

- Asset depreciated using the prime cost method at 10% per annum
- Asset destroyed on the 30/06/93
- Amount recovered from insurance was \$8,000
- Partial replacement asset acquired on the 31/12/93 for \$6,000
- Depreciated value of existing plant and equipment as at 30/06/93 was \$20,000

The amount of depreciation for 30/06/94 would be calculated as follows:

	<b>Replacement</b>	<b>Other Assets</b>
Cost	\$6,000	
Depreciated value		\$20,000
Balancing charge	(\$6,000)	(\$2,000)
Adjusted cost for depreciation	—	\$18,000
Depreciation to 30/06/94	<u>—</u>	<u>(\$1,800)</u>
Depreciated value	—	\$16,200

**Example 7** A disposal of a depreciable asset which has had a balancing charge applied to it.

- Plant and equipment
- Depreciated using the prime cost method at 10% per annum
- Purchased 01/07/90 as a replacement asset
- Cost \$20,000
- Disposed 30/06/93
- Selling price \$23,000
- Balancing charge previously applied per S59(2) \$1,000
- Adjusted cost for purposes of calculating depreciation \$19,000
- Accumulated depreciation \$5,700 (three years)
- Written down value \$13,300

Cost	\$20,000
Balancing charge	(\$1,000)
Adjusted cost for depreciation	\$19,000
Accumulated depreciation	<u>(\$5,700)</u>
Depreciated value	\$13,300
Selling price	<u>\$23,000</u>
Gain on disposal	\$9,700
Assessable income	\$6,700
Gain in excess of cost	<u>\$3,000</u>
Gain on disposal	\$9,700

The \$1,000 balancing charge previously applied has been effectively included in the calculation of assessable income. Its effect on the calculation is as if the balancing charge was previously charged as depreciation (that is, accumulated depreciation). The effect is to make the assessable gain bigger at \$6,700 with the balancing charge, instead of \$6,000 if the balancing charge had not been applied [Section 59(2E) ITAA]

**Example 8** A disposal of a depreciable asset which has had a balancing charge applied to it.

- Plant and equipment
- Depreciated using the prime cost method at 10% per annum
- Purchased 01/07/90 as a replacement asset
- Cost \$20,000
- Disposed 30/06/93
- Selling price \$12,000
- Balancing charge previously applied per S59(2) \$1,000
- Adjusted cost for purposes of calculating depreciation \$19,000
- Accumulated depreciation \$5,700 (three years)
- Written down value \$13,300

Cost	\$20,000
Balancing charge	(\$1,000)
Adjusted cost for depreciation	\$19,000
Accumulated depreciation	<u>(\$5,700)</u>
Depreciated value	\$13,300
Selling price	<u>\$12,000</u>
Allowable deduction	\$1,300

The \$1,000 balancing charge previously applied has been effectively included in the calculation of assessable income. Its effect on the calculation is as if the balancing charge was previously charged as depreciation (that is, accumulated depreciation). The effect is to make the allowable deduction smaller at \$1,300 with the balancing charge, instead of \$2,000 if the balancing charge had not been applied. [Section 59(2E) ITAA]

## **Balancing Charge For Buildings**

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Sections 124ZF to 124ZL (Division 10D Part III) ITAA permit a “depreciation-like” deduction or capital allowance for new buildings and improvements where the buildings are used for the purpose of producing assessable income or are used in research and development.

The deduction is not depreciation, and its operation is specified in another part of the Act. Therefore

- This capital allowance cannot be applied as a balancing charge.
- Assessable or deductible balancing adjustments cannot arise. Such adjustments would be of a non-assessable or of a non-deductible nature.

One exception to the above is that a deductible adjustment on buildings may arise if the asset has been demolished or destroyed prior to the disposal of the land under Section 124 ZK ITAA. The amount of the deduction is equal to the building’s written down value, less the proceeds from insurance or salvage.

## **CGT**

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Provisions of Part IIIA ITAA (that is, the CGT provisions) provide for the inclusion in the assessable income of a tax-payer of any “net capital gain” which accrues to the tax-payer during the year. The capital gains and losses are deducted from any capital losses incurred during the year and with any net capital loss incurred in the immediately preceding year. Capital losses are not deductible, but are carried forward indefinitely until recouped by capital gains. [Section 160ZO(1) ITAA]

## **Calculating Capital Gains or Losses**

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In order to calculate a capital gain or loss:

- There must have been a disposal or deemed disposal of an asset [Section 160T ITAA]
- The asset must have been acquired or deemed to have been acquired on or after 20/09/85
- The asset’s disposal must have occurred on or after 20/09/85
- The cost base, indexed cost base or the reduced cost base of the asset is used in the calculation [Section 160ZH ITAA]

The calculation of a capital gain or loss can be defined as follows:

- Capital Gain = Consideration – Cost Base or Indexed Cost Base
- Capital Loss = Reduced Cost Base – Consideration

The capital gain calculation uses the asset's indexed cost base if the asset is disposed 12 months or more after its acquisition. The capital gain calculation uses the asset's cost base if the asset is disposed of within 12 months of its acquisition. [Section 160Z(3) ITAA]

The *cost base* of an asset comprises not only the cost of the acquisition of the asset, the incidental costs of acquisition and disposal but also capital expenditure. The capital expenditure enhances the value of the asset and is reflected in the state of the asset at the time of its disposal, or is incurred in establishing, preserving or defending the tax-payer's title to, or right over the asset.

Specifically, the *cost base* of an asset is composed of a number of components. [Section 160ZH(1) ITAA]

1. Purchase price of asset.
2. Incidental costs of the asset's acquisition and disposal. Incidental costs which have been or are allowable as a deduction are excluded.
3. Non-capital costs in respect of an asset (not being a personal use asset) acquired on or after 21/8/91.
4. Capital expenditure to enhance the asset's value.
5. Capital expenditure in establishing, preserving or defending the tax-payers title to or right over the asset.

The *indexed cost base* of the asset is each of the items 1,2,4 and 5 above, indexed as per Section 160ZJ ITAA plus item 3 above. (That is, item 3 is not indexed as part of the cost base). [Section 160ZH(2) ITAA]

**Example 9** Indexing an asset's cost base.

- Asset is acquired on 20/09/85 for \$10,000
- Asset is disposed on 25/09/91 for \$22,000

The asset's cost base is indexed by multiplying it by the "indexation factor"

The “indexation factor” is:

Index number for the quarter of the year in which the asset was disposed

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Index number for the quarter of the year in which the liability to pay for the asset or the expenditure for the asset arose

The indexed cost base of the asset would be:

$$\$10,000 \times \text{indexation factor of } (215.7/144.2) = \$14,958$$

Asset's selling price	\$22,000
Asset's indexed cost base	<u>\$14,958</u>
Capital gain	\$7,042

The *reduced cost base* of an asset is the sum of the “reduced amount” of each amount which falls in categories 1,2,4 and 5 of the asset’s cost base (above). Items in category 3 are not taken into account in calculating the reduced cost base of the asset. [Section 160ZH(3) ITAA]

The *reduced amount* of any consideration, incidental costs or expenditure in relation to an asset is the aggregate of the following two amounts. [Section 160ZK ITAA]

- **Less:** The amount of the consideration and so on, reduced by any part that is allowed or is allowable (or would but for Section 61 ITAA be allowable) as a deduction in any year of income.
- **Add:** So much of any amount assessable as income resulting from recouped depreciation upon disposal of an asset. This includes the balancing charge applied to reduce the cost or depreciated value of a replacement asset or any other asset.



**Attention:** A deemed value and a deemed date of acquisition may apply as a result of the operation of the CGT provisions. For example, Section 160ZZS ITAA, when a change in company ownership triggers a deemed sale of assets.

**Example 10** Calculating the reduced cost base of an asset.

- Land purchased 15/07/86 for \$400,000
- Building erected for \$1,000,000
- Land and building sold for \$1,200,000 after three years at a loss
- Capital allowance deductions over the three years [Section 124ZF to 124ZL ITAA] \$120,000

Reduced cost base of land		\$400,000
Reduced cost base of building		
• cost of building	\$1,000,000	
• less Section 124ZF to ZK deductions	<u>\$120,000</u>	<u>\$880,000</u>
Reduced cost base of asset		\$1,280,000

The capital loss incurred is \$1,280,000 – \$1,200,000 = \$80,000.

**Example 11** Calculating the reduced cost base of an asset.

- Plant and equipment
- Depreciated using the prime cost method at 10% per annum
- Purchased 01/07/90
- Cost \$20,000
- Disposed 30/06/93
- Selling price \$18,000
- Accumulated depreciation \$6,000 (three years)
- Written down value \$14,000

Cost	\$20,000
Accumulated depreciation	<u>(\$6,000)</u>
Depreciated value	\$14,000
Selling price	<u>\$18,000</u>
Assessable income	\$4,000

The reduced cost base of the asset is:

Cost	\$20,000
Depreciation allowed	<u>\$6,000</u>
	\$14,000
Add: assessable income	<u>\$4,000</u>
Reduced cost base	\$18,000

**Example 12** Calculating the reduced cost base of an asset.

- Plant and equipment
- Depreciated using the prime cost method at 10% per annum
- Purchased 01/07/90
- Cost \$20,000
- Disposed 30/06/93
- Selling price \$12,000
- Accumulated depreciation \$6,000 (three years)
- Written down value \$14,000

Cost	\$20,000
Accumulated depreciation	<u>(\$6,000)</u>
Depreciation value	\$14,000
Selling price	<u>\$12,000</u>
Allowable deduction	\$2,000

The reduced cost base of the asset is:

Cost	\$20,000
Depreciation allowed	<u>\$6,000</u>
	\$14,000
Less: assessable income	<u>\$2,000</u>
Reduced cost base	\$12,000

In examples 11 and 12 the reduced cost base is equal to the consideration in respect of the disposal. As a result, neither a capital gain nor loss arises. These examples show that a depreciable asset cannot have a capital loss.

### **Land, Buildings and Improvements**

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Buildings and improvements can be deemed to be separate assets. Normally whatever is affixed or attached to the land forms part of the land. The exceptions to this are [Section 160P ITAA]:

- Buildings constructed on land acquired pre-CGT are treated as separate assets to the land
- “Material” improvements to an asset acquired pre-CGT



CHAPTER

# 6

## Australian Revaluation Requirements

**T**his chapter overviews how the Asset Revaluation report and the Revalued Asset Sales report in Oracle Assets help you meet Australian legal requirements.

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## Australian Revaluation Requirements

This topical essay describes the two reports added to revaluation processing in Oracle Fixed Assets: the Asset Revaluation report and the Revalued Asset Sales report.

These reports will help Victorian Government Agencies comply with the revaluation requirements of the Australian Accounting Standard AAS10, *Accounting for the Revaluation of Non-current Assets*. Compliance with this standard will also provide for compliance with the revaluation requirements of the international accounting standard IAS16, *Accounting for Property, Plant and Equipment*.

These reports address compliance with two aspects of the accounting standard. The first aspect regards posting net revaluation movements within each asset class to either the Asset Revaluation Reserve or the Profit and Loss Statement, depending on the previous net movements and postings for that asset class. This requirement is defined in paragraphs 38 and 40 of the AAS10. The Oracle Fixed Assets revaluation process posts the net movement to one account. The revaluation report provides you with the split of the revaluation movement between the Reserve and the Profit and Loss Statement, enabling you to post adjusting journals to reflect the movement in compliance with AAS10.

The second aspect addressed by these reports is the treatment of the revalued assets on sale. AAS10 requires that the profit/loss on sale be based on the written down value of the asset and is silent on the required treatment for the revaluation reserve. The Victorian Government states in its Accrual Accounting Manual, Chapter 8, Section 8.7, *Disposals of Revalued Assets*: "When revalued assets are sold, the revaluation reserve is reduced by the amounts held in reserve with respect to those assets. The revaluation increment with respect to assets that have been sold is transferred to Accumulated Surplus."

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## Basic Business Needs

The Oracle Assets Australian Revaluation reports provide you with the features you need to comply with paragraphs 38, 40, and 50 of AAS10. You can:

- Post adjusting journals to the ledger to reflect the net revaluation movements within each asset class to either the Asset Revaluation Reserve or the Profit and Loss Statement in compliance with AAS10.
- Identify at a point in time (point of sale of an asset) the net revaluation movement life-to-date for a class of assets and the net position for the asset being sold.
- Post adjustments to the revaluation reserve for an asset and its net class movement.

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## Overview of Current Revaluation Functionality

Oracle controls each revaluation and its associated parameters through default revaluation rules that you set up for each asset book. When you save a revaluation, Oracle Assets assigns it a Mass Transaction Number, which can be used to control the processing of revaluation and to review the results of previous revaluations.

The current standard reporting is based on each revaluation. The standard application does not report life-to-date revaluation movements for an asset or asset class. The standard revaluation reports are the Mass Revaluation Preview Report and the Mass Revaluation Review Report (refer to the *Oracle Assets User's Guide*).

For additional information about the standard functionality see:

- "Asset Management in a Highly Inflationary Economy (Revaluation)" in the *Oracle Assets User's Guide*. This essay summarizes the revaluation functionality and discusses the use of revaluation functions and the choices available in the selection of parameters to structure each revaluation.
- "Revaluing Assets" in the *Oracle Assets User's Guide*. This section describes the Mass Revaluation form and discusses how to use it.

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## Parameters Required to Comply with AAS10

To comply with the revaluation requirements of AAS10, Oracle suggests that you set the following asset book and revaluation parameters within Fixed Assets.

### **Asset Book Parameters**

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Set the following parameters to the suggested values to facilitate compliance with AAS10.

- The Asset Book must be set up to allow revaluations.
- Revalue Depreciation Reserve should be set to No.
- Amortize Revaluation Reserve should be set to No.
- Retire Revaluation Reserve should be set to No.
- Rules for revaluing fully depreciated (reserved) assets also need to be set at this level but can be overridden for each revaluation and for each individual asset in the revaluation.

### **Revaluation Parameters**

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You can override the rules for revaluing fully depreciated assets when you set up a particular revaluation.

When you set the percentage revaluation movement for an asset class or individual asset, the percentage should be based on the asset cost and the adjustment needed to move the asset cost to the new revalued amount.

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## **Generation of the Revaluation Report**

The Revaluation Report is a cumulative listing of all revaluations of the assets in the specified book or class up to the current revaluation. The current revaluation is reported separately. Only previous revaluations that have been completed are included in the report. The separation of previous and current is required in order to determine the accounting treatment for the current revaluation.

The report is sorted by asset class and lists all assets in the class that were previously revalued or are being revalued in the current revaluation. Disposed assets are not included.

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## **Generation of the Revalued Asset Sales Report**

The Revalued Asset Sales Report shows sales of revalued assets over a period of time and the revaluation balance for a single asset class or all asset classes.

The report lists all assets sold within the specified date range. It also provides a net revaluation position for the asset class at the start and end date of the period. This report facilitates the creation of manual journals in General Ledger to reflect the movement in the revaluation reserve due to the sale of assets.



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