

# **Oracle® Financials**

Concepts Guide

Release 12.1

**Part No. E13424-03**

August 2010

Oracle Financials Concepts Guide, Release 12.1

Part No. E13424-03

Copyright © 2006, 2010, Oracle and/or its affiliates. All rights reserved.

Primary Author: Seamus Moran

Contributing Author: Ayse Aba, Amy Andrews, Ramasubramanian Balasundaram, Jayanta Bhowmik, John Cafolla, Gail D'Aloisio, Joe Gum, David Haimes, Jacob John, Peggy Larson, Julianna Litwin, Sanjay Mall, Elise Mattei, Annette Melatti, Steven Miranda, Rony Ng, Omar Tahboub, Harsh Takle, Terrance Wampler, Isaac William, Anne Wong, Linda Wong, Rob Zwiebach

Oracle is a registered trademark of Oracle Corporation and/or its affiliates. Other names may be trademarks of their respective owners.

This software and related documentation are provided under a license agreement containing restrictions on use and disclosure and are protected by intellectual property laws. Except as expressly permitted in your license agreement or allowed by law, you may not use, copy, reproduce, translate, broadcast, modify, license, transmit, distribute, exhibit, perform, publish or display any part, in any form, or by any means. Reverse engineering, disassembly, or decompilation of this software, unless required by law for interoperability, is prohibited.

The information contained herein is subject to change without notice and is not warranted to be error-free. If you find any errors, please report them to us in writing.

If this software or related documentation is delivered to the U.S. Government or anyone licensing it on behalf of the U.S. Government, the following notice is applicable:

#### U.S. GOVERNMENT RIGHTS

Programs, software, databases, and related documentation and technical data delivered to U.S. Government customers are "commercial computer software" or "commercial technical data" pursuant to the applicable Federal Acquisition Regulation and agency-specific supplemental regulations. As such, the use, duplication, disclosure, modification, and adaptation shall be subject to the restrictions and license terms set forth in the applicable Government contract, and, to the extent applicable by the terms of the Government contract, the additional rights set forth in FAR 52.227-19, Commercial Computer Software License (December 2007). Oracle USA, Inc., 500 Oracle Parkway, Redwood City, CA 94065.

This software is developed for general use in a variety of information management applications. It is not developed or intended for use in any inherently dangerous applications, including applications which may create a risk of personal injury. If you use this software in dangerous applications, then you shall be responsible to take all appropriate fail-safe, backup, redundancy and other measures to ensure the safe use of this software. Oracle Corporation and its affiliates disclaim any liability for any damages caused by use of this software in dangerous applications.

This software and documentation may provide access to or information on content, products and services from third parties. Oracle Corporation and its affiliates are not responsible for and expressly disclaim all warranties of any kind with respect to third party content, products and services. Oracle Corporation and its affiliates will not be responsible for any loss, costs, or damages incurred due to your access to or use of third party content, products or services.

---

# Contents

## Send Us Your Comments

## Preface

## 1 Introduction

|                                                |     |
|------------------------------------------------|-----|
| Overview.....                                  | 1-1 |
| Benefits.....                                  | 1-2 |
| Key Attributes of Oracle E-Business Suite..... | 1-2 |
| Oracle Financials Applications Suite.....      | 1-4 |
| Using this Guide.....                          | 1-5 |

## 2 Organizational Models in Oracle Financials

|                                                          |      |
|----------------------------------------------------------|------|
| Overview.....                                            | 2-1  |
| Your Organization.....                                   | 2-1  |
| The Role of Your Legal Entities.....                     | 2-4  |
| Representing Your Organization in the System.....        | 2-4  |
| Organizational Classifications in Oracle Financials..... | 2-5  |
| System Entities.....                                     | 2-6  |
| Chart of Accounts.....                                   | 2-14 |
| A Flexible Model.....                                    | 2-16 |
| Using Oracle Human Resources with Oracle Financials..... | 2-17 |
| Cross Organization Reporting.....                        | 2-18 |

## 3 Reporting

|                       |     |
|-----------------------|-----|
| Overview.....         | 3-1 |
| Daily Management..... | 3-1 |

|                                          |     |
|------------------------------------------|-----|
| Periodic Management.....                 | 3-1 |
| Periodic Analysis.....                   | 3-2 |
| Reports.....                             | 3-2 |
| Reporting Tools.....                     | 3-3 |
| Security and Reports.....                | 3-4 |
| Reporting and Systems Organizations..... | 3-4 |

## 4 Accounting with Oracle Financials Applications

|                                                                  |      |
|------------------------------------------------------------------|------|
| Overview.....                                                    | 4-1  |
| Chart of Accounts .....                                          | 4-2  |
| Global Chart of Accounts.....                                    | 4-2  |
| Regulated Charts of Accounts.....                                | 4-3  |
| Currency.....                                                    | 4-4  |
| Transaction Currency.....                                        | 4-5  |
| Primary Currency .....                                           | 4-5  |
| Reporting Currency .....                                         | 4-6  |
| Calendars.....                                                   | 4-7  |
| Accounting Conventions .....                                     | 4-7  |
| Subledger Accounting in Oracle Financials .....                  | 4-8  |
| Some Important Features of Oracle Subledger Accounting.....      | 4-10 |
| Setting Up Your Accounting: Accounting Setup Manager.....        | 4-12 |
| Overview of the Accounting Setup Manager.....                    | 4-12 |
| Legal Environment Considerations.....                            | 4-13 |
| The Corporate View.....                                          | 4-14 |
| Accounting Consolidation in Oracle Ledgers .....                 | 4-15 |
| Financial Consolidation Hub .....                                | 4-15 |
| Ledgers and Ledger Sets with Financial Statement Generator ..... | 4-17 |
| Global Consolidation System.....                                 | 4-18 |

## 5 Worldwide Operations with Oracle Financials Applications

|                                                              |     |
|--------------------------------------------------------------|-----|
| Overview.....                                                | 5-1 |
| Multiple Organizations Support.....                          | 5-2 |
| Advanced Global Intercompany System .....                    | 5-2 |
| Facilitating Intercompany Accounting in Oracle Ledgers ..... | 5-3 |
| The E-Business Tax Engine.....                               | 5-5 |
| The Bank Account Model.....                                  | 5-6 |
| Ledgers and Reporting.....                                   | 5-6 |
| Summary.....                                                 | 5-7 |

## **6 Governance, Risk Management, and Compliance with Oracle Financials**

|                                                             |             |
|-------------------------------------------------------------|-------------|
| <b>Introduction.....</b>                                    | <b>6-1</b>  |
| Regulations and Compliance.....                             | 6-2         |
| <b>Requirements for Financial Compliance.....</b>           | <b>6-2</b>  |
| <b>An Overview of Oracle's Compliance Architecture.....</b> | <b>6-3</b>  |
| <b>Enterprise Visibility and Security.....</b>              | <b>6-5</b>  |
| Data and Security Management.....                           | 6-5         |
| <b>Internal Control &amp; Operational Efficiency.....</b>   | <b>6-7</b>  |
| Automated Processes & Controls in the E-Business Suite..... | 6-7         |
| Shared Service Centers.....                                 | 6-8         |
| Standardized Processes.....                                 | 6-9         |
| Oracle Internal Controls Manager.....                       | 6-10        |
| Oracle Learning Management.....                             | 6-14        |
| Oracle Tutor.....                                           | 6-14        |
| Oracle Collaboration Suite.....                             | 6-15        |
| <b>Corporate Governance &amp; GAAP.....</b>                 | <b>6-15</b> |

## **7 Business Analytics & Corporate Performance Management**

|                                                                                               |            |
|-----------------------------------------------------------------------------------------------|------------|
| <b>Introduction.....</b>                                                                      | <b>7-1</b> |
| <b>The Oracle Business Analytics &amp; Corporate Performance Management Architecture.....</b> | <b>7-2</b> |
| Oracle Database 10g.....                                                                      | 7-2        |
| Oracle Warehouse Builder.....                                                                 | 7-3        |
| Oracle Business Intelligence.....                                                             | 7-3        |
| <b>Oracle Corporate Performance Management Applications.....</b>                              | <b>7-6</b> |
| Overview of the Oracle Corporate Performance Management Suite.....                            | 7-6        |
| Oracle Balanced Scorecard.....                                                                | 7-9        |
| Oracle Enterprise Planning and Budgeting.....                                                 | 7-10       |
| Oracle Profitability Manager.....                                                             | 7-10       |
| Oracle Daily Business Intelligence.....                                                       | 7-12       |

## **A The Oracle Financials Product Footprint**

|                                                                                                 |            |
|-------------------------------------------------------------------------------------------------|------------|
| <b>Introduction.....</b>                                                                        | <b>A-1</b> |
| <b>CRM, Sales, Order Management, Product Management, Procurement, and Supply Chain</b><br>..... | <b>A-1</b> |
| <b>Logistics, Maintenance, Human Resources, Service, Finance, and Projects.....</b>             | <b>A-4</b> |

## **B Industry Specializations**

|                                       |            |
|---------------------------------------|------------|
| <b>Overview.....</b>                  | <b>B-1</b> |
| <b>Enhanced Industry Support.....</b> | <b>B-1</b> |

## Index

---

# Send Us Your Comments

## **Oracle Financials Concepts Guide, Release 12.1**

### **Part No. E13424-03**

Oracle welcomes customers' comments and suggestions on the quality and usefulness of this document. Your feedback is important, and helps us to best meet your needs as a user of our products. For example:

- Are the implementation steps correct and complete?
- Did you understand the context of the procedures?
- Did you find any errors in the information?
- Does the structure of the information help you with your tasks?
- Do you need different information or graphics? If so, where, and in what format?
- Are the examples correct? Do you need more examples?

If you find any errors or have any other suggestions for improvement, then please tell us your name, the name of the company who has licensed our products, the title and part number of the documentation and the chapter, section, and page number (if available).

Note: Before sending us your comments, you might like to check that you have the latest version of the document and if any concerns are already addressed. To do this, access the new Oracle E-Business Suite Release Online Documentation CD available on My Oracle Support and [www.oracle.com](http://www.oracle.com). It contains the most current Documentation Library plus all documents revised or released recently.

Send your comments to us using the electronic mail address: [appsdoc\\_us@oracle.com](mailto:appsdoc_us@oracle.com)

Please give your name, address, electronic mail address, and telephone number (optional).

If you need assistance with Oracle software, then please contact your support representative or Oracle Support Services.

If you require training or instruction in using Oracle software, then please contact your Oracle local office and inquire about our Oracle University offerings. A list of Oracle offices is available on our Web site at [www.oracle.com](http://www.oracle.com).



---

# Preface

## Intended Audience

Welcome to Release 12.1 of the *Oracle Financials Concepts Guide*.

This guide assumes you have a working knowledge of the following:

- The principles and customary practices of your business area.
- Computer desktop application usage and terminology

If you have never used Oracle Applications, we suggest you attend one or more of the Oracle Applications training classes available through Oracle University.

See Related Information Sources on page x for more Oracle E-Business Suite product information.

## Deaf/Hard of Hearing Access to Oracle Support Services

To reach Oracle Support Services, use a telecommunications relay service (TRS) to call Oracle Support at 1.800.223.1711. An Oracle Support Services engineer will handle technical issues and provide customer support according to the Oracle service request process. Information about TRS is available at <http://www.fcc.gov/cgb/consumerfacts/trs.html>, and a list of phone numbers is available at <http://www.fcc.gov/cgb/dro/trsphonebk.html>.

## Documentation Accessibility

Our goal is to make Oracle products, services, and supporting documentation accessible to all users, including users that are disabled. To that end, our documentation includes features that make information available to users of assistive technology. This documentation is available in HTML format, and contains markup to facilitate access by the disabled community. Accessibility standards will continue to evolve over time, and

Oracle is actively engaged with other market-leading technology vendors to address technical obstacles so that our documentation can be accessible to all of our customers. For more information, visit the Oracle Accessibility Program Web site at <http://www.oracle.com/accessibility/>.

## **Accessibility of Code Examples in Documentation**

Screen readers may not always correctly read the code examples in this document. The conventions for writing code require that closing braces should appear on an otherwise empty line; however, some screen readers may not always read a line of text that consists solely of a bracket or brace.

## **Accessibility of Links to External Web Sites in Documentation**

This documentation may contain links to Web sites of other companies or organizations that Oracle does not own or control. Oracle neither evaluates nor makes any representations regarding the accessibility of these Web sites.

## **Structure**

- 1 Introduction**
- 2 Organizational Models in Oracle Financials**
- 3 Reporting**
- 4 Accounting with Oracle Financials Applications**
- 5 Worldwide Operations with Oracle Financials Applications**
- 6 Governance, Risk Management, and Compliance with Oracle Financials**
- 7 Business Analytics & Corporate Performance Management**
- A The Oracle Financials Product Footprint**
- B Industry Specializations**

## **Related Information Sources**

This document is included on the Oracle Applications Document Library, which is supplied in the Release 12 DVD Pack. You can download soft-copy documentation as PDF files from the Oracle Technology Network at <http://otn.oracle.com/documentation>, or you can purchase hard-copy documentation from the Oracle Store at <http://oraclestore.oracle.com>. The Oracle E-Business Suite Documentation Library Release 12 contains the latest information, including any documents that have changed significantly between releases. If substantial changes to this book are necessary, a revised version will be made available on the online documentation CD on My Oracle Support.

If this guide refers you to other Oracle Applications documentation, use only the Release 12 versions of those guides.

For a full list of documentation resources for Oracle Applications Release 12, see Oracle Applications Documentation Resources, Release 12, My Oracle Support Document

394692.1.

## Online Documentation

All Oracle Applications documentation is available online (HTML or PDF).

- **PDF** - PDF documentation is available for download from the Oracle Technology Network at <http://otn.oracle.com/documentation>.
- **Online Help** - Online help patches (HTML) are available on My Oracle Support.
- **My Oracle Support Knowledge Browser** - The My Oracle Support Knowledge Browser lets you browse the knowledge base, from a single product page, to find all documents for that product area. Use the Knowledge Browser to search for release-specific information, such as FAQs, recent patches, alerts, white papers, troubleshooting tips, and other archived documents.
- **Oracle eBusiness Suite Electronic Technical Reference Manuals** - Each Electronic Technical Reference Manual (eTRM) contains database diagrams and a detailed description of database tables, forms, reports, and programs for a specific Oracle Applications product. This information helps you convert data from your existing applications and integrate Oracle Applications data with non-Oracle applications, and write custom reports for Oracle Applications products. Oracle eTRM is available on My Oracle Support.

## Related Guides

You should have the following related books on hand. Depending on the requirements of your particular installation, you may also need additional manuals or guides.

### Oracle Applications Installation Guide: Using Rapid Install:

This book is intended for use by anyone who is responsible for installing or upgrading Oracle Applications. It provides instructions for running Rapid Install either to carry out a fresh installation of Oracle Applications Release 12, or as part of an upgrade from Release 11i to Release 12. The book also describes the steps needed to install the technology stack components only, for the special situations where this is applicable.

### Oracle Applications Upgrade Guide: Release 11i to Release 12:

This guide provides information for DBAs and Applications Specialists who are responsible for upgrading a Release 11i Oracle Applications system (techstack and products) to Release 12. In addition to information about applying the upgrade driver, it outlines pre-upgrade steps and post-upgrade steps, and provides descriptions of product-specific functional changes and suggestions for verifying the upgrade and reducing downtime.

### Oracle Applications Patching Procedures:

This guide describes how to patch the Oracle Applications file system and database using AutoPatch, and how to use other patching-related tools like AD Merge Patch, OAM Patch Wizard, and OAM Registered Flagged Files. Describes patch types and

structure, and outlines some of the most commonly used patching procedures. Part of Maintaining Oracle Applications, a 3-book set that also includes Oracle Applications Maintenance Utilities and Oracle Applications Maintenance Procedures.

#### **Oracle Applications Maintenance Utilities:**

This guide describes how to run utilities, such as AD Administration and AD Controller, used to maintain the Oracle Applications file system and database. Outlines the actions performed by these utilities, such as monitoring parallel processes, generating Applications files, and maintaining Applications database entities. Part of Maintaining Oracle Applications, a 3-book set that also includes Oracle Applications Patching Procedures and Oracle Applications Maintenance Procedures.

#### **Oracle Applications Maintenance Procedures:**

This guide describes how to use AD maintenance utilities to complete tasks such as compiling invalid objects, managing parallel processing jobs, and maintaining snapshot information. Part of Maintaining Oracle Applications, a 3-book set that also includes Oracle Applications Patching Procedures and Oracle Applications Maintenance Utilities.

#### **Oracle Applications Concepts:**

This book is intended for all those planning to deploy Oracle E-Business Suite Release 12, or contemplating significant changes to a configuration. After describing the Oracle Applications architecture and technology stack, it focuses on strategic topics, giving a broad outline of the actions needed to achieve a particular goal, plus the installation and configuration choices that may be available.

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

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 for Forms-Based Products*. It provides information to help you build your custom Oracle Forms Developer forms so that they integrate with Oracle Applications. In addition, this guide has information for customizations in features such as concurrent programs, flexfields, messages, and logging.

#### **Oracle Applications Flexfields Guide:**

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

#### **Oracle Applications System Administrator's Guide Documentation Set:**

This documentation set provides planning and reference information for the Oracle Applications System Administrator. *Oracle Applications System Administrator's Guide - Configuration* contains information on system configuration steps, including defining concurrent programs and managers, enabling Oracle Applications Manager features, and setting up printers and online help. *Oracle Applications System Administrator's Guide*

- *Maintenance* provides information for frequent tasks such as monitoring your system with Oracle Applications Manager, administering Oracle E-Business Suite Secure Enterprise Search, managing concurrent managers and reports, using diagnostic utilities including logging, managing profile options, and using alerts. *Oracle Applications System Administrator's Guide - Security* describes User Management, data security, function security, auditing, and security configurations.

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

This guide explains how to navigate, enter data, query, and run reports using the user interface (UI) of Oracle Applications. This guide also includes information on setting user profiles, as well as running and reviewing concurrent requests.

#### **Oracle Applications User Interface Standards for Forms-Based Products:**

This guide 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.

#### **Oracle E-Business Suite Diagnostics User's Guide:**

This manual contains information on implementing, administering, and developing diagnostics tests in the Oracle E-Business Suite Diagnostics framework.

#### **Oracle E-Business Suite Integrated SOA Gateway User's Guide:**

This guide describes the high level service enablement process, explaining how users can browse and view the integration interface definitions and services residing in Oracle Integration Repository.

#### **Oracle E-Business Suite Integrated SOA Gateway Implementation Guide:**

This guide explains how integration repository administrators can manage and administer the service enablement process (based on the service-oriented architecture) for both native packaged public integration interfaces and composite services (BPEL type). It also describes how to invoke Web services from Oracle E-Business Suite by employing the Oracle Workflow Business Event System; how to manage Web service security; and how to monitor SOAP messages.

#### **Oracle E-Business Suite Integrated SOA Gateway Developer's Guide:**

This guide describes how system integration developers can perform end-to-end service integration activities. These include orchestrating discrete Web services into meaningful end-to-end business processes using business process execution language (BPEL), and deploying BPEL processes at run time.

It also explains in detail how to invoke Web services using the Service Invocation Framework. This includes defining Web service invocation metadata, invoking Web services, managing errors, and testing the Web service invocation.

#### **Oracle Applications Multiple Organizations Implementation Guide:**

This guide describes the multiple organizations concepts in Oracle Applications. It describes in detail on setting up and working effectively with multiple organizations in Oracle Applications.

**Oracle Advanced Global Intercompany System User's Guide:**

This guide describes the self service application pages available for Intercompany users. It includes information on setting up intercompany, entering intercompany transactions, importing transactions from external sources and generating reports.

**Oracle Advanced Collections User Guide:**

This guide describes how to use the features of Oracle Advanced Collections to manage your collections activities. It describes how collections agents and managers can use Oracle Advanced Collections to identify delinquent customers, review payment history and aging data, process payments, use strategies and dunning plans to automate the collections process, manage work assignments, and handle later-stage delinquencies.

**Oracle Advanced Collections Implementation Guide:**

This guide describes how to configure Oracle Advanced Collections and its integrated products. It contains the steps required to set up and verify your implementation of Oracle Advanced Collections.

**Oracle Applications Multiple Organizations Implementation Guide:**

This guide describes the multiple organizations concepts in Oracle Applications. It describes in detail on setting up and working effectively with multiple organizations in Oracle Applications.

**Oracle Assets User Guide:**

This guide provides you with information on how to implement and use Oracle Assets. Use this guide to understand the implementation steps required for application use, including defining depreciation books, depreciation method, and asset categories. It also contains information on setting up assets in the system, maintaining assets, retiring and reinstating assets, depreciation, group depreciation, accounting and tax accounting, budgeting, online inquiries, impairment processing, and Oracle Assets reporting. The guide explains using Oracle Assets with Multiple Reporting Currencies (MRC). This guide also includes a comprehensive list of profile options that you can set to customize application behavior.

**Oracle Balanced Scorecard User Guide:**

This guide describes how to use Oracle Balanced Scorecard to manage performance. It contains information on how to use scorecard views and objective reports.

**Oracle Balanced Scorecard Administrator Guide:**

This guide describes how to set up and administer Oracle Balanced Scorecard and scorecard systems. For scorecard designers, this guide explains how to design and prototype scorecards and measures. It also explains how to move scorecards into production. For administrators, this guide explains how to generate the database schema; load data; manage user and scorecard security; and migrate scorecards to other instances.

**Oracle Balanced Scorecard Install Guide:**

This guide describes how to how to install the Balanced Scorecard Architect

components.

**Oracle Bill Presentment Architecture User Guide:**

This guide provides you information on using Oracle Bill Presentment Architecture. Consult this guide to create and customize billing templates, assign a template to a rule and submit print requests. This guide also provides detailed information on page references, seeded content items and template assignment attributes.

**Oracle Cash Management User Guide:**

This guide describes how to use Oracle Cash Management to clear your receipts, as well as reconcile bank statements with your outstanding balances and transactions. This manual also explains how to effectively manage and control your cash cycle. It provides comprehensive bank reconciliation and flexible cash forecasting.

**Oracle Credit Management User Guide:**

This guide provides you with information on how to use Oracle Credit Management. This guide includes implementation steps, such as how to set up credit policies, as well as details on how to use the credit review process to derive credit recommendations that comply with your credit policies. This guide also includes detailed information about the public application programming interfaces (APIs) that you can use to extend Oracle Credit Management functionality.

**Oracle Customers Online User Guide:**

This guide describes how to use Oracle Customers Online to view, create, and maintain your customer information. Oracle Customers Online is based on Oracle Trading Community Architecture data model and functionality, and is also part of the Oracle Customer Data Management product family.

**Oracle Customers Online Implementation Guide:**

This guide describes how to implement Oracle Customers Online.

**Oracle Daily Business Intelligence Implementation Guide:**

This guide describes how to implement Oracle Daily Business Intelligence, including information on how to create custom dashboards, reports, and key performance indicators.

**Oracle Daily Business Intelligence User Guide:**

This guide describes how to use the preseeded Daily Business Intelligence dashboards, reports, and key performance indicators.

**Oracle Data Librarian User Guide:**

This guide describes how to use Oracle Data Librarian to establish and maintain the quality of the Trading Community Architecture Registry, focusing on consolidation, cleanliness, and completeness. Oracle Customer Data Librarian has all of the features in Oracle Customers Online, and is also part of the Oracle Customer Data Management product family.

**Oracle Data Librarian Implementation Guide:**

This guide describes how to implement Oracle Data Librarian. As part of implementing Data Librarian, you must also complete all the implementation steps for Oracle Customers Online.

**Oracle E-Business Tax User Guide:**

This guide describes the entire process of setting up and maintaining tax configuration data, as well as applying tax data to the transaction line. It describes the entire regime-to-rate setup flow of tax regimes, taxes, statuses, rates, recovery rates, tax jurisdictions, and tax rules. It also describes setting up and maintaining tax reporting codes, fiscal classifications, tax profiles, tax registrations, configuration options, and third party service provider subscriptions. You also use this manual to maintain migrated tax data for use with E-Business Tax.

**Oracle E-Business Tax Implementation Guide:**

This guide provides a conceptual overview of the E-Business Tax engine, and describes the prerequisite implementation steps to complete in other applications in order to set up and use E-Business Tax. The guide also includes extensive examples of setting up country-specific tax requirements.

**Oracle E-Business Tax Reporting Guide:**

This guide explains how to run all tax reports that make use of the E-Business Tax data extract. This includes the Tax Reporting Ledger and other core tax reports, country-specific VAT reports, and Latin Tax Engine reports.

**Oracle E-Business Tax: Vertex Q-Series and Taxware Sales/Use Tax System Implementation Guide**

This guide explains how to setup and use the services of third party tax service providers for US Sales and Use tax. The tax service providers are Vertex Q-Series and Taxware Sales/Use Tax System. When implemented, the Oracle E-Business Tax service subscription calls one of these tax service providers to return a tax rate or amount whenever US Sales and Use tax is calculated by the Oracle E-Business Tax engine. This guide provides setup steps, information about day-to-day business processes, and a technical reference section.

**Oracle Embedded Data Warehouse User Guide:**

This guide describes how to use Embedded Data Warehouse reports and workbooks to analyze performance.

**Oracle Embedded Data Warehouse Implementation Guide:**

This guide describes how to implement Embedded Data Warehouse, including how to set up the intelligence areas.

**Oracle Embedded Data Warehouse Install Guide:**

This guide describes how to install Embedded Data Warehouse, including how to create database links and create the end user layer (EUL).

**Oracle Enterprise Performance Foundation User's Guide:**

This guide describes Oracle Enterprise Performance Foundation, an open and shared repository of data and business rules that provides the framework for all of the applications in the Corporate Performance Management set of products. It describes the product features that allow you to manage repository metadata and enable you to generate management reports and perform analyses.

**Oracle Enterprise Planning and Budgeting User's Guide:**

This guide describes Enterprise Planning and Budgeting, which is an enterprise application that provides rich functionality to control the business processes of planning, budgeting, and forecasting. Enterprise Planning and Budgeting is deployed as a Web based solution using the power of Oracle relational technology to deliver scalable, multi-dimensional analysis and monitoring.

**Oracle Financial Consolidation Hub User Guide:**

This guide describes how to set up, maintain, and troubleshoot Oracle Financial Consolidation Hub. It describes setting up entities, categories, consolidation methods, consolidation rules, intercompany rules, calendar maps, translation, consolidation hierarchies, analytical reporting, and the Excel add-in. The guide also includes chapters on submitting data, running consolidations, accounting for acquisitions and disposals, integrating with Internal Controls Manager and WebADI spreadsheets.

**Oracle Financial Services Reference Guide:**

This guide provides reference material for Oracle Financial Services applications in Release 12, such as Oracle Transfer Pricing, and includes technical details about application use as well as general concepts, equations, and calculations.

**Oracle Financial Services Implementation Guide:**

This guide describes how to set up Oracle Financial Services applications in Release 12.

**Oracle Financial Services Reporting Administration Guide:**

This guide describes the reporting architecture of Oracle Financial Services applications in Release 12, and provides information on how to view these reports.

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

This guide provides general country information, such as responsibilities and report security groups, as well as any post-install steps required by some countries.

**Oracle Financials for the Americas User Guide:**

This guide describes functionality developed to meet specific business practices in countries belonging to the Americas region. Consult this user guide along with your financial product user guides to effectively use Oracle Financials in your country.

**Oracle Financials for Asia/Pacific User Guide:**

This guide describes functionality developed to meet specific business practices in countries belonging to the Asia/Pacific region. Consult this user guide along with your financial product user guides to effectively use Oracle Financials in your country.

**Oracle Financials for Europe User Guide:**

This guide describes functionality developed to meet specific business practices in countries belonging to the European region. Consult this user guide along with your financial product user guides to effectively use Oracle Financials in your country.

**Oracle Financials for India User Guide:**

This guide provides information on how to use Oracle Financials for India. Use this guide to learn how to create and maintain setup related to India taxes, defaulting and calculation of taxes on transactions. This guide also includes information about accounting and reporting of taxes related to India.

**Oracle Financials for India Implementation Guide:**

This guide provides information on how to implement Oracle Financials for India. Use this guide to understand the implementation steps required for application use, including how to set up taxes, tax defaulting hierarchies, set up different tax regimes, organization and transactions.

**Oracle Financials Implementation Guide:**

This guide provides information on how to implement the common financial components across the Oracle Financials E-Business Suite. It guides you through setting up your organizations, including legal entities, and their accounting, using the Accounting Setup Manager. It covers intercompany accounting and sequencing of accounting entries, and it provides examples.

**Oracle Financials RXi Reports Administration Tool User Guide:**

This guide describes how to use the RXi reports administration tool to design the content and layout of RXi reports. RXi reports let you order, edit, and present report information to better meet your company's reporting needs.

**Oracle General Ledger Implementation Guide:**

This guide provides information on how to implement Oracle General Ledger. Use this guide to understand the implementation steps required for application use, including how to set up Accounting Flexfields, Accounts, and Calendars.

**Oracle General Ledger Reference Guide**

This guide provides detailed information about setting up General Ledger Profile Options and Applications Desktop Integrator (ADI) Profile Options.

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

This guide provides information on how to use Oracle General Ledger. Use this guide to learn how to enter and post journals, create budgets, perform online account inquiries, and create and submit financial reports.

**Oracle Incentive Compensation Implementation Guide:**

This guide provides Compensation Administrators with guidance during implementation of Oracle Incentive Compensation. The procedures are presented in the recommended order that they should be performed for successful implementation. Appendixes are included that describe system profiles, lookups, and other useful

information.

**Oracle Incentive Compensation User Guide:**

This guide helps Compensation Managers, Compensation Analysts, and Plan administrators to manage Oracle Incentive Compensation on a day-to-day basis. Learn how to create and manage rules hierarchies, create compensation plans, collect transactions, calculate and pay commission, and use Sales Credit Allocation.

**Oracle Internal Controls Manager Implementation Guide:**

This guide describes implementation information for Oracle Internal Controls Manager, a comprehensive tool for executives, controllers, internal audit departments, and public accounting firms to document and test internal controls and monitor ongoing compliance. It is based on COSO (Committee of Sponsoring Organizations) standards.

**Oracle Internet Expenses Implementation and Administration Guide:**

This book explains in detail how to configure Oracle Internet Expenses and describes its integration with other applications in the E-Business Suite, such as Oracle Payables and Oracle Projects. Use this guide to understand the implementation steps required for application use, including how to set up policy and rate schedules, credit card policies, audit automation, and the expenses spreadsheet. This guide also includes detailed information about the client extensions that you can use to extend Oracle Internet Expenses functionality.

**Oracle iAssets User Guide**

This guide provides information on how to implement and use Oracle iAssets. Use this guide to understand the implementation steps required for application use, including setting up Oracle iAssets rules and related product setup steps. It explains how to define approval rules to facilitate the approval process. It also includes information on using the Oracle iAssets user interface to search for assets, create self-service transfer requests and view notifications.

**Oracle iProcurement Implementation and Administration Guide:**

This manual describes how to set up and administer Oracle iProcurement. Oracle iProcurement enables users to requisition items through a self-service, Web interface.

**Oracle iReceivables Implementation Guide:**

This guide provides information on how to implement Oracle iReceivables. Use this guide to understand the implementation steps required for application use, including how to set up and configure iReceivables, and how to set up the Credit Memo Request workflow. There is also a chapter that provides an overview of major features available in iReceivables.

**Oracle iSupplier Portal User Guide:**

This guide contains information on how to use Oracle iSupplier Portal to enable secure transactions between buyers and suppliers using the Internet. Using Oracle iSupplier Portal, suppliers can monitor and respond to events in the procure-to-pay cycle.

**Oracle iSupplier Portal Implementation Guide:**

This guide contains information on how to implement Oracle iSupplier Portal and enable secure transactions between buyers and suppliers using the Internet.

**Oracle Loans User Guide:**

This guide describes how to set up and use Oracle Loans. It includes information on how to create, approve, fund, amortize, bill, and service extended repayment plan and direct loans.

**Oracle Partner Management Implementation and Administration Guide:**

This guide helps Vendor administrators to set up and maintain relationships and programs in the Partner Management application. The main areas include setting up the partner and channel manager dashboards, partner setup, partner programs and enrollment, opportunity and referral management, deal registration, special pricing management, and partner fund management.

**Oracle Partner Management Vendor User Guide:**

This guide assists vendor users in using Partner Management on a daily basis. This includes interaction with the partner and channel manager dashboards, working with partners and partner programs, managing opportunities and referrals, registering deals, and working with special pricing and partner funds.

**Oracle Payables User Guide:**

This guide describes how to use Oracle Payables to create invoices and make payments. In addition, it describes how to enter and manage suppliers, import invoices using the Payables open interface, manage purchase order and receipt matching, apply holds to invoices, and validate invoices. It contains information on managing expense reporting, procurement cards, and credit cards. This guide also explains the accounting for Payables transactions.

**Oracle Payables Implementation Guide:**

This guide provides you with information on how to implement Oracle Payables. Use this guide to understand the implementation steps required for how to set up suppliers, payments, accounting, and tax.

**Oracle Payables Reference Guide:**

This guide provides you with detailed information about the Oracle Payables open interfaces, such as the Invoice open interface, which lets you import invoices. It also includes reference information on purchase order matching and purging purchasing information.

**Oracle Payments Implementation Guide:**

This guide describes how Oracle Payments, as the central payment engine for the Oracle E-Business Suite, processes transactions, such as invoice payments from Oracle Payables, bank account transfers from Oracle Cash Management, and settlements against credit cards and bank accounts from Oracle Receivables. This guide also describes how Oracle Payments is integrated with financial institutions and payment systems for receipt and payment processing, known as funds capture and funds

disbursement, respectively. Additionally, the guide explains to the implementer how to plan the implementation of Oracle Payments, how to configure it, set it up, test transactions, and how use it with external payment systems.

#### **Oracle Payments User Guide:**

This guide describes how Oracle Payments, as the central payment engine for the Oracle E-Business Suite, processes transactions, such as invoice payments from Oracle Payables, bank account transfers from Oracle Cash Management, and settlements against credit cards and bank accounts from Oracle Receivables. This guide also describes to the Payment Administrator how to monitor the funds capture and funds disbursement processes, as well as how to remedy any errors that may arise.

#### **Oracle Procurement Buyer's Guide to Punchout and Transparent Punchout:**

This guide contains necessary information for customers implementing remote catalog content on a supplier's Web site or on Oracle Exchange.

#### **Oracle Procurement Contracts Online Help:**

This guide is provided as online help only from the Oracle Procurement Contracts application and includes information about creating and managing your contract terms library.

#### **Oracle Procurement Contracts Implementation and Administration Guide:**

This guide describes how to set up and administer Oracle Procurement Contracts. Oracle Procurement Contracts enables employees to author and maintain complex contracts through a self-service, Web interface.

#### **Oracle Profitability Manager User's Guide:**

This guide describes Profitability Manager, which provides a rich set of features that support complex models to analyze your business. These features include a powerful allocation engine that supports many allocation methodologies, Activity-Based Management calculations that provide activity costs, rolled up costs and statistics, activity rates, and cost object unit costs, and customer profitability calculations to consolidate customer accounts, aggregate customer data, and determine profitability results.

#### **Oracle Public Sector Advanced Features User's Guide:**

This guide describes how to set up and administer Oracle Public Sector Advanced Features. It describes Encumbrance Reconciliation Reports, GASB 34/35 Asset Accounting, and Funds Available Enhancements.

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

This guide describes how to create and approve purchasing documents, including requisitions, different types of purchase orders, quotations, RFQs, and receipts. This guide also describes how to manage your supply base through agreements, sourcing rules, and approved supplier lists. In addition, this guide explains how you can automatically create purchasing documents based on business rules through integration with Oracle Workflow technology, which automates many of the key procurement

processes.

**Oracle Receivables User Guide:**

This guide provides you with information on how to use Oracle Receivables. Use this guide to learn how to create and maintain transactions and bills receivable, enter and apply receipts, enter customer information, and manage revenue. This guide also includes information about accounting in Receivables. Use the Standard Navigation Paths appendix to find out how to access each Receivables window.

**Oracle Receivables Implementation Guide:**

This guide provides you with information on how to implement Oracle Receivables. Use this guide to understand the implementation steps required for application use, including how to set up customers, transactions, receipts, accounting, tax, and collections. This guide also includes a comprehensive list of profile options that you can set to customize application behavior.

**Oracle Receivables Reference Guide:**

This guide provides you with detailed information about all public application programming interfaces (APIs) that you can use to extend Oracle Receivables functionality. This guide also describes the Oracle Receivables open interfaces, such as AutoLockbox which lets you create and apply receipts and AutoInvoice which you can use to import and validate transactions from other systems. Archiving and purging Receivables data is also discussed in this guide.

**Oracle Sourcing Implementation and Administration Guide:**

This guide contains information on how to implement Oracle Sourcing to enable participants from multiple organizations to exchange information, conduct bid and auction processes, and create and implement buying agreements. This allows professional buyers, business experts, and suppliers to participate in a more agile and accurate sourcing process.

**Oracle Subledger Accounting Implementation Guide:**

This guide provides setup information for Oracle Subledger Accounting features, including the Accounting Methods Builder. You can use the Accounting Methods Builder to create and modify the setup for subledger journal lines and application accounting definitions for Oracle subledger applications. This guide also discusses the reports available in Oracle Subledger Accounting and describes how to inquire on subledger journal entries.

**Oracle Supplier Scheduling User's Guide:**

This guide describes how you can use Oracle Supplier Scheduling to calculate and maintain planning and shipping schedules and communicate them to your suppliers.

**Oracle Procurement Contracts Implementation and Administration Guide:**

This manual describes how to set up and administer Oracle Procurement Contracts. Oracle Procurement Contracts enables employees to author and maintain complex contracts through a self-service, Web interface.

**Oracle Trading Community Architecture User Guide:**

This guide describes the Oracle Trading Community Architecture (TCA) and how to use features from the Trading Community Manager responsibility to create, update, enrich, and cleanse the data in the TCA Registry. It also describes how to use Resource Manager to define and manage resources.

**Oracle Trading Community Architecture Administration Guide:**

This guide describes how to administer and implement Oracle Trading Community Architecture (TCA). You set up, control, and manage functionality that affects data in the TCA Registry. It also describes how to set up and use Resource Manager to manage resources.

**Oracle Trading Community Architecture Reference Guide:**

This guide contains seeded relationship types, seeded Data Quality Management data, D and B data elements, Bulk Import interface table fields and validations, and a comprehensive glossary. This guide supplements the documentation for Oracle Trading Community Architecture and all products in the Oracle Customer Data Management family.

**Oracle Trading Community Architecture Technical Implementation Guide:**

This guide explains how to use the public Oracle Trading Community Architecture application programming interfaces (APIs) and develop callouts based on Oracle Workflow Business Events System (BES). For each API, this guide provides a description of the API, the PL/SQL procedure, and the Java method, as well as a table of the parameter descriptions and validations. For each BES callout, this guide provides the name of the logical entity, its description, and the ID parameter name. Also included are setup instructions and sample code.

**Oracle Transfer Pricing User Guide:**

This guide contains the information you need to understand and use Oracle Transfer Pricing, including how to generate transfer rates and option costs for your product portfolio and determine account level match-funded spreads.

**Oracle U.S. Federal Financials User Guide:**

This guide describes the common concepts for an integrated financial management solution for federal agencies to comply with the requirements of the U.S. Federal government. It describes the product architecture and provides information on Budget Execution, Prompt Payment, Treasury payments, Third party payments, Interagency transactions, Receivables management, Federal reports, CCR Integration, and Year End Closing.

**Oracle U.S. Federal Financials Implementation Guide:**

This guide describes the common concepts for an integrated financial management solution for federal agencies. It includes a consolidated setup checklist by page and provides detailed information on how to set up, maintain, and troubleshoot the Federal Financial application for the following functional areas: Sub Ledger Accounting, Budget

Execution, Prompt Payment, Treasury payments, Third party payments, Interagency transactions, Receivables management, Federal reports, CCR Integration, and Year End Closing.

## **Integration Repository**

The Oracle Integration Repository is a compilation of information about the service endpoints exposed by the Oracle E-Business Suite of applications. It provides a complete catalog of Oracle E-Business Suite's business service interfaces. The tool lets users easily discover and deploy the appropriate business service interface for integration with any system, application, or business partner.

The Oracle Integration Repository is shipped as part of the E-Business Suite. As your instance is patched, the repository is automatically updated with content appropriate for the precise revisions of interfaces in your environment.

## **Do Not Use Database Tools to Modify Oracle E-Business Suite Data**

Oracle **STRONGLY RECOMMENDS** that you never use SQL\*Plus, Oracle Data Browser, database triggers, or any other tool to modify Oracle E-Business Suite data unless otherwise instructed.

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 such as SQL\*Plus to modify Oracle E-Business Suite data, you risk destroying the integrity of your data and you lose the ability to audit changes to your data.

Because Oracle E-Business Suite tables are interrelated, any change you make using an Oracle E-Business Suite form can update many tables at once. But when you modify Oracle E-Business Suite data using anything other than Oracle E-Business Suite, 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 E-Business Suite.

When you use Oracle E-Business Suite to modify your data, Oracle E-Business Suite automatically checks that your changes are valid. Oracle E-Business Suite also keeps track of who changes information. 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.

---

# Introduction

This chapter covers the following topics:

- Overview
- Benefits
- Key Attributes of Oracle E-Business Suite
- Oracle Financials Applications Suite
- Using this Guide

## Overview

The Oracle E-Business Suite is a complete set of business applications that enables corporations to efficiently track detailed business transaction data and turn it into decision making information using a system built on a unified information architecture.

Oracle Financials applications are a subset of this suite and are a family of products designed to capture and analyze your financial data on a worldwide basis. Use Oracle Financials applications to better manage business to the targets that are announced to investors. Management can better report to investors and colleagues. Oracle Financials applications also help you to meet your obligations in key areas surrounding the numbers, such as:

- Compliance
- Financial Control
- Regulatory Reporting
- Cost Containment
- Risk Management

The Oracle Financials Concepts Guide introduces you to the fundamental concepts

involved in setting up and using Oracle Financials applications.

## **Benefits**

Oracle Financials Applications are part of Release 12, "The Global Business Release". We think of global both as relating to or involving the entire earth and facilitating your worldwide operations by being comprehensive and including everything you need.

### **Think Globally to make the right decisions**

You can make more informed decisions with a global view of your customers, suppliers, partners, and financial data.

Make confident decisions based on a global view across heterogeneous systems and divisions. Many of the features discussed in this guide, for example Oracle Financial Consolidation Hub or Oracle Profitability Manager, facilitate analysis and reporting of profitability along any dimension including products, channels, segments, and individual customers.

### **Work Globally to be more competitive**

Your business will be more competitive with better support for global work that crosses applications, companies, divisions, and regions.

Operate more efficiently with single global access. With multiple organizations access control you can process and report across multiple national operations. The new ledgers and ledger sets deliver both local compliance and a global corporate view aligned with your governance demands. Tools such as the tax engine facilitate operating centrally yet in complete compliance with local regulation.

### **Manage Globally to lower cost and increase performance**

Release 12 makes it easier and less expensive for you to implement, manage, and scale global applications.

Reduce the cost and complexity of representing your business in the software. With tools such as the Accounting Setup Manager and Legal Entity Configurator, Oracle Financials, Release 12 easily adapts to your environment.

## **Key Attributes of Oracle E-Business Suite**

Four key attributes characterize the Oracle E-Business Suite:

- Common Data Model
- Reduced Number of Instances

- Integrated Applications
- Database Integration

## **Common Data Model**

In creating a suite that spans a large number of diverse modules, Oracle has taken care to ensure that the products share a "Common Data Model" in their architecture. This means that any system entity set up in one product (for example "an employee") is used, to the extent possible, by all other products that require a similar entity.

Consider customer reference data entered into an application and stored in the common data model. This customer data can subsequently be accessed by all applications and functions that use such customer data. Entry of important entities is minimized and revisions are entered only once. There is no need for any replication which is a source of inefficiency and inconsistency. With clean, complete customer data in one consolidated data model, you have a true 360 degree view of your customer for the best possible customer intelligence.

## **Reduced Number of Instances**

Each time you consolidate databases, information increases and costs decrease.

Many customers are managing worldwide operations using our unified information architecture on a single instance of the Oracle E-Business Suite. You can consolidate and share information globally and faster. At the same time, you can eliminate duplicate data centers, hardware, and information technology costs requiring multiple databases and separate reporting infrastructures around the world. A global financial system at the lowest possible cost is now within your reach.

## **Integrated Applications**

Oracle E-Business Suite is engineered to work together as an integrated system. You can pass information from one application to another without any incremental integration costs. While Oracle's applications are integrated, they are also modular. Based on your business needs, you can implement one module, several modules, or the entire suite.

Oracle Business Intelligence systems and the transactional systems use the same data and information. There is no passing of data, spinning the facts, or delay; your managers see the data on their personal machines as it emerges from the business front lines.

## **Database Integration**

Oracle Database 10g Release 2 includes dimensionality support, next-generation features, and other features that are exploited by the financial applications.

The cumulative effect of having a common data model, all applications on a single

instance, and the applications themselves fully integrated, is that all of your information is in one place. As a result, you receive powerful synergies such as:

- A global, unified view into critical information such as sales positions, inventory levels, headcount, revenue, and expenses-across all organizations, lines of business, products, and geographies. The information is accurate and up-to-date as there is integrity in data that is not fragmented.

The Oracle E-Business Suite includes data from business applications from multiple vendors using our Hubs. For example, Oracle Customer Data Hub gives you a unified, enterprise-wide view of your customer data, no matter whose software you use.

- Your corporate financial reports and intelligence will be across divisions and geographic regions - you won't have to request additional information from those sources. The result is a much smoother and faster closing process.
- Your Shared Service Centers work across worldwide operations, dealing easily with both local compliance and corporate processes.
- Executives and employees, from the officers and directors to line supervisors, receive daily business intelligence revealing the state of the business every day, relative to past, present, and projected performance metrics. Your decision makers will reach more informed conclusions and take more immediate action towards achieving individual and group objectives - daily, not quarterly or monthly.

## Oracle Financials Applications Suite

The Oracle Financials suite of applications is comprised of the following subfamilies, organized by standard business flow, to support your firm's financial processes:

- Financial Control & Reporting
- Corporate Performance Management
- Corporate Governance
- Credit-to-Cash
- Procure-to-Pay
- Asset, Real Estate and Lease Management
- Cash & Treasury Management
- Travel & Expense Management

The applications support and closely match these native business flows. The key to

exploiting the features implicit in the flows is, more than anything else, to understand the conceptual architecture of Oracle Financials applications.

The objective of this guide is to present those concepts to you. This guide discusses how you might:

- Represent your registered companies and management organization in the system.
- Report and analyze your business data.
- Account for your businesses to management, investors, and authorities.
- Share services across your world wide operations.
- Understand what other products do within the E-Business Suite.
- Control and ensure compliance across your organization.
- Analyze and evaluate your enterprise performance.
- Secure your information.
- Specialize in particular industries.

## Using this Guide

The Oracle E-Business Suite and Oracle Financials contain a great number of features. This guide discusses the conceptual architecture and therefore does not describe the features for each product. Refer to the product documentation for additional details about product features.

For existing users of Oracle Financials, we indicate where Release 12 has evolved from prior releases. Refer to the *Oracle Applications Upgrade Guide: Release 11i to Release 12* and *Oracle Financials and Oracle Procurement Functional Upgrade Guide: Release 11i to Release 12* for details on upgrading to Release 12. The upgrade is designed so that your earlier functionality will work as it was before the upgrade. You can take advantage of the new features at the pace that your business can accommodate.



---

# Organizational Models in Oracle Financials

This chapter covers the following topics:

- Overview
- Your Organization
- The Role of Your Legal Entities
- Representing Your Organization in the System
- Organizational Classifications in Oracle Financials
- System Entities
- Chart of Accounts
- A Flexible Model
- Cross Organization Reporting

## Overview

The Oracle E-Business Suite uses a variety of organizational constructs to capture corporate structures that exist in the real world. This chapter provides detailed information on the organizations you can set up in the Oracle E-Business Suite to represent your enterprise.

## Your Organization

Oracle Financials can be implemented in multiple ways to reflect your real-world organization. Groups generally reflect a tension between their legal organization, management organization, and business divisions.

## The Legal Organization

Our ability to buy and sell, own, and employ comes from our charter in the legal

system. Commercial groups exist through corporate law. Units in the legal structure of a group are individual companies that share common ownership and control. In a public group, a company is owned by the public through shares sold on a stock market. In a private group, they are held by a privately held holding company. In other organizations, the legal entities are partnerships, funds, or government agencies.

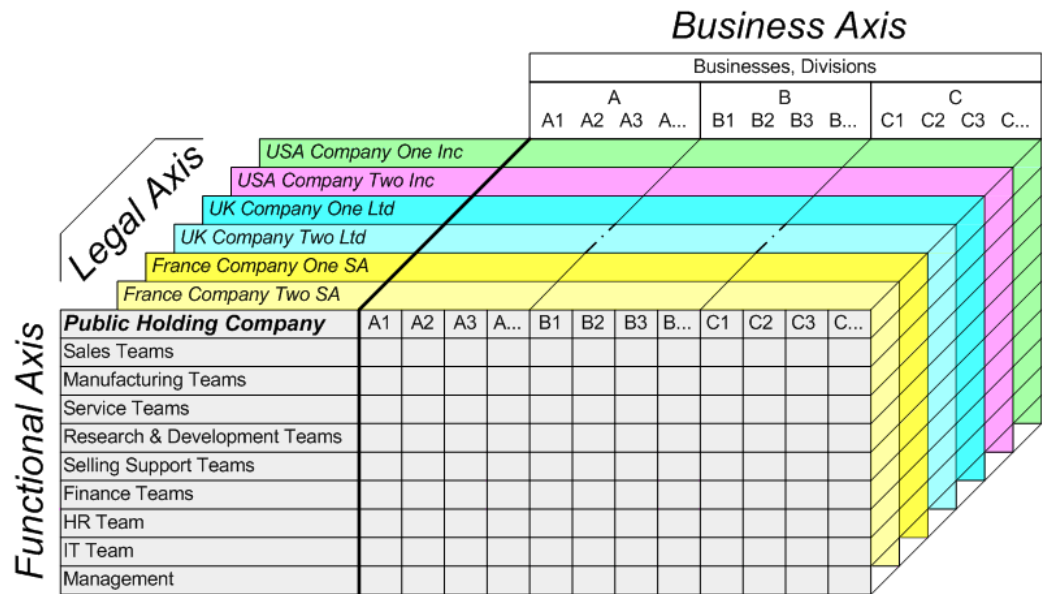
A legally recognized entity can own and trade assets and employ people; while an entity without legal recognition cannot. When granted these privileges, legal entities are also assigned responsibilities to account for themselves to the public (statutory reporting and external reporting), comply with legislation and regulations, and pay income or profit and transaction taxes.

Most groups have many legal entities. They are created to facilitate legal compliance, segregate operations, optimize taxes, and for many other reasons. Legal entities establish your identity under the laws of each nation in which you operate, and provide vehicles for contractual relationships, compliance, and taxation.

The following diagram shows an archetypical group of companies operating various business and a standard functional organization.

- A separate card represents each of a series of registered companies, that is, legal entities. The list of cards is the "Legal Axis".
- Each company hosts parts or all of various subdivisions that management has made within its businesses. These are shown as vertical columns on each card. For example, a Group might have a separate company for each business in the United Kingdom, but have their Ireland company host all businesses in that country.
- The subdivisions are linked across the cards so that a business can appear on some or all of the cards. For example, the chemical business might be operated by the Ireland, United Kingdom, and France companies. The list of business subdivisions is the "Business Axis".
- Each company's card is also horizontally striped by functional groups, such as the sales team and the finance team. The functional list is the "Functional Axis".

The overall image suggests that information might, at a minimum, be tracked by company, business subdivision, and function in a group environment.



## Business Divisions

Successfully managing multiple businesses requires that you segregate them by the rewards and risks involved in making them profitable. You divide your organization accordingly and assign management personnel to each division.

Although related to your legal structure, the business organizational hierarchies do not need to be reflected directly in the legal structure of the firm. The management entities and structure include divisions and subdivisions, lines of business, and other strategic business units, and include their own revenue and cost centers.

## Functional Organizations

Straddling the legal and business organizations is an organization structured around people and their competencies: sales force, operations, plants, researchers, finance people, human resource management, information technologists, and management. The income statement often reflects their efforts and expenses directly. Organizations must manage and report revenues, cost of sales, and functional expenses such as Research and Development (R&D) and Selling, General, and Administrative Expense (SG&A).

## Other Organizational Structures

Oracle Financials formally recognizes several other organizational structures, that will exist in your enterprise, in the data schema. You will have processing structures along different business flows:

- Personnel reporting structures that may or may not correspond with the business hierarchy or legal or external reporting dictates.
- Product driven structures in your production environment that may or may not correspond with your market and delivery structures.

## The Role of Your Legal Entities

Your legal entities, whether commercial registered companies or entities incorporated under laws other than company laws, play a pivotal role in your processing systems.

## Compliance and Disclosure Requirements

Legal entities are formally the entities that actually enter into transactions. Individual legal entities own the assets of the enterprise, record sales and pay taxes on those sales, make purchases and incur expenses, and make other transactions.

All legal entities exist in particular legal jurisdictions, both national and regulatory, and must comply with the regulations of those jurisdictions. Legal entities have multiple compliance requirements placed on them, many of which define the form of the transactions into which that legal entity enters.

Many company statutes require that legal entities created in compliance with them publish specific and periodic disclosures. Annual or more frequent accounting reports, often referred to as "statutory accounts" and "external reporting," are required. These must be reported to specified national and regulatory authorities, for example the Securities and Exchange Commission (SEC) in the United States. Disclosure requirements are diverse. Local entities file locally using local regulations and currency, and through their holding company using parent Generally Accepted Accounting Principles (GAAP) and currency.

A given legal entity may or may not represent all or part of a management framework in its domain. For example, in a large country such as the United Kingdom or Germany, you might deploy individual companies to represent each business division, and you might control many companies in that country. In a smaller country, for example Austria, you might use a single legal entity to host all of your business divisions.

Legal entities have very specific relationships with shared service centers and with the ownership of the goods and transactions managed by such centers.

## Representing Your Organization in the System

### Organization Structures

Oracle Financials has powerful schemas of organization units that support your legal, management, and functional organization. They are designed to:

- Ease the management of your worldwide shared service organization and facilitate sourcing at the optimal mix of employee cost, data flow, and management control.
- Provide access control and security, excluding those without authority, and facilitating access across units for those who need it.
- Administer compliance and segregate transactions and administrative rules by jurisdiction.
- Provide attributes for reporting and identify business events according to the relevant business dimensions.

## Organizations and Transactions

Oracle Financials enables you to categorize and classify your transactions to the level of granularity required to reflect each of these organizations. A single transaction can be categorized as follows:

- On the Legal axis: By company or other legal entity, by groups of companies, and by establishment. Establishment is the presence of a legal entity in a jurisdiction for purposes such as payment of transaction taxes.
- On the Management axis: Business classification by several management entities.
- On the Functional axis: By nature of the transaction (for example, detailed accounts involved such as marketing or cost of sales). By people and cost centers involved.
- By Other attributes.

The core task of Oracle Financials applications is to track the appropriate business and accounting attributes of a transaction.

Business attributes are tracked in the product modules and include such details as trading partner, subject matter, quantity, price, agent, employee, tax, addresses, dates, and so on. Accounting attributes are generated from that data by our subledger accounting engine and are recorded in detail in the subledger accounting tables and at your choice of summary level in General Ledger.

## Organizational Classifications in Oracle Financials

Two vehicles, system organization entities and the chart of accounts, are the cornerstones for securing transactions and modeling an enterprise in the Oracle E-Business Suite. The assembly of these building blocks to model your enterprise will define the representation of your business and your process flows in the applications suite.

In general, a system organization entity might represent any real organizational unit within a business. Depending on their classification, system entities deliver specific

features and controls, such as access control and shared service administration, policy, legal or compliance administration, data storage, and employee administration. Oracle Financials provides names that reflect that functionality. In general, assigning a system entity to represent a real world entity with the same nomenclature is an effective choice.

By contrast, a chart of accounts representation of a real world entity is an identifier for analysis and accounting, with fewer features and control associated with it. Important entities, such as cost center and legal entity, can be represented by both a system entity and as a value in a chart of accounts section.

Several system entities are so closely tied to accounting entities that we automatically correlate them; others have looser associations so that you can tune the relationship to your actual organization.

## System Entities

The Oracle E-Business Suite includes the following important system entities:

- Business Group and Departments
- Government Reporting Legal Entity (GRLE)
- Legal Entity
- Ledgers
- Operating Unit
- Inventory Organization
- Human Resources Organization

Each system entity is assigned to a classification that determines its functionality and indicates how you might want to deploy it.

## Business Group and Department

### Business Groups

The business group is an organization that is set up and configured in Oracle Human Resources. The business group is partitioned into separate files of Human Resources information and is used to administer Human Resources payroll and benefits for employees.

A business group is often related to country-specific legislation. It may correspond to your entire enterprise or to a major grouping such as a subsidiary or operating division. One business group is needed for each major employment jurisdiction. These jurisdictions roughly correspond to nations. If a group of nations unite together on

employment laws, it is possible to implement a single business group for them.

A business group is the highest level classification in the organization hierarchy of the Oracle E-Business Suite. If your payroll tax and employment authorities permit it, you can group employees of different registered companies together for reporting. The result is a business group that can serve as an administrative and legislative organizing structure for personnel across legal entities.

Oracle provides configured business groups for a number of countries. These business groups are seeded with appropriate legislative data and rules. You can customize business rules that are subsequently stored under the business group for Human Resources applications such as Oracle Payroll.

Even if you do not have Oracle Human Resources in a given country or region, it is a good idea to set up a business group during implementation. A business group cannot be set up once your applications are live.

### **Government Reporting Legal Entity**

Employees are employed by the system entity called "Government Reporting legal entity" or GRLE which represents the formal employer in the Human Resources Management System. Employees are assigned to departments.

A GRLE can represent a registered company or other registered legal entity: GRLEs are a particular type of system legal entity, and serve to connect your employees with the appropriate company or other entity in the legal world.

### **Departments**

Oracle Human Resources further organizes employees into departments. You can create hierarchies of departments to roll up your employees into the management structure.

### **Legal Entity**

"Legal entity" in the Oracle system corresponds closely to "legal entity" or "company" in the legal world. You can store information about a registered company or other real world legal entity in the "legal entity". For example, you can store the registered address and director or officer names.

The legal entity administers transaction level rules in compliance with national laws.

A real world legal entity is a discrete legal personality characterized by the legal environment in which it operates.

In the real world, legal entities have the right to own property, the right to trade, and the responsibility to comply with appropriate laws. They also often have the responsibility to account for themselves (balance sheet, income statement, specified reports) to company regulators, taxation authorities, and owners according to rules specified in the relevant legislation.

The Oracle E-Business Suite reflects the real world for legal entities. The system legal

entity is the first party on business transactions and is the transaction tax filer and payer. We recognize that for many groups, particularly in environments where the authorities allow you to treat many legal entities as one, you don't need or want to segment data or account separately for each entity that you have incorporated. Therefore, the system legal entity does not automatically account for itself.

Instead, we facilitate correlation of subledger activity with reporting legal structures by exploiting related system entities for operating units, ledgers, and company representation in the chart of accounts.

- You can account for any real world legal entity separately if you need to do so;
- You can account for a group of real world legal entities as if they were one when that fits your model;
- And you can account for a part of a real world legal entity as if it were completely standalone when appropriate.

A system legal entity can account for its transactions in many ledgers, using different accounting conventions, or using different currencies.

**Tip for Existing Oracle Financials User**

- You will find that a legal entity has more attributes in Release 12 and that a Legal Entity Configurator is provided. Tax calculation, intercompany processing, and bank ownership exploit legal entity attributes more assiduously than previously.

## **Establishment**

A system legal entity is the transactor and taxpayer for each third party transaction. It holds tax registration data, such as identification numbers. An individual legal entity can have exposure to several tax authorities, and be registered with each. For example, a California-registered company might have "establishments" in California and in several other states.

**Tip for Existing Oracle Financials User**

- Establishment is an entity that was not expressly called out in previous releases and is useful in resolving transaction tax situations.

## **Ledgers, Multiple Ledgers, Ledger Sets, Balancing Segments, and Subledgers**

### **Ledger**

A fundamental concept in Oracle Applications is the "Ledger." The Ledger represents an accounting representation for an organization that is accountable in a self-contained way.

A ledger owner might be a legal entity, a group of companies in a common legal environment, a substantial operation within a legal entity but with legal entity attributes, or a foreign branch. Ledgers are also used to consolidate and manage

reporting. In a pure implementation, "a legal entity accounts for itself in a ledger".

A ledger provides balanced ledger accounting for the accounting entity and serves as the repository of financial information. Consequently, it is the principal source of information for the analytical applications in the Oracle E-Business Suite.

Ledger balances have meaning - they assert that the balance:

1. on an account
2. at a given date
3. has a specific value in a particular currency and
4. is properly calculated.

This implies a consistent application of what we sometimes call "the 4 Cs": Chart of Accounts (COA), Calendar, Currency, and accounting Convention. The COA provides the account; Calendar the date; Currency the amount; and Convention the calculation.

## Multiple Ledgers

Of course, you will need different currency and parent company GAAP representations of your overseas operations. One way to achieve this is to use multiple ledgers for an accounting entity.

An accounting entity can account for itself in ledgers that are prepared under different conventions with different charts of accounts, and value transactions in different currencies. One of the ledgers is the 'primary' ledger. The accounting for a subledger transaction can be set up so that multiple ledgers are populated according to different rules and in different currencies. You choose the appropriate accounting according to your needs.

When using a second ledger, you can elect to use an "all the detail" philosophy in which detailed transactions are posted to General Ledger. You might prefer to use a "just what matters" philosophy where only General Ledger balances are posted.

## Ledger Sets

Ledgers can be grouped into "Ledger Sets". A Ledger Set is a collection of ledgers that you wish to manage as though they were one ledger. "Manage" includes reporting, opening and closing, running allocation calculations, and entries. For example:

- You have 26 registered companies in Regmany. Regmany regulations require that each company maintains a distinct book of accounts. You set up a Ledger for each company and group them into a Ledger Set. Your finance staff can treat the collection as if they were one for all accounting activities, while the data remains distinct for each company.
- You could create a Parent Currency and Parent GAAP ledger for each overseas

operation. You can group all of them into a Parent View Ledger Set. Your corporate finance staff can treat them as one worldwide ledger for all accounting activities.

**Tip for Existing Oracle Financials User**

- Ledger and Ledger Sets together replace Sets of Books. The data of a Set of Books is contained in a ledger. The management of the Set of Books (open and closing, reporting, allocating, and so on) is now at the Ledger Set level.
- Multiple Ledgers is a new feature in Release 12.

## Balancing Segment

Ledgers balance, that is, the sum of the debit and credit balances equal each other and you can prepare an income statement and balance sheet from them. Oracle Financials checks that imported data, subledger posting, and journal entries (adjustments) balance, in order to maintain this integrity. Ledgers in a Ledger Set also balance and are also used for financial reporting.

Within a ledger, you can nominate a segment of your chart of accounts to be a "balancing segment". The values (Balancing Segment Values or BSV) that you assign in that segment will represent entities in your organization for which you want to measure both income and wealth, that is, to prepare income statements and balance sheets, and to measure return on investment.

You might do this for divisions, plants, externally reportable segments, legal entities sharing a jurisdiction, and for other reasons.

Customers frequently combine entities into BSVs and report on groups of them. For example, if you want to track return on investment (ROI) on both "plants" and "divisions", you might create balancing segment values as shown in the following table.

| Division | Plant | Balancing Segment Values |
|----------|-------|--------------------------|
| D01      | P100  | D01:P100                 |
| D01      | P200  | D01:P200                 |
| D02      | P100  | D02:P100                 |
| D03      | P200  | D03:P200                 |

During setup, you can specify whether a system legal entity uses a whole Ledger or balancing segments.

## Ledgers and Subledgers

Oracle Financials reflects the traditional segregation between the general ledger and

associated subledgers.

Detailed transaction information is captured in the subledgers and periodically posted (in summary or detail form) to the ledger. You post from subledger to general ledger in real time, without any grouped processing, or you can post on a schedule corresponding to your practice.

## Operating Units

In the financial applications of Oracle's E-Business Suite, an Operating Unit (OU) is a system organization that:

1. Stores subledger data separately from the data associated with other OUs that support a particular ledger ("Partitions").
2. Administers subledger rules such as those associated with transaction types, sequencing schemes, and other sales tax or VAT regulations ("Complies").
3. Administers user access to the data for processing and reporting ("Secures").
4. Is not product specific and automatically links all subledger products that post to a specific ledger.
5. Applies to subledger business transaction and document data and associated data such as customer details. Subledger accounting data is not tagged with OU identification unless you elect to do so. General ledger data is not managed through OUs.

Multiple Organizations is the name we give to the functionality that surrounds OUs and it is exploited by all products as appropriate.

You can use OUs to store data on behalf of a Legal Entity. As compliance with transaction tax auditing legislation is built into transaction types and transaction types are stored by an OU, this is an effective way to manage transaction compliance. An OU with the type "Legal Entity" (OU/LE) is often used in conjunction with a Ledger to manage a real world legal entity's paperwork. All subledger products share the legal entity's OU and post to the Ledger.

The real world legal entity's compliance obligations are administered by:

- OU on subledger transactions and
- Ledger for balancing, closing, and reporting rules.

Depending on the nature of the regulation with which you must comply, various combinations of real world company and system legal entity, OU, and Ledger are possible. In a worldwide deployment, one would expect to see all combinations in place in different situations.

- One legal entity accounts for itself in one Ledger storing subledger data in one OU.

This is a normal setup for a country or region that closely regulates subledger data by legal entity.

- Several legal entities account for themselves in one Ledger storing subledger data in one OU, and use the Chart of Accounts balancing segment to produce financial statements for each legal entity. This is a normal setup for a country or region that regulates a group of companies as a whole.
- A legal entity or group of legal entities account for themselves in one Ledger storing subledger data in several OUs. This is a normal setup for a group doing business in highly regulated industries in a given country or region.
- A part of a legal entity accounts for itself in a ledger using one or several OUs. This is a normal situation for a large corporation using several instances of Enterprise Resource Planning (ERP) systems.

System legal entities, Ledgers, and OUs are defined in relationship to one another. A legal entity accounts for itself in the Primary Ledger and optionally in other ledgers, and stores its subledger data in one or more OUs.

OUs are often identified with security. In the Oracle E-Business Suite, users are given access to the data they handle through "responsibilities". A responsibility is associated with a specific OU, or with several OUs - this is a feature called "Multiple Organizations Access Control". By securing subledger data in this way users can access and process transaction information only for the particular operating unit or set of operating units to which they have been granted access. They view only what they need and have authorization to view.

This is very fundamental security. The Oracle E-Business Suite incorporates many other security models specific to circumstances that match the usage and deployment requirement needs that you have for those circumstances, and integrate with Multiple Organizations Access Control to provide comprehensive and appropriate security.

OUs can be used to model autonomous organizational units that create financial transactions. You create, process, and report on subledger financial data within the context of an OU.

- Use an OU when you need to keep the data of one organization distinct - at arms length - from the data of another organization. You might have the right to prevent a state's transaction tax auditor from viewing the transactions of a neighboring state; consider storing each state's transactions in separate OUs. This right often exists when the states are independent nations, but seldom when they are federated.
- Use an OU when you need to comply with transaction tax law that is substantially different (more than just the tax rates) to similar laws in neighboring state. You can use product "transaction types" to create similar transactions that follow different documentation and processing practices.

- Use an OU when you wish to keep data of an operation private from management of another operation. For example, within a financial institution division, you may want to keep the transactions and data of the lending operation separate from that of the brokerage operations.

OUs divide the subledger document data in Oracle Financials applications into distinct segments. Standard reports and processes run within OUs; and 'special' reports and processes run across them. You can deploy OUs to provide barriers that require special access, reporting, and processing to cross.

### **Subledger Accounting and Operating Units**

While subledger transaction rules are governed by OU, subledger accounting rules are not OU dependent.

OUs store transaction types and rules that govern the transaction document such as invoices, and the business rules (for example, credit terms) that you want applied to those documents.

Subledger accounting rules are not stored by OU. They are stored centrally, but can refer to any data (including OU identifiers) associated with the transaction to derive the appropriate accounting.

### **Shared Services and Multiple Organizations Access Control**

The setup of operating units provides a powerful security construct in the applications by creating a tight relationship between the functions a user can perform and the data that a user can process. This security model is appropriate in a business environment where local business units are solely responsible for managing all aspects of the finance and administration functions.

In a worldwide deployment, this tight relationship provides an internal control on inappropriate processing. For example, in traditional local operations, an invoice of one OU (a system representation of, perhaps, a company in a country) cannot be paid by a payment from another (a system representation of, perhaps, a different company in a different country). This would amount to tax fraud.

By contrast, in a Shared Service Center environment, processes that allow one company to perform services for others, with appropriate intercompany accounting, require that users access the data of different companies, each complying with different local requirements.

To accommodate shared services we use Multiple Organizations Access Control to expand the relationship between functions and data. A Responsibility can be associated with a single OU or with multiple OUs. You can isolate your data by OU for security and local level compliance and also enable certain users and processes to work across them. This is the core of our shared service architecture.

Consider an environment where the orders are taken in several different OUs each representing different registered companies. These OUs segregate the orders and data

appropriately. However, all of these orders can be managed from a "shared service" order desk in an outsourcing environment through a single Responsibility.

**Tip for Existing Oracle Financials User**

- Multiple Organizations Access Control is a new feature for Release 12.

## Inventory Organizations

The Inventory Organization represents an organization for which you track inventory transactions and balances. These organizations might be manufacturing or distribution centers. Several modules and functions in the Oracle Manufacturing and Supply Chain Management suite secure information by Inventory Organization.

Inventory Organizations are associated with OUs. Each Inventory Organization has a parent OU and can serve other OUs.

Various functions in the Oracle E-Business Suite use this organization classification. For example, to activate the "Purchasing Receiving" function, your responsibility must have access to an organization that is classified as an Inventory Organization.

Through its parent Operating Unit, the Inventory Organization financially impacts the Ledger to which it rolls up. For example, requisition transactions or replenishment of supplies are created against an Inventory Organization, which then have a financial impact on the Ledger.

## Chart of Accounts

For the most part, we have discussed system entities (for example, Legal Entity, OU, Ledger) and their relationships with real world entities (for example, Company, Management Unit, Division) that you have in your organization. System entities are created through special setup screens and stored in tables.

We have discussed the "Balancing Segment" that is part of the chart of accounts rather than a stored system entity. The chart of accounts, your listing of account numbers, includes other segments that reflect your organization. You might have company codes, cost center codes, business organization codes, and other organization related codes, as well as non-organization codes such as natural accounts, product codes, or project codes.

The chart of accounts is a very flexible, almost free-form, combination of segments (as many as you like) of different lengths. You use these segments to flag transactions so that they are summarized in a meaningful way to your business. The chart is referred to as "flexfields", which is the underlying technology. The acronym "CCID" (Code Combination Identifier) or the term "Accounting Flexfield" refers to an individual combination of segment values, or a complete account number.

A specific chart of accounts (complete with values) is associated with each ledger and the same chart can be associated with many ledgers.

We specify only three segments, Natural Account, Balancing Segment, and Cost Center,

as mandatory.

## Cost Center

Cost Center is a focal point for a department's expenses. You might use the cost center to track "the Finance Department". In cases where labor is the most important element of expense, cost centers in your chart of accounts and the HR "Department" discussed earlier will refer to the same business unit in the real world. The Oracle E-Business Suite includes the ability to keep them synchronized. There are some important differences in the way you want them to behave.

When an employee leaves, you'd like HR to update the records immediately. But continuing expenses, if any, should be accounted for in the same cost center. If the employee was a manager, the resulting reorganization might not be reflected in the financial statements for some time.

Accordingly, the creation and maintenance of HR Departments and Ledger Cost Centers can be synchronized. However, we facilitate different update paths. Approval and expenses associated with employees are automatically associated with the cost center that relates to their HR department.

Many customers exploit naming conventions and ranges to facilitate the combination of individual cost centers in local companies into a worldwide view of similar cost centers. Ledger security includes a facility to control accounting access by ranges within chart of account segments that can be deployed usefully in this context.

Many customers also use cost centers, rather than natural accounts, to aggregate functional expense types such as "Research and Development" or "Finance".

## Balancing Segment

We previously discussed Balancing Segment in the context of Ledgers and representations of Legal Entities. A Balancing Segment is a segment of the chart of account that forces balancing, meaning that the Ledger will calculate a receivable and payable between balancing segments for any entry that crosses them.

### Example of 'Balancing'

My New York Division (01) ships to a California Division (03) customer. The entry as drafted is Credit 01-Sales, Debit 03, Receivables from Customer. The entry is posted as:

- Credit 01, New York Sales
- Debit 01, New York Receivable from 03, California
- Credit 03, California Payable to 01, New York
- Debit 03, Receivable from Customer

This facilitates the preparation of full balance sheet and income statements for each

Balancing Segment value and makes them an excellent representation for any business unit for which you need to track balance sheets.

Our customers use balancing segments to identify registered companies that are accounted for together in a single ledger, divisions for which they wish to measure balance sheet data and return on investment, and externally reportable segments.

You can use a balancing segment value for each legal entity accounted for in a ledger: Companies 01, 02, and 03. Other than balancing, no additional functionality is attached to Balancing Segment, so using a Balancing Segment Value alone is recommended only in a federal environment that treats groups as one tax or statutory reporter or filer.

## Natural Account

For many companies, natural account also has an organizational impact. Companies deploy the natural account in different ways. Some start "at the top" with their external reporting lines (for example, cash, revenue), expand the list to include their management reporting lines (different types of revenue), and then expand further to the level of granularity they wish. Others start "at the bottom" with detailed departmental expenditure types.

Companies that start with reporting lines often reach the point where "Finance Salaries", "Finance Benefits", and so on are natural accounts, and a report on all Finance accounts delivers the Finance expense. Those that start at the bottom often use "Salaries" and "Benefits" as the natural account and establish a list of cost centers to be the total finance.

## A Flexible Model

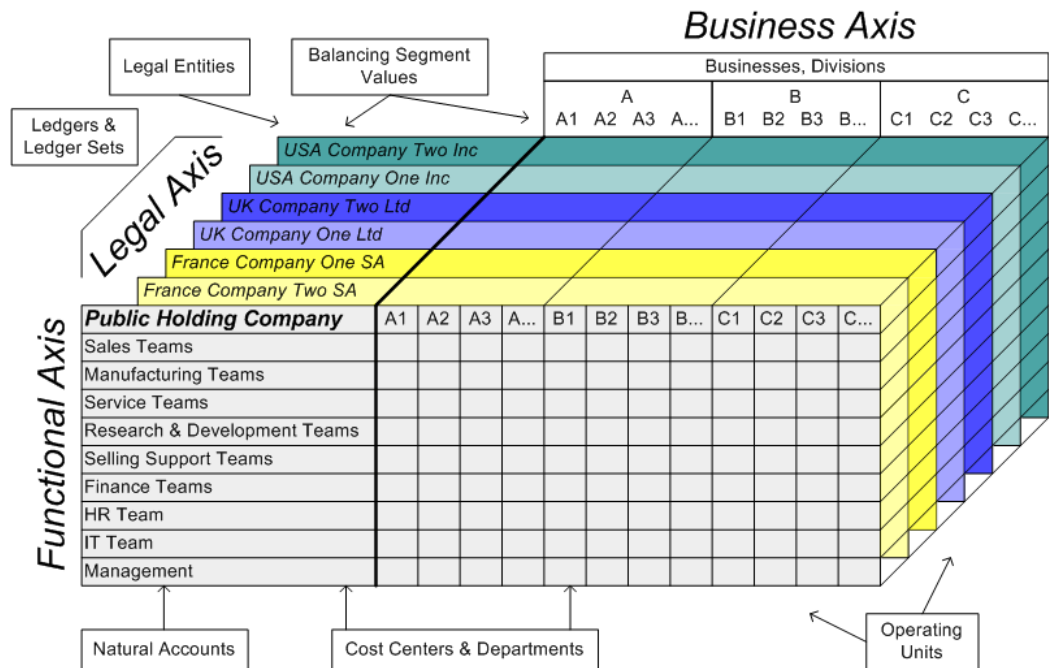
When you are finished, you will have modeled your organization in the system using ledgers, ledger sets, and balancing segments to report your legal and management structure, and using different combinations of each as appropriate for statutory compliance and management needs.

You will have selected OUs to store and secure your data, reflecting transaction tax audit and filing needs that are mapped to your operating needs. You will also have selected accounting attributes through your chart of accounts, using natural accounts and cost centers together with other segments, to help you cut through the data to get to the heart of your operations.

In the earlier discussion for Your Organization, page 2-1, a diagram shows cards representing companies that are striped vertically by business subdivisions and horizontally by functional groups. The following diagram shows how some system entities can be mapped, often in alternate ways, to your organization. The system entities map to organizational characteristics as follows:

- Legal Entities correspond to the company cards and keep their financial accounting in Ledgers within Ledger Sets.

- Balancing Segments can represent both legal entities and business subdivisions.
- Functional Groups map to Departments and Cost Centers in the system.
- Natural Accounts classify the functional groups' activities.
- Operating Units most often hold companies' data and can hold the data of different businesses at arms length from each other within a legal environment.



## Using Oracle Human Resources with Oracle Financials

Just as legal entity and ledger structures furnish a strong degree of transactional control, business groups and department structures in Oracle Human Resources provide significant internal control in an enterprise.

In addition to direct relationships between headcount and spend rates, people and hierarchies are the primary means of authorization and security in an organization. For example, spending controls can be enforced by person and level in the hierarchy. Your internally controlled approval routing goes through a process that you can allow to default to the department hierarchy in Human Resources or to any other hierarchy that you create. Consider the following examples:

1. **Purchase Approval Hierarchy:** Purchase orders entered in Oracle Purchasing utilize workflow to route the purchase order for approval.

2. **Journal Vouchers:** Since journal vouchers can be unique in nature, their approval cannot be restricted to a hierarchy within a particular department. You can create workflow routing rules to personnel in a business group for the approval of journals in Oracle General Ledger.
3. **Manual Invoices:** Manual invoices use Oracle Approval Management Engine (AME) for approval. In turn, AME uses the Human Resources departmental hierarchy and spending authority at every level in the hierarchy to route the invoice.

Salary might be your primary expense. Oracle Human Resources breaks out salary by your departmental organizations. Broadly speaking, your Human Resources departments will map to Oracle General Ledger cost centers.

**Note:** The Oracle E-Business Suite comes with one predefined default business group. If you are implementing Oracle Financials without also implementing Oracle Human Resources, you can choose not to set up another business group.

The caveat here is that once you set up your operating units and assign employees to tasks in the various modules, it is difficult to subsequently configure and assign a new business group with your own choice of default information. Therefore, we recommend that you set up a business group while implementing Oracle Financials even if you do not plan to explicitly use it for Human Resource purposes.

## Cross Organization Reporting

In general, local user subledger application reporting respects the fundamental security implicit in operating units. General Ledger reporting respects the Ledger Set constraints. To provide for corporate and regional views of data, cross-organizational reporting presents information from different operating units or ledgers.

Reporting in general is discussed more fully in the Reporting chapter.

## Standard Reports

Selected standard reports for various applications in the Oracle E-Business Suite are designed to allow the user to report across OUs, Legal Entities, or Ledgers.

## Oracle Daily Business Intelligence

Oracle Daily Business Intelligence (DBI) is a system designed to publish the data you are collecting using the Oracle E-Business Suite directly to your management team from the line supervisors to the officers. It is series of pre-designed portlets and portal pages delivered with the product, and ready to deploy with minimal setup. DBI publishes

data "as is". It is generated daily and is intended to allow managers to take immediate action to drive results. DBI functions across Ledgers, Operating Units, and other organization units, and standardizes data in parent, regional, or local currencies as appropriate.

## **Ledger Sets**

Ledger Sets enable cross organizational processing and reporting on ledgers. Ledger Sets automatically aggregate the data from the Ledgers that they include.

## **With Multiple Organizations Access Control**

Multiple Organizations Access Control enables cross organizational processing and reporting on operating units in subledgers.

## **Oracle's Consolidation Tools**

The Oracle E-Business primary consolidation tool is the Oracle Financial Consolidation Hub. The Oracle Financial Consolidation Hub is a fully featured row and column based consolidation application, with specific consolidation features such as minority interest calculation and intercompany elimination. General Ledger also includes functionality termed the Global Consolidation System that performs simple consolidations inside General Ledger, and the aggregation facility of ledger sets can be used to perform consolidations too. All provide full reporting capabilities.

## **Oracle XML Publisher**

Oracle XML Publisher includes a data extraction tool for use in ad-hoc cross organization inquiries.

## **Oracle's Reporting Tools**

Oracle Discoverer is a business intelligence tool for analyzing data. Users can access and analyze data in a company's database without having to understand difficult database concepts. Users can also view workbooks and integrate database output onto a web site and portal that can be easily customized to conform to a particular web site look and feel, or to build custom Discoverer applications for the web.



---

## Reporting

### Overview

Release 12 is designed so that you have decision making information at your fingertips. This provides "Greater Business Insight".

### Daily Management

Oracle Daily Business Intelligence (DBI) is a portal with Key Performance Indicators (KPI) and portlets focused on measuring your growth and direction for each of your business and cost center managers. In the Oracle E-Business Suite, there are over sixty dashboards, over 360 KPIs, and approximately 920 portlets.

DBI requires very little setup and delivers information along the major dimensions of your business. It reflects your daily incremental activity and facilitates immediate response bringing the information that you need directly to your staff's browsers. DBI provides continuous updates, usually daily, but as frequently as you require.

Financials Daily Business Intelligence includes dashboards for Profit and Loss managers, Payables Manager, and Receivables Manager. You can personalize and customize DBI to some extent.

### Periodic Management

More formal fiscally controlled financial reporting is available directly from the General Ledger ledgers and ledger sets using a tool called Financial Statement Generator (FSG). You can use FSG to produce financial statements such as Cash Flow Statements, Balance Sheet Statements, and Income Statements.

Use FSG to map accounts to reporting lines and results (such as activity, balances, and budgets) to columns in reports. You can associate FSG reports with individual and multiple ledgers and ledger sets, and you can save the output in several formats including XBRL (eXtensible Business Reporting Language) that can be further

processed and published.

XBRL is a language for the electronic communication of business and financial data. It is one of a family of "XML" (Extensible Markup Language) languages that is becoming a standard means of communicating information between businesses and on the internet. XBRL is being developed by an international non-profit consortium of major companies, organizations and government agencies. It is an open standard, free of licence fees. XBRL offers cost savings, greater efficiency, and improved accuracy and reliability to those involved in supplying or using financial data.

## Periodic Analysis

Products that are built on the Oracle Enterprise Performance Foundation such as Oracle Enterprise Planning and Budgeting, Oracle Financial Consolidation Hub, Oracle Profitability Manager, and Oracle Transfer Pricing, include their own deeply configurable reporting. The Enterprise Performance Foundation based products share a rich interface with your desktop office applications.

For additional information about these products, refer to the following:

- *Oracle Enterprise Planning and Budgeting User's Guide*
- *Oracle Financial Consolidation Hub User's Guide*
- *Oracle Profitability Manager User's Guide*
- *Oracle Transfer Pricing User Guide*

## Reports

Oracle Financials provides extensive reporting capability as described in the following sections.

### Standard Reports

Several thousand reports are shipped with Oracle Financials products.

### Filing with the Authorities

Oracle Financials includes many standard reports that are designed to support your ability to file statutory, transaction tax (for example, sales tax, Value Added Tax (VAT), and Goods and Service Tax (GST)), and other reports with authorities in over 120 countries around the world.

### Reconciliation and Control

Many other standard reports are oriented towards reconciling and controlling your

data. Examples include receivables aging reports and customer and vendor trial balances.

## **Drill-down and Cross Reference**

The Oracle E-Business Suite products are integrated and based on a common data model. Interrelated drill-down reports are efficient and comprehensive, and in many cases, several layers deep.

## **Product Specific Reports**

Oracle Financials provides many reports for specific functional areas. Oracle General Ledger and Oracle Subledger Accounting report on accounting affairs. Oracle Receivables and Oracle Payables report on invoices and payments. Oracle Cash Management provides detailed cash flow reports. Oracle E-Business Tax provides reports specifically for sales and value added tax reporting.

## **Generating Reports**

You can run reports from our menu system. Extracts are generated from the database and are then formatted and published. Traditional reports have a unique extract. Newer and revised reports may share extracts and allow formatting to hide data that is not required.

## **Reporting Tools**

Oracle XML Publisher is a key reporting tool in Release 12. XML Publisher helps users to create formatting templates in desktop products such as Microsoft Word and Microsoft Excel so that non technical and non Information Technology people can do this. XML Publisher also facilitates helps to automatically pair these templates with extracts to produce the ideal report.

You can use XML Publisher to save reports to many different file types including XML, PDF, RTF, and Excel and to publish reports by printing, sending in an e-mail, or posting to web sites or portals. XML Publisher can be applied to both reports and documents.

Release 12 includes new common extracts and XML Publisher templates for many standard reports. Certain standard reports retain their previous unique extracts and formatting.

### **Tip for Existing Oracle Financials Users**

- In Release 12, standard reports are migrating to XML Publisher. Approximately 20 extracts support 400 reports. Other standard reports are supported as before.

## **Desktop Integrators**

Other important reporting tools include the Desktop Integrators. Desktop Integration

provides support for creating and summarizing both input and output data in two-dimensional spreadsheets. Desktop Integration is provided by most products in appropriate circumstances.

## **RXi Reports**

The RXi Reports Administration Tool allows you to design the content and layout of your RXi reports. You can print the same report using different layouts, and you can control the data items included in your report. RXi lets you tailor your reports to meet statutory and other reporting requirements, and to create reports for your own internal use.

## **SQL Extracts**

Your staff can create and run SQL extracts to obtain additional information from the database.

## **Oracle Discoverer**

Oracle Discoverer is a business intelligence tool for analyzing data. Users can access and analyze data in a company's database without having to understand difficult database concepts. Users can also view workbooks and integrate database output onto a web site and portal that can be easily customized to conform to a particular web site look and feel, or to build custom Discoverer applications for the web.

## **Oracle Portal**

You can use Oracle Portal to create a portal Web interface, publish and manage information, access dynamic data, and customize the portal experience. You can design enterprise portals that are the single entry point to business applications, content, collaborative tools, and Web sites.

## **Security and Reports**

For the most part, access and security to reports of all kinds follows the access and security that are associated with the system representation of your organization and the process involved. Where appropriate, reporting security extends this model. For example, a reporter working on the receivables balance needs to know the full receivable, even if the reporter doesn't have access to each invoice.

## **Reporting and Systems Organizations**

In general, reporting respects your organization as you have modeled it in the system. For example, reports associated with a ledger will be limited to that ledger. Reports associated with a ledger set will include all ledgers in the ledger set.

Subledger reports are generally defined by the operating unit with which they are reported. For example, reports for the Italian operating unit will include data for Italy only. In specific cases, reports can run across subledgers. Certain Daily Business Intelligence (DBI) reports are secured by operating unit, and are Multiple Organizations enabled. You can access data for either a subset of the operating unit or all of the operating units, depending on the setup.

For example, if Joe is a Payables Manager for North America, the DBI Payables page can be set up to give Joe summary information across the United States and Canada only, while Joe's boss Mary can be set up to have access to information across all operating units.

Other product specific reports are also designed to run across operating units.

As the data in operating units can be defined specifically for that operating unit (for example, the operating unit may define transactions in different currencies) users must be careful that the aggregated report includes similar data. For example, the report should not add values in USD currency from a United States operating unit to values in CAD currency from a Canadian operating unit.



---

# Accounting with Oracle Financials Applications

This chapter covers the following topics:

- Overview
- Chart of Accounts
- Currency
- Calendars
- Accounting Conventions
- Subledger Accounting in Oracle Financials
- Setting Up Your Accounting: Accounting Setup Manager
- Accounting Consolidation in Oracle Ledgers

## Overview

The Oracle E-Business Suite enables fast and efficient business processing, at low cost, for all of your business flows:

- Provides volume output of your bookkeeping and paperwork from base transactions to General Ledger.
- Displays data on application pages and reports designed to give both executive and middle management the intelligence needed for daily decision making.

Product level document oriented data is stored and secured in operating units by document processing modules. From there, it is accounted for in ledgers and ledger sets that are mapped in different ways based on a system representation of your organization. You can use a chart of accounts to tag the data with characteristics that are important to you.

As discussed in the chapter for Organizational Models in Oracle Financials, ledger

balances derive their meaning from four characteristics:

- Chart of accounts
- Currency
- Calendar
- Accounting conventions

We'll examine each of these in detail. The fundamental idea is that a balance on an account at a certain date is expressed in a currency and complies with your definition of that account.

## Chart of Accounts

The segments in the chart of accounts can be summarized as follows:

- There are three mandatory segments: natural account, balancing segment, and cost center.
- The balancing segment reflects organizational units, both legal and management.
- The cost center is generally aligned with the department structure used in your human resources application.
- Other segments are used for product hierarchies, project codes, or channel analysis - whatever you wish to track.

To make most use of our intercompany functionality, it is advisable to use one segment (not a balancing segment) to mark the corresponding intercompany entity. This will make intercompany reconciliation and elimination easier, both in General Ledger or Financial Consolidation Hub. Validation rules and security rules are created and managed using the various segments.

Oracle Daily Business Intelligence uses the combination of balancing segment and cost center to summarize data in portlets and portals.

All products that perform accounting derive the account code combination identifier (CCID) using Oracle Subledger Accounting and write a full entry for each business event. These entries are optionally summarized and posted on your schedule (for example, can be posted immediately or monthly) to the ledger.

## Global Chart of Accounts

We recommend that you consider a standardized approach to accounting for your organization in the Oracle ledgers by using a global chart of accounts.

A global chart of accounts is a designated account structure format and set of values

that all entities in a group will use. Some values within the segments will differ according to local requirements. However, each segment is designated for a specific use and therefore is consistent in its function across all ledgers.

A global chart of account facilitates standard business analysis: apples to apples performance reporting:

- Facilitates sharing of ledger services and reduces reporting risk mitigation costs.
- Enables account derivation in intercompany and cross legal entity situations.
- Eliminates mapping and data rework on consolidation.

When several ledgers share the same chart of accounts, they can be combined into a ledger set. A ledger set can aggregate the results and data of many operations using individual ledgers. You can drill from ledger set balances to transaction data, and you can report on a ledger set as one ledger.

There are several steps that you can take so that your Global Chart of Accounts can be deployed and used in many countries.

## **Regulated Charts of Accounts**

Several countries use a mandatory national chart of accounts that specify account numbers or values that you must put in an account segment. Depending on the complexity of your business, we provide several ways to accommodate national charts:

### **Use a Chart of Accounts Segment**

- You can create a national chart of accounts that can be deployed in a National or Alternate segment of your Corporate Chart of Accounts, and mapped to the corporate accounts. We provide French and Colombian charts that can be deployed in this way.

### **Use a Secondary Ledger**

- You can set up a ledger using your corporate chart of accounts and make it your primary entry book. Use this with a national chart of accounts in a secondary ledger.
- Or you can set up a ledger to accommodate the national chart of accounts and make it your primary entry book. Use this with a corporate chart of accounts in a secondary ledger.
- In both cases, Oracle Subledger Accounting can populate both ledgers appropriately and simultaneously.

## Use Consolidation

- You can create a corporate book using your corporate chart, and use Oracle Financial Consolidation Hub to link and map National bookkeeping to it.
- Or you can consider creating a consolidated book using the national chart, and use Oracle Financial Consolidation Hub to link and map your corporate bookkeeping to it.

## Currency

Ledgers have a definitive currency used to construct the balances and can accommodate an infinite number of transaction denomination currencies. The transactions, activity, or balances can be valued in other currencies in several different and sophisticated ways.

Our currency handling offers flexibility in how you comply with International Accounting Standards (IAS 21) and Financial Accounting Standards (FAS 52):

- Both standards define "translation" - converting all balances at various definitions of the current rate - as the method you must use to convert the results of an overseas operation that operates as an investment (independent business) from their accounting currency to the reporting currency.
- Both standards define "remeasurement" - certain non-monetary balances are converted at a rate from the day you acquired them - as the method you must use when the overseas operation is tightly integrated with the parent business.
- Both standards use the term "functional currency" as the test for integration. When the overseas business shares its functional currency with the parent, it is integrated and must remeasure when its bookkeeping currency is different

The Oracle E-Business Suite provides several ways to obtain a parent currency view of overseas operations. You can choose to deploy them depending on your overseas operation's circumstances:

1. Translate or remeasure overseas operations in Oracle Financial Consolidation Hub. Financial Consolidation Hub can see the data in many ledgers and includes several currency conversion functions by asset, liability, and income statement balance.
2. Translate or remeasure ledger balances in a traditional way using Oracle General Ledger. General Ledger Translation stores translation rules that are applied to balances in a ledger.
3. Translate or remeasure both ledger balances using the reporting currencies feature.
4. Convert subledger activity, ledger activity, and balances (only) using the reporting currency feature on subledger transactions.

5. Use the Multiple Ledger feature to create accounting in a different currency and under a different accounting convention.

Together with the General Ledger Currency Revaluation feature, you can configure any of these alternatives to comply with your Generally Accepted Accounting Principles (GAAP) currency circumstances. Revaluation facilitates "truing up" from daily rates to current rates in any ledger, from daily to average if you interpret the standards as preferring an average on the income statement, and adjusting non-monetary assets to appropriate historical rates.

The first two approaches, Translation within Financial Consolidation Hub and General Ledger Translation, are balance based methodologies that you can use in situations where you wish to perform a traditional month end translation as part of the consolidation process.

The third approach, using reporting currencies on ledger balances, provides a very interesting and useful "thick General Ledger" in your parent currency, which provides complete, summarized detail for the overseas operation, without unnecessary detail.

The fourth approach, using reporting currencies on subledger and General Ledger detail, creates currency versions for all transactions in the overseas operation. This is most appropriate when you need to manage the overseas operation closely.

Finally, you can use multiple ledgers to create a ledger that uses a different accounting or a different accounting convention to the original ledger. This provides a very direct remeasurement result. You can use revaluation in such a ledger to bring balances to the current rate. You can also deploy any of the other approaches against the balances in such a reporting ledger.

To accomplish these options, it's useful to discuss currencies using the terms in the following sections.

## Transaction Currency

Transaction currency is the currency of denomination for a transaction document. We sometimes refer to this as the entered currency. When an item is denominated in a currency that is different than the local accounting currency, you might think of this as a "foreign currency" item.

Transactions that are entered in currencies other than the accounting currency are automatically valued and recorded in the accounting currency using conversion rates that are stored in daily rate tables. Gains and losses based on changes in the exchange rates are calculated at settlement. Revaluation is calculated at the various dates on which you need to record unrealized exchange gains.

## Primary Currency

The currency used for accounting and reporting in a ledger is called "the ledger primary currency", although it is often referred to as the ledger's accounting currency.

A primary ledger interfaces closely with the economy in which the entities that are using that ledger are trading. For example, your local banks issue bank statements that tie to the ledger. You account for local employees' payroll, in local currency, in the primary ledger. Local contractors and vendors are reimbursed in local currency. For these reasons, we recommend that the primary currency of a primary ledger be the local business currency.

Each ledger must be assigned a primary currency. Ledgers that are not primary should also have a primary currency.

## Reporting Currency

You may need to report in additional currencies to satisfy management, legal, and statutory requirements. Reporting currencies represent the data of a ledger in other currencies. Reporting currencies reflect the same chart of accounts, calendar, and accounting convention as the primary ledger.

For each reporting currency, you can maintain accounting data at one of three levels:

- **Balance Level:** General Ledger balances are directly converted from the primary ledger currency to the reporting currency using translation.
- **Journal Level:** Maintains General Ledger journal entries and balances in the reporting currency using the General Ledger Posting Program. Each time a journal is posted in the source ledger, the journal is automatically converted to the respective journal level reporting currency based on the journal conversion rules.
- **Subledger Level:** The Subledger Level is the most detailed of the three levels as it maintains a currency representation of your subledger journals, General Ledger journal entries, and balances.

When using the subledger level reporting currency, you will reflect the subledger accounting rules created using Oracle Subledger Accounting. These rules provide instructions on how to convert subledger data entered into the source ledger to one or more subledger level reporting currencies. We ship seeded rules that you can use.

As a general rule, use reporting currencies rather than secondary ledgers when currency is the only difference between the primary ledger and the view that you need of it.

### Tip for Existing Oracle Financials Users

- Currency support is substantially improved in Release 12. Multiple Reporting Currencies is replaced with Reporting Currencies and Multiple Ledgers. Other currency features are enhanced.

## Calendars

Balance sheets are snapshots of your assets and liabilities at points in time, and income statements are an analysis of the change in your net wealth between each balance sheet.

Each ledger has an accounting calendar, which represents a period of time in General Ledger, defined by a start and end date. You must design your calendar based on your business and management practice. Manufacturing businesses often use calendars with periods and quarters that end on weekends and are equal, for comparability and standards calculation. Service businesses often use the regular calendar.

You can take into account the legal obligations and business operations within each country. Transaction tax reporting and statutory requirements are factors in the design of most ledger calendars.

Other factors may also need to be considered. For example, there is often a need for one or two adjusting periods at year or quarter end to include General Ledger transfers, account reconciliations, adjusting journals, and other period end specific tasks. Some countries have specific requirements such as a closing journal voucher that can be accommodated in an adjusting period.

All Oracle subledgers depend on the General Ledger calendar. You can associate a common calendar with multiple ledgers.

## Accounting Conventions

Ledgers reflect accounting conventions. The balance on your "revenue" account has meaning only insofar as it reflects your definition of revenue. In turn, your definition of revenue will reflect your compliance with your GAAP (for example, International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) or United States GAAP), your statutory and regulatory obligations, and perhaps your transaction tax regulation mandates.

We make it easy to construct meaningful balances by posting to the accounts according to easily articulated and controlled rules that are applied to each subledger transaction. The rules are set up in Oracle Subledger Accounting and are assigned to individual ledgers. Groups of rules can be managed in sets that we call "Accounting Methods".

For those situations where you must comply with both local regulation and a parent GAAP, the rules engine allows you to account for a business transaction using different conventions. This support can be tailored to the complexity of the situation, from automatic adjusting entries in the same ledger through completely populated secondary ledgers.

For example, by using two ledgers with the appropriate conventions, a French firm with a subsidiary in the United States (US), can automatically create local bookkeeping in accordance with US principles (in the US primary ledger), but also simultaneously maintain accounting for the same transactions in accordance with French regulations (in a French secondary ledger).

**Tip for Existing Oracle Financials User**

- Accounting conventions were implicit in earlier releases. In Release 12, they are explicit and managed through Accounting Methods in Oracle Subledger Accounting.

## Subledger Accounting in Oracle Financials

### Overview

Oracle Subledger Accounting is part of the Oracle E-Business Suite and is an accounting service that:

- Derives the appropriate accounts to use for individual business events, such as sales, expenses, purchases, and others.
- Is in accordance with accounting rules that you establish in line with your compliance requirements.
- By means of a broad toolset, allows you to manage the rules, review their effect, and study their application.
- Provides a standard means of posting subledger data to General Ledger.
- Provides standardized storage for subledger accounting entries and subledger balances.
- Is complete with the appropriate detail and in definable formats as needed for various local compliance reasons.

Oracle Subledger Accounting is an open and flexible service that defines and generates accounting for transactions captured by the transaction processing systems in the Oracle E-Business Suite. Each subledger transaction that requires accounting is represented by a complete and balanced subledger journal entry that is stored according to a common data model.

Subledger Accounting can be used to support transactions processed in non-Oracle systems by using Oracle Financial Services Accounting Hub, a separately licensed product designed to account for non-Oracle input.

Subledger Accounting includes a posting engine that sums the contents of the subledger tables and posts them to the general ledger to provide a clear audit trail.

**Tip for Existing Oracle Financials User**

- The Subledger Accounting service is applicable to all products in Release 12 and succeeds other accounting engines including the Global Accounting Engine and AutoAccounting.

Subledger Accounting provides subledger tables and reports designed for

compliance and accounting reconciliation, which replace the "distribution" tables for these purposes. Distribution tables in Receivables, Assets, Projects, and Procurement remain available and are deployed for other purposes.

## Default Transaction Distributions

Each type of transaction in the Oracle Financials subledger products has default "distributions" associated with it, indicating how the transaction is distributed within your business. For example, a sales invoice might be distributed over several revenue accounts. You can edit the distribution defaults at the product level. Distribution tables in Receivables, Assets, Projects, and Procurement are populated by reference to the defaults. The default distributions are used by Subledger Accounting as a basis for the accounting of each transaction and are modified by the Subledger Accounting rules when you use Subledger Accounting to amend the accounting impact of the product-supplied defaults.

## Subledger Accounting Rules

Oracle Subledger Accounting develops the accounting for each "accounting event" by applying a rule that you have defined for the event. We call the rules "accounting definitions".

- Accounting events represent transactions that have a financial accounting impact and require that accounting information is recorded. Examples of accounting events include issuing an invoice and disposing of an asset.
- Accounting events are not comparable to system events and programs that update transaction tables; accounting events are events in the real business sphere. Accounting events are captured when transactions are saved in the subledgers.

An accounting definition, or business rule, is similar to this example: If product 'A' is sold and is shipped to a distributor, then book it to account 'AB' with a description of 'ABC' on the journal entry lines. If the same product 'A' is shipped to a direct customer, then book it to account 'XY' with a description of 'XYZ' on the journal entry lines.

You can use virtually all data captured by the Oracle E-Business Suite as points of reference when drafting a rule. Subledger Accounting rules are date effective. The Oracle E-Business Suite, as shipped, includes rules for standard accrual accounting and for cash accounting. You can customize these rules as required or create your own.

Establishing an accounting method or convention for a ledger entails defining subledger accounting rules and clustering them together. Accounting conventions are set up for both primary and secondary ledgers. All subledgers assigned to a ledger inherit the accounting convention from that ledger.

## Some Important Features of Oracle Subledger Accounting

**Note:** Refer to the *Oracle Subledger Accounting Implementation Guide* for a comprehensive description of Subledger Accounting.

### Flexible Journal Entry Setup

Flexible journal entry setup enables users to control every aspect of the subledger journal entries that are generated for a subledger transaction. User defined rules, based on data drawn from the subledger transactions, control which types of journal lines are created, how account numbers (CCIDs or "accounting flexfields") are derived, and the contents of the journal entry descriptions.

Different subledger accounting methods are used to satisfy the conflicting requirements implied by corporate accounting policies, local fiscal regulation, and cash basis or business orientated analysis.

### Multiple Accounting Representations

Oracle Subledger Accounting enables you to create multiple accounting representations from a single transaction. Using multiple accounting representations, you can populate more than one ledger with subledger journal entries for a single legal entity's subledger transactions. This is a powerful feature as each accounting representation represents an alternate accounting interpretation of the underlying subledger transaction. Each accounting representation can use different charts of accounts, calendars, currencies, and subledger accounting methods.

Multiple accounting representations enable corporations to design and implement global accounting policies independently from considerations that apply to subsidiaries operating in particular countries, or in highly regulated vertical markets. Corporate accounting policies can therefore be designed and implemented without prior knowledge of the wide range of local fiscal regulation encountered in these countries. Of course, if you don't need complete ledgers for a particular overseas operation, you can use Subledger Accounting rules to design automatic adjusting entries and post them to an adjusting segment.

Consider a situation where local transaction tax regulation requires that the "sales account" reflects all billing, but your GAAP, for example IAS/IFRS, requires that you recognize revenue when the customer accepts the product. You can choose one of the following methods:

#### **Method 1: Same Ledger**

The seeded regular Subledger Accounting rule, simplified for illustration purposes, suggests that when issuing a sales invoice, in a specified ledger with one balancing segment:

- Receivables are debited

- Revenue is credited

For example, assume there is a balancing segment "10", "Division 10". We elect to track our management and GAAP adjustments in balancing segment "99", "Adjusting Division".. We modify the regular rule so that, when issuing a sales invoice:

- Receivables in segment 10 are debited
- Revenue in segment 10 is credited
- Revenue in segment 99 is debited
- Deferred revenue in segment 99 is credited

A report accessing all segments except 99 will reflect the local filing status. A report accessing all segments including 99 will reflect the GAAP reporting status.

### **Method 2: Primary and Secondary Ledger**

The seeded regular Subledger Accounting rule, simplified for illustration purposes, suggests that when issuing a sales invoice in a specified ledger:

- Receivables are debited
- Revenue is credited

For example, assume we have Ledger A, "Country Ledger". We elect to account for the same operation under our GAAP rules in Ledger B, "Corporate Ledger". We modify the regular rule so that, when issuing a sales invoice:

- Receivables in Ledger A are debited
- Revenue in Ledger A is credited
- Receivables in Ledger B are debited
- Deferred revenue in Ledger B is credited

A report accessing Ledger A will reflect the local filing status. A report accessing Ledger B will reflect the GAAP reporting status.

## **Common Subledger Operations**

Subledger Accounting is a service that is invoked by all subledger products in the Oracle E-Business Suite, and provides a standard approach across products for various tasks and system entities.

- There is one simple process for transferring data from a subledger to General Ledger.
- General Ledger can, optionally, be updated instantaneously by subledger activity.

- Subledger transactions have complete accounting articulation. A complete journal entry is written for each accounting event. Each entry is fully described. All debits and credits in the various currencies are scheduled. The entry is numbered and identified, and correlated with the appropriate documents. The account is fully completed for all segments.
- Subledger transactions are stored in standardized subledger accounting tables, similar to old fashioned "day books". This greatly facilitates reporting and data management.
- There are many detail Subledger Accounting features that are now available to all products: subledger accounting "formatting" options such as the optional suppression of zero lines, optional presentation of entries as negative debits or credits, and others.

### **Inquiries, Drill-down, and Reporting**

Detailed subledger accounting reports and inquiries that satisfy local fiscal and business requirements for detailed reconciliation between subledger transactions and accounting are provided.

Subledger Accounting uses Oracle XML Publisher extensively. Extracts are made from the Subledger Accounting tables and formatted with XML Protocol (XMLP) templates. For example, specific national day books are supported by an extract and a template delivered with the product.

## **Setting Up Your Accounting: Accounting Setup Manager**

### **Overview of the Accounting Setup Manager**

You set up your accounting in Release 12 of the Oracle E-Business Suite by assigning ledgers to legal entities. In other words, you select the ledger that you want to use to account for a legal entity. We provide an Accounting Setup Manager, where you can define the following for each entity:

- Ledgers (primary and secondary)
- Currencies (primary and reporting)
- Accounting methods
- Many other options

#### **Tip for Existing Oracle Financials User**

- The Accounting Setup Manager is a new feature in Release 12.

## Legal Environment Considerations

There are two poles to the legal environment that you might want to reflect in your setup.

1. In some jurisdictions, such as the United States, you might have many legal entities represented as balancing segments in one ledger.
2. In other jurisdictions, each legal entity will be required to have a ledger of its own.

Around these poles, several other arrangements are also supported.

### If the Regulatory Situation of Your Subsidiaries Requires a Distinct Ledger

Certain authorities are focused on individual entities in the legal system and have drafted regulations that require you to deal with each legal entity as a standalone entity. In this situation, you would assign a legal entity one primary ledger. This is appropriate in the following situations:

- If the legal entity operates in a country with strict legislative demands. Legal or statutory rules may require a separate ledger for the legal entity and require the entity to maintain its accounting data separate from other legal entities.
- If the legal entity has unique primary ledger attributes. In other words, if a legal entity requires any one of the 4 C's (or any of the ledger processing options) to be different from other legal entities, a different primary ledger is required.

**Note:** The 4 C's is defined as Chart of Accounts, Calendar, Currency, and accounting Convention.

- If the ledger requires unique ledger processing options.

### Gapless Document Sequencing

Depending on the regulatory and accounting requirements of the countries in which you operate, it may be necessary to set up document sequencing for applications. Some countries impose strict legal requirements for maintaining a distinct and auditable number range for financial transactions.

In the subledgers, gapless document sequences are maintained at the operating unit level. You can create further granularity by creating them with an entity we call "VAT Source", which you can map to real world entities that are stored in that same operating unit. You cannot create a single sequence that crosses operating units in a subledger product.

This very often drives the creation of an operating unit; you will create operating units in regulated countries that correspond to the entities that need to sequence subledger documents.

In General Ledger, document sequences are generated for transactions at the ledger level, that is, all operating units and all legal entities associated with a given ledger will share available General Ledger numbering sequences. In the rare situation that a local regulatory authority requires gapless General Ledger document sequencing and gapless subledger document sequencing, it may be necessary to maintain a one to one relationship between a legal entity, a ledger, and an operating unit.

You can create secondary ledgers to represent the primary ledger's accounting data in a format that will be consolidated with the parent. If you create ledgers for sequence management purposes, use a ledger set so that you can treat them as one for accounting, adjustment, allocation, reporting, management, and consolidation purposes.

### **If the Regulatory Situation of Your Subsidiaries Facilitates Using One Ledger in Respect to Several Companies**

Certain authorities focus on groups of legal entities in the legal system - where they "lift the veil of incorporation" - and have drafted regulations that permit or require you to combine legal entities that you control for compliance purposes in a given jurisdiction. This situation will allow multiple legal entities to be associated with the same primary ledger, that is multiple legal entities can share the ledger attributes (4 C's) and ledger processing options of the primary ledger.

This accounting setup is appropriate when each of the legal entities assigned to the accounting setup meets the following conditions:

- Operate in a country that allows multiple legal entities to share the same primary ledger, ledger attributes, and accounting options.
- Do not need to use different ledger processing options (such as autonomous document sequencing) for each legal entity.
- Do not have tax requirements that are specific to a legal entity.

### **Other Accounting Environment**

It is also possible to use accounting setups that have no legal entities and do not establish any legal relationship in respect to the primary ledger for that accounting setup. Use this setup to supplement regular accounting arrangements. For example, you can maintain various ledgers for management reporting or consolidation purposes.

### **The Corporate View**

We've reviewed how you can set up local organizations and accounting so that you can comply with local and national rules and regulation.

Of course, it is also important that you manage your businesses and account for them to your shareholders on a worldwide basis. We've described several devices that facilitate the development of information from the locally compliant operations that conform to

your management principles and applicable worldwide Generally Accepted Accounting Principles:

1. Global Chart of Accounts
2. Adjusting Segment Automation and Accounting Rules
3. Multiple Ledgers, Ledger Sets, and Accounting Rules
4. Translation and Remeasurement Techniques
5. Cross Organization Reporting

You can also use our formal consolidation tools.

## Accounting Consolidation in Oracle Ledgers

We use the term Accounting Consolidation to refer, not only to the process of combining financial results of all entities under the ownership or control of common shareholders to create a single statement of financial results in accordance with your GAAP, but also to the process of creating an overview of your operation for financial and business management and for analysis.

You can accomplish this in multiple ways. Oracle Financials uses three tools to execute an accounting consolidation:

- Financial Consolidation Hub
- Ledgers and Ledger Sets with Financial Statement Generator
- Global Consolidation System

### Tip for Existing Oracle Financials User

- The Financial Consolidation Hub is a new feature.

## Financial Consolidation Hub

In Oracle E-Business Suite Release 12, the standard approach to Financial Consolidation is to use the Oracle Financial Consolidation Hub.

Financial Consolidation Hub is a powerful row and column based consolidation tool, with powerful analytic, elimination, equity, adjusting, and currency features. It uses dimensions and hierarchies used by analytical applications (such as Oracle Enterprise Planning and Budgeting) in the Oracle Corporate Performance Management suite. You choose which dimensions to use for consolidation purposes.

You can automatically "push" some or all of the segments of your Oracle General Ledger chart of accounts into the consolidation dimensions. Segment values and hierarchies are copied into Financial Consolidation Hub.

Financial Consolidation Hub is tightly integrated with General Ledger and the subledgers. For example, inquiries and drill-down from the Financial Consolidation Hub reach all the way through General Ledger and Subledger Accounting to the documents in the subledger products. Financial Consolidation Hub also supports ledgers from other vendors.

Financial Consolidation Hub automatically imports data from the ledgers with minimal setup and displays it in columns by business unit. Updates in General Ledger are automatically reflected in Financial Consolidation Hub. If you have turned on the Subledger Accounting simultaneous ledger posting, updates in the subledgers are also automatically reflected in Financial Consolidation Hub.

Financial Consolidation Hub can serve as a bridge between transactional applications and Corporate Performance Management, pulling together financial data from across an enterprise to enable corporate-level analysis and planning. To this end it is also tightly integrated with Oracle Enterprise Performance Foundation and Oracle Enterprise Planning and Budgeting on the analytical application side.

## Features and Functions

Oracle Financial Consolidation Hub provides advanced consolidation functionality including:

- **Automated processing:** You can automate as much of the consolidation process as you choose, from initial data submission to final reporting and analysis. Financial Consolidation Hub leverages Oracle Workflow to run an entire consolidation process, including translation and eliminations, as well as sub-consolidations.

Non Oracle sources can be imported directly to Financial Consolidation Hub without creating a "ghost" Oracle ledger first, due to the Financial Consolidation Hub base in the Enterprise Performance Foundation.

- **Audit entries and drill-downs for every stage of consolidation:** The application allows you to audit entries from every stage of the consolidation process for every sub-consolidation, subsidiary, and affiliate.
- **Sub-consolidations:** By executing sub-consolidations at any level, you can review fully consolidated financial statements for any relevant subset of the enterprise in addition to the fully consolidated financials for the entire enterprise.
- **Partial ownership:** Financial Consolidation Hub has automated capabilities for handling partial ownership. You can generally define a single rule for all partially-owned subsidiaries.
- **Simulations:** With Financial Consolidation Hub, you can automatically duplicate a consolidation hierarchy, simulate an acquisition on the new hierarchy, and submit a consolidation for the new hierarchy.

## Ledgers and Ledger Sets with Financial Statement Generator

Ledgers aggregate the results of entities that you've mapped to balancing segment values and ledger sets aggregate the content of individual ledgers. Both are de facto consolidations. It is useful to distinguish between the following situations:

1. Consolidate multiple companies within a single ledger.
2. Consolidate multiple companies that reside in multiple ledgers on the same application instance.

### Consolidate Multiple Companies Sharing a Single Ledger

You first enter the appropriate journal entries to eliminate intercompany transactions and perform any other "adjustments on consolidation" that you need. The totals are then ready for reporting

General Ledger includes a reporting tool, Financial Statement Generator. You can use the Financial Statement Generator to create consolidated financial statements at the parent level.

### Consolidate Multiple Companies Residing in Multiple Ledgers (Same Instance)

You can include ledgers that share the same chart of accounts and accounting calendar/period type combination in a ledger set. They do not have to share the same currency or accounting conventions. The ledger set totals the included ledgers just as the ledger totals balancing segments. If the ledgers you have included in the ledger set account for legal entities, you will have aggregated those legal entities.

Aggregation is not formal consolidation. You will need to eliminate the intercompany balances, as you do in a single ledger. You can use General Ledger functionality to create these eliminating entries.

You can aggregate ledgers in a ledger set even when they have different primary currencies, using three techniques:

- Translation: Run General Ledger Translation in the subsidiaries' ledger using translation or remeasurement as required, and then define Financial Statement Generator reports across ledgers using the "Translated" currency type.
- Reporting Currency: If you use journal or subledger level reporting currencies, you may be able to bypass the translation by directly consolidating the subsidiary reporting currency with your parent ledger.
- Secondary Ledger: Map your primary ledger that complies with local accounting requirements to a secondary ledger that shares the corporate chart of accounts, calendar, and currency. Next, include the secondary ledger in the ledger set for consolidation.

Though ledgers and ledger sets with Financial Statement Generators can adequately meet the needs of your enterprise, both Financial Consolidation Hub and Global Consolidation System are more formal.

## Global Consolidation System

When your financial data is spread across multiple ledgers that do not share the same chart of accounts and accounting calendar combination or the ledgers are on separate instances, consider using the Global Consolidation System within Oracle General Ledger to consolidate results.

Global Consolidation System uses a "Data Transfer Consolidation" methodology where you move your financial data from diverse ledgers and data sources into a single consolidation parent ledger. You then report on and analyze consolidated financial information from this consolidated ledger. Use the Global Consolidation System in situations where you need to physically move the data to a consolidated location rather than simply report off multiple ledgers in a set.

Global Consolidation System is the traditional consolidation methodology in Oracle Financials. The Global Consolidation System imports, in the form of balance and journal level vouchers, appropriate accounts from the trial balances of subsidiary ledgers. The Global Consolidation System consolidation function includes a number of other features:

- Sophisticated consolidation mapping rules to map accounts and specify transfer rules from the subsidiary to the parent. The mapping rules determine how your subsidiary account balances roll up into the parent. As in Financial Consolidation Hub, the ledgers involved in Global Consolidation System do not need to share any attributes.
- A workbench to view the consolidation status of your subsidiaries and a Consolidation Hierarchy Viewer to graphically display your consolidation structure.
- Automatically generates journal entries to eliminate intercompany balances based on rules you define. This is based on automatic recurring entries that are defined in the General Ledger module.
- Use of specialized tools including:
  - The Interface Data Transformer (IDT). This is a user-friendly tool that makes data import from external feeder systems into Oracle General Ledger and the Global Consolidation System easier and less time consuming.
  - The State Controller: A color coded navigation tool to guide you through the consolidation process.

The consolidation systems are not mutually exclusive. You can include a Global

Consolidation System ledger in a ledger set and incorporate its result in a super set. Financial Consolidation Hub can draw data from ledger sets and from Global Consolidation System ledgers - and the drill-down remains valid.

You can transfer data from a ledger on one instance to another instance for consolidation, either using Global Consolidation System or Financial Consolidation Hub.



---

# Worldwide Operations with Oracle Financials Applications

This chapter covers the following topics:

- Overview
- Multiple Organizations Support
- Advanced Global Intercompany System
- Facilitating Intercompany Accounting in Oracle Ledgers
- The E-Business Tax Engine
- The Bank Account Model
- Ledgers and Reporting
- Summary

## Overview

We've discussed your organization and how you might represent it in the system, and we've discussed how you can account for it. Let's look at those concepts that help you provide common services to the different entities, maintain consistency in practice, and minimize costs in your operation.

Our applications include many features that enable local operations of worldwide companies. We offer localized features in 120 countries, ranging from statutory reporting through transaction tax calculation and filing to local business reporting - all in the core products. Additional support for newer regulations may be available from our consulting organization.

We assume that you are going to rationalize your operations, that is, to centralize certain activities and distribute others. We recommend deployment on a single instance, or at least, on as few instances as possible.

There are several concepts that are important to understand as you design your internal

service network.

## Multiple Organizations Support

Operating units store subledger document data for entities that are separated from one another for transaction tax or other reasons.

Subledger users are assigned responsibilities. A responsibility can be attached to one or many operating units as required, using a feature called "Multiple Organizations Access Control". In a shared service center, users who are employees of the shared center's own legal entity, are given access to operating units that are owned by the legal entities that the center serves. Users at an Ireland Shared Service Center will be employed by an Ireland Legal Entity and have access to operating units that represent the United Kingdom, France, Germany, and the United States.

More importantly, Multiple Organizations Access Control also enables automated processes to access the relevant operating units permitted for the process.

## Advanced Global Intercompany System

Intercompany transactions record transfers of goods and services between related legal entities. Transactions between related legal entities must be tracked and documented for financial consolidation, local compliance, and tax reporting purposes.

The Advanced Global Intercompany System is an extensive and complete system integrating several Oracle products and features including Receivables, Payables, Subledger Accounting, and General Ledger. The system generates both Payables and Receivables transactions.

Advanced Global Intercompany System, together with the Supply Chain Event Management module, Enhanced Drop Ship, provides a complete system in support of "Internal Supply Chain". When a customer of one of your subsidiaries places an order, you can then place orders with your warehouses and plants - each of which will be recognized in Procurement and in Order Management appropriately - and transfer the goods from the originating plant to the subsidiary using comprehensive documentation, both commercial and in-house invoices.

The intercompany feature integrates with other Oracle products that impact the intercompany solution:

- Legal Entity Configurator, Trading Community Architecture - Identifies trading partners and their relationships, thereby identifying which transactions are intercompany. Trading Community Architecture is the standardized means of defining various parties and their relationships within the Oracle E-Business Suite.
- Receivables, Payables, and Subledger Accounting - Intercompany uses Receivables to produce invoices for the initiator. Once the Receivables transaction is completed, the invoice number is then automatically used to create mirror-image invoices in

Payables.

Subledger integration is an important feature of intercompany functionality that allows you to create a physical invoice for an intercompany transaction in both Receivables and Payables.

- General Ledger - Intercompany transactions that do not require an invoice can be processed directly in General Ledger.

The Intercompany engine also supports the following features:

- Centralized Intercompany Accounts Definition: This enables all modules to access accounting definitions in a standardized manner.
- Multiple Ledger Batches: Batches of intercompany transactions can be entered and addressed to multiple recipients with no restriction on the chart of accounts, currency, or calendar. Thus, the initiator and the recipients of the intercompany transactions in the batch can all use different ledgers. This is a powerful feature and enables the processing of global intercompany transactions with fewer overheads.
- Reconciliation and Reporting: Intercompany provides reconciliation tools to sort out any discrepancies in accounting balances between the intercompany organizations. Using the reconciliation tool, you can view the intercompany out-of-balance accounts, drill down to the details of the subledger accounting and documents. The online reports use XML Publisher technology so the layout is fully customizable and can be downloaded to desktop tools for further analysis.
- Desktop Integration: Intercompany transactions can be uploaded using spreadsheets via Oracle Web Applications Desktop Integrator. This feature also allows you to process recurring transactions easily.

The Advanced Global Intercompany System serves as a hub for streamlining intercompany transactions - from creation all the way through their ultimate reconciliation and closing. The application allows companies to comply not only with local regulations, but also with established corporate-wide standards for processing intercompany transactions between subsidiary legal entities.

**Tip for Existing Oracle Financials User**

- The Advanced Global Intercompany System is a substantial redesign of the earlier intercompany system. It exploits legal entity, ledger, and accounting features not previously available and is more tightly integrated with the subledger products.

## Facilitating Intercompany Accounting in Oracle Ledgers

In addition to Advanced Global Intercompany System, the Oracle E-Business Suite provides intercompany support with standard intercompany balancing in General Ledger journal vouchers and Subledger Accounting. These particular intercompany features are within Oracle General Ledger and Oracle Subledger Accounting; they do

not make calls to other modules such as Payables, Receivables, or Procurement:

- You can create generic balancing lines against the intercompany accounts that you have defined for specific sources of transactions.
- Enhanced intercompany balancing in General Ledger journal vouchers and Subledger Accounting:
- You can define separate intercompany accounts to record more detail for your intercompany journals and track intercompany balances.
- Clearing Companies:

For certain types of intercompany transactions, you can designate one company to act as the trading partner for all subsidiary companies in the organization. For example, company 01 among your subsidiary companies can provide the accounts payable function for your entire organization. All accounts payable transactions then clear through company 01.

When you create a clearing company like this, you can consolidate the accounts payable activities for the entire company as well as automatically balance multi-company intercompany transactions. Use enhanced intercompany accounting or the intercompany segment to implement the clearing company model and track the amounts that each individual subsidiary owes to each of the other subsidiaries.

- Intercompany Segment:

You can create an intercompany segment in your chart of accounts structure that is used to create balanced intercompany journals. Set up the ledger to automatically populate the intercompany segment with the balancing segment value of the trading partner. Intercompany transactions using the intercompany segment provide more detail for reporting and reconciliation.

Intercompany accounts can be represented in multiple ways:

- Detailed intercompany account balances are maintained in both the subledger and general ledger. In this mode, intercompany accounts are disclosed in detail in the trial balance.
- Detailed intercompany accounts are included in subledgers and a summarized form is transferred and maintained in the general ledger as intercompany control accounts.
- Intercompany Clearing Companies as described earlier.

In all cases, a fully automated intercompany system is critical to ensure that all intercompany account totals across the columns are equal to zero. When consolidating financial results, you create eliminating entries to exclude the impact of intercompany transactions.

- Automatic intercompany eliminations are accommodated in both the Global Consolidation System and Oracle Financial Consolidation Hub. Both modules can be set up to pick up the intercompany balances, populated by either the intercompany engine or by recurring journal entries, and subsequently eliminate them. This automation can save you days in the close process.
- The Global Consolidation System elimination functionality can be deployed in a ledger set environment to enhance the ledger set aggregation and reporting.

## The E-Business Tax Engine

Nations, states, and federations around the world derive substantial parts of their income by taxing business transactions. A major part of your operating cost is compliance with various rules and regulations. We help you to meet this obligation by creating a transaction tax engine that facilitates focus of the control issues where your experts are and allows the software to support the tax calculations even at locations far remote from the taxing jurisdiction.

There are many kinds of transaction taxes, including Sales Tax, Value Added Tax (VAT), Goods and Services Taxes (GST), and Customs Duties. Your tax experts will rapidly familiarize themselves with the details of the tax engine. The engine includes the following features:

- A database of rules and regulations that are maintained and populated by your experts and advisors as the regulatory environment evolves. This database reflects the taxing jurisdiction: New Hampshire's sales tax rules are quite different from Nevada's.
- A database of rates that are updated when the rates are revised. You can buy and import rate changes from rate vendors.
- Integration with Trading Community Architecture for your customer details, including the location of the ship-to addresses and integration with your vendor files.
- Integration with your operating unit and other organization records for the location of your shipping organizations.
- Integration with the product hierarchy for product codes and description.

A subledger product that requires a tax calculation on a business document invokes the engine and supplies it with appropriate data as to customer and vendor, ship-to and ship-from addresses, nature of goods or service providers, and so on. The engine determines the jurisdiction and the taxes involved, and returns the detail to the product to be included on documents.

The engine supports worldwide taxes. In addition to basic sales tax, VAT, and GST, the engine supports:

- Use tax
- Cross border shipments
- Rebates and returns

**Tip for Existing Oracle Financials User**

- The E-Business Tax Engine is new for Release 12. It succeeds the functionality provided by Tax Codes.

## The Bank Account Model

While a company may choose to store invoices in different OUs, it should be able to use its money in the bank to service any invoice it owns.

We've modeled our bank account support around this concept. A bank account is owned by a legal entity, accounting for the balance in its ledgers. At the same time, the funds in that account are available to different operating units for assignment to invoices or payable items.

Subledger accounting ensures that all OU transfers are accounted for both legally and accurately. The model supports zero-based balances, notional-zero based balances, and other international bank product offerings.

A shared service user with Multiple Organizations Access Control can select invoices stored in different operating units, combine them into one bank instruction, and send them to the bank for issuance.

**Tip for Existing Oracle Financials User**

- In Release 12, your internal bank accounts are associated with legal entities rather than sets of books or ledgers within ledger sets. This facilitates sharing the bank account over various operating units.

Customer and supplier bank accounts are now in the Trading Community and can be shared.

## Ledgers and Reporting

Ledger sets are used to manage ledgers, including opening and closing of periods and running reports. Ledger sets support adjustments and allocations and specifically support adjusting ledgers. This separation of ledger data and ledger management is designed to support the creation of ledger shared service centers and of moving ledgers into sets that are centrally managed.

XML Publisher facilitates the production of reports using templates applied to extracts. The resulting reports are published in many formats and can be securely distributed electronically in several different ways.

Together, this facilitates the creation of reporting shared service centers. Not only is this

a low cost solution to reporting, but it can help to assure that management everywhere is reading from the same page.

## **Summary**

Together, these approaches and modules, supported by transactions and process initiatives in individual products, constitute an excellent architecture that you can apply to focus your activity to tightly support the financial functions, while covering the whole organization, and distributing solid decision oriented information.



---

# Governance, Risk Management, and Compliance with Oracle Financials

This chapter covers the following topics:

- Introduction
- Requirements for Financial Compliance
- An Overview of Oracle's Compliance Architecture
- Enterprise Visibility and Security
- Internal Control & Operational Efficiency
- Corporate Governance & GAAP

## Introduction

Governance, Risk Management, and Compliance are the issues of reflecting the will of the owners, that is, the investors in the operation and performance of a company. The public, through regulation and law, ratings, and disclosure, has a substantial interest in how companies and management comply with the standards and obligations that they have.

To reflect the investors' will, and to comply with the public's standard, management needs to enforce their decisions and policies on the group. The Japanese word "hoshin" is sometimes applied to the vision of the management. Successful corporate governance and successful implementation of hoshin both require the firm execution of policy and delivery to your business model.

Internal Control is the term used to define the systematic methodology of managing the risk of non-compliance with management policy, error in reporting, and incidental and business losses. Internal Control articulates the risks of error and losses to which you might be exposed, the controls you put in place to mitigate those risks, and your system of monitoring those risks and controls.

The Oracle Financials suite provides you with a comprehensive set of tools for

executing the delivery of hoshin throughout your organization. The applications make it easy to incorporate your forecast, track your budget, measure progress, and make sure that the trickle down of your decisions is thorough and complete. You get a clear picture of the state of the group and the ability to pinpoint problem areas. The Oracle Financials suite also provides both inherent and express tools to manage internal control and to comply with legislation and directives requiring compliance assertion.

## Regulations and Compliance

The growing complexity and interdependence of the global economy requires accommodating the ever increasing demands of worldwide compliance. Most companies today must comply with multiple regulations such as the following:

- Financial reporting standards such as International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (GAAP).
- Corporate Governance mandates such as Sarbanes-Oxley, the European Eighth Directive, and other Governance Codes.
- Privacy laws such as Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the European Union's Data and Privacy regulations.
- Industry-specific regulations such as those negotiated under the Basel II agreement. Other standards are established by standards bodies such as the International Standards Organization or national agencies like the United States Food and Drug Administration.

**Note:** Though Oracle's governance and compliance architecture incorporates all E-Business Suite Applications, the focus of this chapter is on financial compliance and the financial modules within the suite.

## Requirements for Financial Compliance

Good, holistic, governance and compliance require that management have clear visibility across the enterprise, have effective internal controls, and operate efficiently.

### Enterprise Wide Visibility

Management asserts that the public accounts are an accurate and fair assessment of financial condition and operational performance and that they can satisfy themselves they are so. To achieve this end, executive managers need to access reliable data behind the financials. They must also be able to align strategies with operational plans to actively monitor day-to-day operations, and to understand the system of internal control.

This is easier to accomplish if:

1. Groups have transparent processes and
2. Signing officers have access to relevant and timely information across the enterprise.

Management needs to have fail-safe, transparent processes, that are integrated across the enterprise and provide relevant data and timely information to senior executives.

## **Effective Internal Controls**

Auditors and management must attest to the effectiveness of their internal controls. Corporations must set up process controls that enable regulatory compliance.

To monitor effectiveness, your policies and processes must be articulated and promulgated. Though the deployment of these processes must be distributed across the firm, it is beneficial to centralize their design and establishment. Once you've identified common business requirements and processes used to meet your organization's compliance mandates, the key is to automate as many of those processes as possible to make them auditable and repeatable. All information about processes and their associated risks and controls must be documented and easily accessible.

Content and records management is another area that compliance court cases and associated electronic discovery have put under the spotlight.

Creating a culture of compliance (an identified element of an effective internal control system) also means that employees must be trained on the company's latest governance and compliance policies and practices. They must also be continually assessed on their understanding of those policies and practices. An enterprise wide learning architecture is critical for training employees and monitoring skills.

## **High Level of Operational Efficiency**

Increased regulation has also translated into tighter deadlines for reporting. By reducing the closing cycle as well as giving executives visibility to business events as they unfold, it makes it easier for executives to:

1. Close the books quickly and then assess and understand their operating performance.
2. Reconcile financial data quickly and accurately, and identify problem areas.

Centralized, low cost, error-reducing processes are a backbone to ensuring consistent, error-free data across the enterprise.

## **An Overview of Oracle's Compliance Architecture**

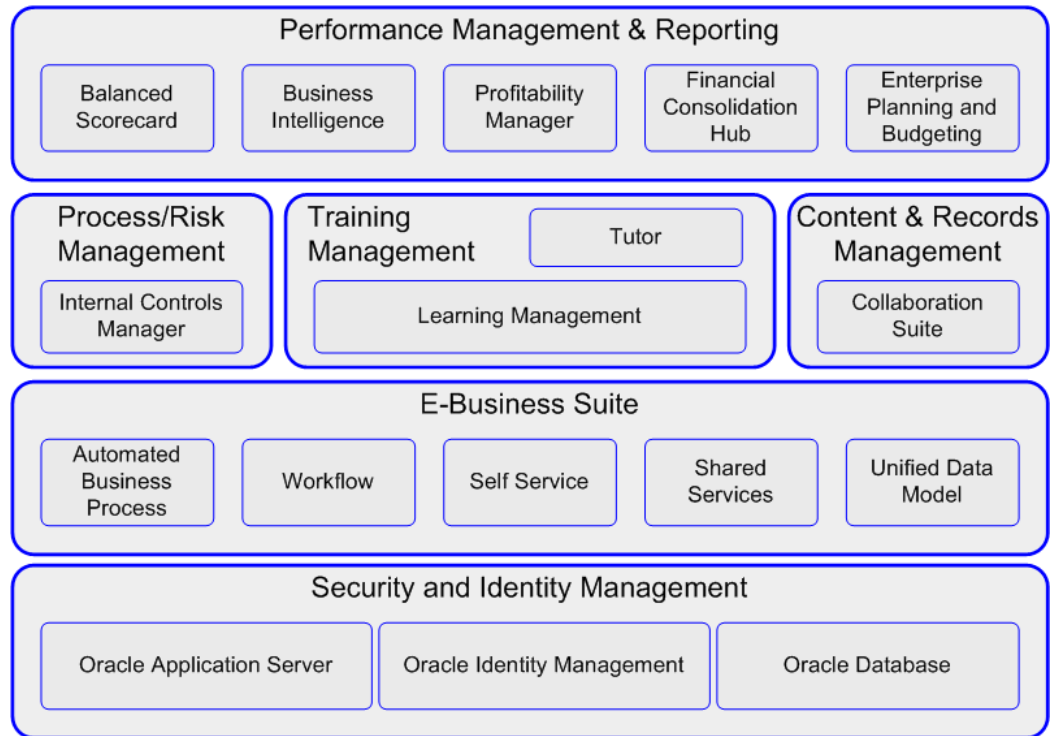
A proactive compliance program based on sustainable competencies is the best practice

in dealing with corporate governance. However, the human and financial costs of responding to each regulatory challenge with unique one off solutions are simply not sustainable.

Oracle delivers a complete information architecture that can support sustainable compliance by combining control based business and compliance applications, content and records management, and security technologies. The architecture provides for complete visibility into financial results, business performance, and underlying controls. Enterprises can confidently and cost effectively comply with their compliance and governance mandates, from financial reporting regulations such as Sarbanes-Oxley, to industry specific mandates.

The following diagram provides a high level overview of Oracle's Compliance Architecture and captures the visibility, control, and efficiency constructs discussed above. The diagram illustrates the four layers of technology stacks:

- Performance Management and Reporting: Balanced Scorecard, Business Intelligence, Profitability Manager, Financial Consolidation Hub, Enterprise Planning and Budgeting
- Process/Risk Management: Internal Controls Manager  
Training Management: Tutor, Learning Management  
Content and Records Management: Collaboration Suite
- E-Business Suite: Automated Business Process, Workflow, Self Service, Shared Services, Unified Data Model
- Security and Identity Management: Oracle Application Server, Oracle Identity Management, Oracle Database



Oracle supports this architecture with multiple components that are integrated with each other. The integration simplifies your entire information technology and security infrastructure as well as a large segment of your process efforts in the following two ways:

- Standardized information technology systems, applications, and business processes streamline much of the compliance effort. You can now maximize control through automated processes and embedded controls.
- Improves compliancy and operations visibility through a single source of high quality information. You can run your entire business on a single, global data repository and have a concise and accurate picture of regulatory compliance and enterprise performance.

Operational efficiencies are a direct benefit of these initiatives.

## Enterprise Visibility and Security

### Data and Security Management

Security and integrity of data is a top priority for executive signing officers. Fragmented systems, multiple general ledgers, and transaction system interfaces are barriers to meeting governance and compliance mandates. Standardizing on a single instance

helps break down information silos by eliminating duplicate systems and application interfaces, ensuring data accuracy, reliability, and auditability.

### **Oracle Database/ Application Server**

The Oracle Database meets the need for a single source of truth through access control and authentication features required to protect data in a single, consolidated database repository. The Oracle Application Server and middleware platform is designed to leverage service-oriented and grid computing and complements the database security structure.

For example, the Oracle Database delivers advanced audit capabilities through extensible, policy-based auditing features. These features can provide data logs that are useful for analysis in a compliance investigation. Organizations can also define specific audit policies that alert administrators to misuse of legitimate data access rights and generate a record of them.

### **Oracle Identity Management**

While the security fundamentals of authentication, access control, and audit are built into the Oracle Database and Application Server, many organizations still struggle with distinct user and authorization repositories. The security policy infrastructure associated with the Oracle Database and middleware platforms can be further leveraged by Oracle Identity Management.

Oracle Identity Management delivers centralized, policy driven user management and security administration for distributed deployments. Compliance related tasks such as password management and enabling delegated administration are also easily facilitated.

- **User Account Management** - allows for identity creation and management services through delegated administration, user self-service, integrated workflow, and role-based access control to manage user access to applications and data. This feature allows for the separation of duties common to many regulations today.
- **User Authentication and Authorization** - manages the authentication mechanism employed. This service utilizes authentication devices such as tokens, smartcards, and biometric devices to increase assurance that users are who they state themselves to be.

Users can be provisioned directly in the Identity Management repository or synchronized with a third party repository and assigned a security clearance level. This capability simplifies administration by providing a central, enterprise-wide repository that allows security and privacy policies to be shared. These policies authorize access to specific applications based on attributes of the user, their organization, and any other information that an administrator may wish to employ.

- **Access and Entitlement Reporting and Auditing** - provides for aggregated audit capabilities across numerous applications with pre-built reports that offer a

demonstrable means to show compliance.

## Internal Control & Operational Efficiency

### Automated Processes & Controls in the E-Business Suite

Sarbanes-Oxley requires tighter deadlines and prompt disclosure. The more automated your business processes, the more reliable and timely is the data captured by those processes. The Oracle E-Business Suite is engineered to work together as an integrated system wherein you can pass information from one application to another without incurring incremental integration costs or inducing mapping error.

You can set up alerts to automate exception management and notifications. Alerts can specify database exception conditions for continuous or scheduled monitoring of all E-Business suite applications. This improves your ability to research and resolve issues on a proactive basis.

The applications also offer a rich set of built-in automated internal controls that enable companies to enforce their business rules in every transaction. Such controls can be utilized to implement and enforce policies that meet the evolving requirements of multinational regulations. Examples include:

- Cross-validation rules for journal processing to prevent inaccurate journals and entries of invalid account combinations.
- 2-, 3-, and 4-way matching in the purchasing and payables domain.
- Sequential numbering of invoices and journal entries.
- The ability to set quantity and price tolerance limits during invoice processing.

Controls embedded in the system make it easy for them to be integrated into the day to day activities of the firm. This helps you to ensure compliance across your global organization. Application controls are also significantly easier to test and validate than manual controls and hence reduce the scope of audit activities.

### Oracle Workflow and BPEL

Oracle Workflow and Oracle BPEL Process Manager are modeling tools in the Oracle E-Business Suite that allow users to design internal business processes and approval hierarchies and store them in a central repository.

Companies can use Workflow to support a wide variety of compliance mandates, designing processes that are both auditable and repeatable, while enforcing pre-set approvals and limits. Workflows are embedded into the applications thus enabling your organization to streamline inter user approvals and information flows. You can configure these flows according to your business rules while validating the information transferred. Such flows expedite business processes across the enterprise.

Business Process Execution Language (BPEL) provides enterprises with an industry standard for business process orchestration and execution. Oracle BPEL Process Manager enables organizations to model and deploy business processes based on the BPEL standard.

## **Self Service Solutions**

By utilizing a self-service paradigm where end user requests are by and large facilitated by those same users, you can reduce administrative tasks and the time and effort involved in recording and tracking business events. Manual processes are eliminated and bottlenecks are streamlined. Overall, extending automation to the end user via self-service increases the efficiency of your business information and raises data integrity.

Within the Oracle E-Business Suite, a number of self-service applications automate and connect internal processes such as:

- Expense Reports and Time Cards
- Employee Information
- Purchasing Processing
- Competency Management

Using the suite, self-service automation is also extended to customers and suppliers to interact with items such as:

- Orders
- Invoices
- Payments
- Requisitions and Auctions
- Inquiries and Disputes

Oracle self-service applications such as iSupplier Portal, Internet Expenses, and iProcurement increase the efficiency of information. These applications take advantage of embedded workflows that allow you to streamline inter-user approvals and participate in review processes.

## **Shared Service Centers**

The Oracle E-Business Suite is a functionally complete suite of integrated applications. The applications support the centralization and integration of business operations through shared service centers.

We've discussed shared services and shared service centers in the Worldwide

Operations chapter. An important impact of the deployment of shared service centers is that the number of control points in a process and the number of variations of a process are greatly reduced, dramatically mitigating the risk of process error. The consolidation of data and processes in shared service centers also mitigates against the risk of error and of poor decision making.

The benefits of shared services are not just for multinationals. Medium sized firms can reap benefits from their efficiencies. The Oracle E-Business Suite allows you to be both locally and corporately compliant while increasing efficiencies through shared service centers. Examples of functional areas where shared service centers make most sense include procurement, disbursement, collections, order management, and Human Resources.

Standardized business practices ensure that all parts of the organization conform to practices that are consistent with corporate objectives:

- Establish global processes and accessibility to data.
- Hasten incorporation of new business units.
- Establish the right balance of centralized and decentralized functions.
- Standardize and automate processes with self-service.
- Focus on core competencies.

## **Standardized Processes**

It is advantageous for companies to standardize their business processes across organizations and geographic regions. Common process methodologies provide benefits of economies of scale and learning, control, and comparability.

A good example of the move to standardization is Oracle and its subsidiaries. When Oracle decided to move to a single instance of financial data, the company had more than 90 independent businesses around the world. Each business had different processes none of which were linked to each other. As a first step to run the enterprise as a single unit and avoid redundancy, Oracle took on the responsibility of standardizing those processes.

In order to do this, the company established a fictional subsidiary called Monaco and then articulated the idealized procedures that this subsidiary deployed. These idealized procedures were then subject to review by Oracle's European, American, and Asia Pacific management. Through those reviews, the processes were refined to a standard procedure. Though the processes have been edited and revised many times, they are now all standardized, global procedures.

Consider the way an employee submits expenses and receipts for reimbursement. At Oracle, the methodologies, user interfaces, receipt submissions, and reimbursements are now the same anywhere in the world. The employee submits the expenses

electronically and sends the paper documentation to a shared service center from where treasury funds the reimbursement. In addition, we also meet unique local requirements such as recovering overseas taxes paid by American travelers.

Similar standardization has been applied to almost all processes including:

- Revenue and expense recognition
- Human Resources processing
- Procurement
- Order Management
- Sales and service

Finally, formally designed standardized reports from a central reporting organization are utilized to complete the business cycles.

## Oracle Internal Controls Manager

Oracle Internal Controls Manager is a comprehensive tool for executives, controllers, and auditors to address regulations that require organizations to maintain internal financial controls and monitor ongoing compliance. The solution integrates with other enterprise business systems, Oracle and non-Oracle, to monitor key control points. It also includes specific audit features such as one designed expressly to look at segregation of duties. Oracle Internal Controls Manager is based on Committee of Sponsoring Organizations (COSO) and COBIT (Control Objectives for Information and related Technology) standards.

**Note:** The following sections provide an overview of the salient features available in Oracle Internal Controls Manager. For detailed information on these features, see the *Oracle Internal Controls Manager Implementation Guide*.

### Tip for Existing Oracle Financials User

- In Release 12, Oracle Internal Controls Manager provides preventative controls such as the segregation of duties feature and a DBI dashboard for control managers.

## Process - Risk - Control Library

One of the biggest challenges to compliance is identifying and defining a company's business processes, linking documentation to those processes, then identifying the risks and controls associated with those processes. The COSO framework for internal controls and the COBIT framework for Information Technology controls are often used to identify the process- risk- control matrix in a firm. Once these risks and controls are identified, regulations require testing, certification, and ongoing monitoring of the

controls.

Oracle Internal Controls Manager can be used to automate and streamline all the processes associated with its internal control environment. Processes, risks, and control activities are now stored in the Oracle Internal Controls Manager risk library, enabling a firm to have a 360 degree view of risks associated with each control activity as well as the individuals within the organization who have responsibility over that control.

## **Process Approvals and Change Management**

The verification of business processes in an organization is a major portion of the internal audit function. These processes (both manual and automated) are subject to change due to a variety of reasons such as a rapidly changing environment, legislation, and changes in other processes. Since the changes can adversely impact process risk exposure as well as the internal controls set up on the process, process changes must be subject to a review and approval mechanism.

Further, the internal audit department must assess the process change to ascertain whether it introduces additional control risks. Risks to internal controls can be captured through a review of the changes to key risks, controls, and business settings. It is therefore critical to be able to view version information and historical data for business processes. Oracle Internal Controls Manager provides a rich functionality in this domain and uses an intuitive workbench to provide features and benefits including the following:

- Processes and process revisions are created in a "Draft" status and must be approved before the process or its revision can be used in the system. Change notifications are sent to all concerned personnel (for example, process owners) and recipients of these notifications can review the modified processes prior to giving their approval.
- The application maintains a detailed revision history for all processes (including non standard processes) in the entity. Auditors have the ability to view a complete audit trail of changes taking place in the organization and the risk library.
- Before approving a process change, you can compare the revised process with its prior version to determine whether the change is acceptable. This comparison is crucial in determining the impact of changes and deviations on associated processes. Through a hierarchy viewer, you can also see which associated business processes are impacted by the change.

## **Integration with Oracle Scripting**

To help in making assessments, you can associate a survey written with the Oracle Scripting tool to an "Assessment" in Oracle Internal Controls Manager. Oracle Scripting is a powerful web based tool for soliciting, managing, and analyzing stakeholder feedback through surveys. In any organization, surveys created with Oracle Scripting can help in providing an effective control environment and the results can be used to

make macro level risk assessments.

Oracle Scripting is comprised of several components including a Script Author and a Survey Administration console. The Script Author is used to build "survey scripts" that can be deployed throughout the enterprise. With the Survey Administration console, you can establish and maintain survey campaign information as well as generate reports for analyzing survey data.

## Segregation of Duties Constraints

Oracle Internal Controls Manager can be used to check whether users in an enterprise have access to responsibilities and functions that are incompatible with each other.

The Segregation of Duties feature in Oracle Internal Controls Manager is based on access to "Responsibilities" and "Functions" in the Oracle E-Business Suite.

**Note:** Responsibilities define application privileges by allowing users access to only those Oracle Applications functions and data appropriate to their roles in the organization.

**Note:** Functions are a security feature in Oracle Applications that are used to control access to specific application features. Each function typically corresponds to an application feature such as a page, button, tab, or menu.

You now have the ability to identify any specific combination of incompatible responsibilities or functions in an organization as a constraint. The application can report occurrences where an individual possesses access to two or more of these incompatible tasks and thereby violates the constraint.

When a constraint violation is found, you can initiate a request for management to take action by modifying the duties of those users with incompatible tasks.

## Process and Organization Certification

Corporate management systems typically imply the existence of processes that are employed to implement the objectives of management. For these management systems to be effective, it is critical that the business processes supporting them are regarded as reliable. Companies therefore need to establish an ongoing monitoring of business processes while evaluating and improving their effectiveness.

You can accomplish this objective in Oracle Internal Controls Manager through the periodic certification of processes and organizations in the enterprise. Certification requires process owners to provide assurance that their organization's processes are in compliance with the standard(s) utilized as the basis of its management system. It includes a series of rigorous audits and other activities to provide assurance that the organization's management system is adequate and effective.

Successful completion of an audit and any related follow-up activities which may be required results in the process being "certified". The certification attests to the process meeting the requirements of the applicable standard.

## **Financial Statement Certification**

Financial statements are comprised of financial items. Each financial item is an account or consolidation of accounts and an integral part of the processes that affect it. It is imperative that the processes behind financial items be recognized and incorporated into the financial audit. Financial audits therefore include both test of details of balances as well as audits of the processes that affect those balances.

In addition, governmental regulation in several countries, for example Section 302 of the Sarbanes-Oxley Act in the United States, requires that the principal officers of a firm certify the information contained in the firm's quarterly and annual reports. Management must now attest to the effectiveness of internal controls over financial reporting.

To this end, monitoring of the controls in the various processes impacting the financial statement takes on increased importance and companies need to establish this ongoing monitoring as part of the financial audit. Successful completion of an audit of these processes and any related follow-up activities which may be required, results in the financial item being "certified."

With the financial statement certification functionality in Oracle Internal Controls Manager, signing officers now have a structured way of ensuring that the internal controls related to every account and financial item is working. The adequacy of internal controls within business processes affecting financial statements is brought about from two different inputs:

- For each financial item, the results from internal audit evaluations of the processes affecting that item are presented in a consolidated fashion to financial "signing" officers.
- Also brought into context are the results of the relevant process certifications by the process owners.

These inputs present adequate perspective for the signing officer to evaluate the processes behind the numbers and decide whether adequate controls are in place.

Executives can use the dashboard in Oracle Internal Controls Manager to see how they stand at any given time in the 404 certification process, as defined by financial statement line items and their associated business processes. The dashboard displays when process owner have evaluated and signed off on the effectiveness of internal controls associated with a specific business process. Having such a detailed and granular level of accountability supports the compliance process.

## **Application Controls Management**

The Oracle E-Business Suite offers a comprehensive set of automated application

controls in the form of setup parameters. These application controls are critical to the overall control environment because any changes to them can have an adverse effect on the organization's processes including those that influence the reliability and integrity of financial reporting.

The Application Controls Monitoring is an integrated, out of the box Information Technology (IT) controls management feature within Oracle Internal Controls Manager. It enables companies to effectively and efficiently manage their IT environment by monitoring the application control parameters within the Oracle E-Business Suite. IT managers and IT auditors can now track changes to application controls in several applications within the suite.

This type of monitoring supports a number of high level control objectives within the COBIT framework such as maintaining application software, managing changes, ensuring systems security, and managing configuration. IT auditors and managers can use this functionality to support COBIT by monitoring and enforcing set parameters within the Oracle E-Business Suite.

## **Oracle Learning Management**

In addition to the deployment of enterprise wide policies and procedures, the success of any compliance program also depends on the employee knowledge of those policies and procedures. Legal mandates require that firms actively manage ethics and compliance programs and communicate appropriate standards throughout the organization. Oracle Learning Management is a powerful tool to institutionalize policies and procedures through online education and training. It can also be used to confirm employee knowledge of the company's various business and ethics programs.

Oracle Learning Management is an enterprise learning management system that enables you to manage, deliver, and track training in a consistent fashion across the firm and on a worldwide basis. Learners interact with content, instructors, and peers at their own pace. Managers can automate key business flows - from courseware order processing to training delivery and from performance appraisals to training assessments.

## **Oracle Tutor**

Documented end user procedures are a proven way to communicate job performance expectations to employees. While documented procedures alone cannot enforce corporate governance, they can help tremendously – especially when such procedures are standardized across the enterprise and supported by cohesive business applications. Increasing visibility and control over all your business practices through documentation is critical for ongoing Sarbanes-Oxley attestation audits.

Oracle Tutor enables companies to create, distribute, and maintain their business procedures and corporate governance documentation. The application features a native Microsoft Word based format, web enabled remote access, and company wide deployment.

## Oracle Collaboration Suite

Several regulations require companies to retain and manage their electronic content with a particular emphasis on electronic communications. While each of these regulations has its own individual characteristics and requirements for evidence discovery, a set of common requirements can be identified:

- Rapid, reliable access to all content (for example, electronic documents, e-mail, instant messages, physical documents)
- Retention and disposition management
- Secure access control
- Content analysis and classification

Few companies have formal records retention policies in place, despite the fact that intelligent discovery, retrieval, and search capabilities are very important to compliance. Many firms also lack e-mail archiving policies and programs. Lack of formal, enterprise-wide processes and solutions for records and document management is not only risky, but ultimately drives up the cost of compliance for companies that rely on manual processes and point solutions.

Oracle Collaboration Suite offers a unique architecture for effectively retaining, auditing, archiving, and supervising electronic communications. Built on Oracle's unified data model, Oracle Content Services (within the Collaboration Suite) can effectively archive both structured and unstructured content including electronic documents, e-mails, and web content. All your firm's communications therefore reside in a single system, allowing management to implement record retention policies consistently across the organization as well as find documents easily and cost effectively.

## Corporate Governance & GAAP

A large part of the corporate governance task is ensuring that external reporting and statutory reporting meet the standards imposed by your Generally Accepted Accounting Principles (GAAP) and your subsidiaries' statutory regulators.

## Requirements for Multiple Representations

Transactions are regulated by a surprising amount of regulation and legislation. They have their base in public company regulation, company registration legislation, corporation tax rules, value added tax and sales tax rules, overt legislation, and similar jurisdictions.

## Localizations Support

In addition to using ledgers and subledger accounting, Oracle supports national regulations in multiple ways.

Many national compliance issues are now built into the product itself and you do not need any further tools to support it. Newer legislation which is not yet absorbed into the core product may be available through country specific patches. Finally, when a requirement is brand new and still under analysis, you may implement a customized solution through a consulting engagement.

---

# Business Analytics & Corporate Performance Management

This chapter covers the following topics:

- Introduction
- The Oracle Business Analytics & Corporate Performance Management Architecture
- Oracle Corporate Performance Management Applications

## Introduction

By implementing transaction processing system Enterprise Resource Planning, Customer Relationship Management, and Supply Chain Management applications, firms have taken the first step towards automating their business processes. In addition, a large number of enterprises have also taken the critical next step by using Business Intelligence systems.

The mere implementation of these Business Intelligence systems however is not a guarantee that the firm is more effective. As an example, feed data from the transactional system assumes that the right processes are being executed. However, it serves no purpose to optimize a process that should not be carried out in the first place. In addition, a large segment of the data that is generated by a transactional system and fed into the data warehouse is aggregated information that reviews the past.

Oracle Corporate Performance Management helps reverse that trend by providing a set of tools and applications for tracking, analyzing, modeling, and delivering information in support of proactive decision making. It combines past performance along with goal setting, forecasting, analysis, and accountability.

The tools and applications provide the following advantages:

- You can secure the strategic and tactical decisions of the organization within the Oracle Corporate Performance Management applications. Business Intelligence systems allow you to monitor and analyze the vast amounts of data generated by

your transactional systems. The analysis of such data however is not independent of the strategic objectives of the firm. By linking forecasts and planning with the corporate strategies above it, and the operational data created below, accurate forecasts can be both created and followed.

- Results can be deployed to any and all users and can be tailored to an employee's role. By extending their use to a wide range of users, from executives and line of business managers, to analysts and other knowledge or line workers, they provide the means to increase the level of intelligence across the organization.
- The Corporate Performance Management solution allows you to consolidate all your enterprise data into portals or corporate dashboards to get complete visibility into the state of the enterprise. You can thereby monitor how closely your organization is aligned with corporate goals. Analysis takes less time, requires fewer resources, and is more accurate. Quickly identify those areas that may adversely affect your numbers.

## **The Oracle Business Analytics & Corporate Performance Management Architecture**

Three major Oracle product families provide business analytics software that supports the full range of decision centric business intelligence needs, ranging from information delivery to advanced analytics. Oracle's complete business analytic offering now includes:

- A Data Warehousing Platform
- Business Intelligence Tools
- Corporate Performance Management Applications

At the heart of the Oracle Corporate Performance Management solution is its data warehousing platform and tool kits consisting of the Oracle Database and Oracle Business Intelligence middleware. These provide the technology foundation for building a complete business intelligence and data warehousing solution.

### **Oracle Database 10g**

Oracle's data warehousing platform is based on Oracle Database 10g for data warehouse management and the Oracle Business Intelligence Warehouse Builder tool for data warehouse creation and loading of quality data.

Analytic capabilities for multidimensional analysis (online analytical processing or OLAP) and data mining are built into the data server. A single database that delivers storage, OLAP, and data mining functionality eliminates the need for multiple engines with separate repositories, each specialized for a different analytic technique. The

resulting environment eliminates the overhead of data synchronization between the data warehouse and individual OLAP or data mining engines, while decreasing data latency and storage requirements.

## **Oracle Warehouse Builder**

Oracle Warehouse Builder is a tool to enable the design and deployment of Business Intelligence applications, data warehouses, and data marts. Warehouse Builder enables users to design their own Business Intelligence applications from start to finish. Dimensional design, ETL (extract, transform and load) process design, extraction from disparate source systems, extensive metadata reporting, and integration with three products - Oracle Discoverer, Oracle Workflow, and Oracle Enterprise Manager - enable an integrated Business Intelligence solution with Warehouse Builder at the core.

Oracle Warehouse Builder is the only enterprise business intelligence integration design tool that manages the full life-cycle of data and metadata for Oracle Database 10g. It provides an easy to use, graphical environment to rapidly design, deploy, and manage business intelligence systems. The tool allows you to design your entire Business Intelligence system including relational schemas, dimensional models, and end user environments. Once you have designed your system you can use the same tool to design and run your data integration processes, allowing you to consolidate all design into one scalable environment.

Warehouse Builder supports both dimensional and relational data structure design. Designing an object in Warehouse Builder is easy because of the use of wizards throughout the product. Using the object creation wizards you can define all objects needed for your business intelligence system using this step-by-step process: for example, dimensions, cubes, tables, views, and materialized views.

Once defined, all data and dimensional structure objects can be deployed to the Oracle database. Combining schema design with the ETL design gives Warehouse Builder the unique advantage to know about all objects in the system. With the design in one place you can also benefit from metadata reporting like impact analysis.

## **Oracle Business Intelligence**

Oracle Business Intelligence for Oracle Database 10g is a comprehensive offering designed to address the entire spectrum of analytical requirements and is built over the Oracle database. It includes tools for querying, reporting, analysis, data integration and management, desktop integration, and business intelligence application development.

Oracle Business Intelligence tools augment a traditional Enterprise Resource Planning (ERP) system by supporting activities such as:

- **Monitoring:** Data from business (transactional) systems are monitored to get a reading on the state of current operations. Actual results can be compared with targets or goals that have been established.

- **Analysis:** Time-oriented data from multiple systems is integrated into a data warehouse or mart in order to support in depth analysis. Deviations from expected results or targets can then be explored.

Reports are published and delivered to business users in a variety of formats such as web, wireless, and e-mail.

Oracle Business Intelligence is a member of the Oracle Fusion Middleware family of products, which bring greater agility, better decision-making, and reduced cost and risk to diverse Information Technology (IT) environments. Oracle Business Intelligence contains several integrated components for OLAP and relational online analytical processing (ROLAP) analysis and reporting including the following:

- **Oracle Business Intelligence Discoverer:** Relational and OLAP data access and user-driven customizable dashboards.
- **Oracle Business Intelligence Spreadsheet Add-In:** OLAP data access from within Excel spreadsheets.
- **Oracle Business Intelligence Beans:** Building powerful custom business intelligence applications.
- **Oracle Reports Services:** High-fidelity enterprise reporting.

Each of these tool kits are briefly discussed in the following sections.

## **Oracle Business Intelligence Discoverer**

Discoverer is an intuitive ad-hoc query, reporting, analysis, and web publishing tool that empowers business users at all levels of the organization to gain immediate access to information from data warehouses and online transaction processing systems like the Oracle E-Business Suite. It provides an intuitive interface that enables end users to easily design queries and deliver tables and charts of data. Business views hide the complexity of the underlying data structures, enabling you to focus on solving business problems.

Oracle Business Intelligence Discoverer provides the ability to access both relational and multi-dimensional data within a single reporting environment. This enables business users at all levels of the organization to make faster and more informed business decisions using any standard web browser.

The product can also be fully integrated with the Oracle Fusion Middleware Portal. For example, a portlet or a section of the portal can be used to deliver Oracle Business Intelligence Discoverer data. Exposing Oracle Business Intelligence Discoverer through the portal retains all the interactive features of Oracle Business Intelligence Discoverer, such as drill-down, sorting, filtering, and dynamic connections to charts.

Data from Oracle Business Intelligence Discoverer can be rendered to HTML, PDF, or exported to Excel while maintaining any formulas that were used in the original calculations. End users are also presented with Query Builder and Calculation Builder

modules for building queries from scratch rather than using any of the prebuilt views.

### **Oracle Business Intelligence Spreadsheet Add-In**

Excel applications are typically based on static data that must be updated either manually or using error-prone macros. As a result, most Excel users spend more time creating their data sets rather than analysis and useful decision making. In addition, Excel applications typically contains their own set of business rules and terminology, making it difficult to compare and contrast results from different worksheets. What is needed is the ability to view business data intelligently from within Excel by accessing a central repository of data, rules and definitions and by executing the required query directly against the database.

The Oracle Business Intelligence Spreadsheet Add-In resolves all of these issues and many more. It combines the analytic power and scalability of Oracle OLAP with the familiarity of Microsoft Excel by embedding OLAP capabilities directly within Excel. Users report against common business definitions that are stored centrally in the Oracle Database. This provides a consistent and quality view of their corporate information. In addition, users can perform ad hoc analysis on this data using traditional OLAP exploration techniques such as drilling, pivoting, and paging multiple views of the data.

By running queries at the database level, users benefit from the performance and security of the Oracle database, and at the same time can be sure of getting the very latest information. Once the data has been retrieved, users can modify and enhance the result set using standard Excel features.

### **Oracle Business Intelligence Beans**

Oracle Business Intelligence Beans is a set of standards-based application building blocks designed for use with Oracle OLAP.

Using Oracle JDeveloper and Oracle Business Intelligence Beans, a developer can build advanced analytic applications for both casual information viewers and high-end users who require complete ad-hoc query, analysis, and reporting solutions. These solutions assist executives, managers, and analysts in making key business decisions with confidence and precision.

### **Oracle Reports Services**

Oracle Reports is Oracle's enterprise reporting tool. It enables businesses to give immediate access to information to all levels within and outside of the organization in a scalable and secure environment. Oracle Reports consists of Oracle Reports Developer (a component of the Oracle Developer Suite) and Oracle Application Server Reports Services (a component of the Oracle Application Server).

### **Summary**

Oracle Business Intelligence accelerates the decision making process and reduces the IT burden by empowering you with self service access to powerful analytics and

customization capabilities. You get personalized access to the right intelligence, at the right time, and in the right format.

Together, the Oracle Business Intelligence and Database platform help you reduce IT complexity and total cost of ownership by eliminating the need for specialized servers and tools for ETL, reporting, and OLAP. It is a complete and pre-integrated business intelligence framework for building, deploying, and managing enterprise business intelligence solutions. You can now rapidly develop and deploy data warehouses and data marts with an integrated array of reporting and analysis tools.

**Note:** For more information on the integration of Corporate Performance Management applications, refer to the section on Enterprise Performance Foundation.

## Oracle Corporate Performance Management Applications

Across the enterprise, multiple initiatives are undertaken to meet corporate goals. For example, executives create strategies, operations have plans, and finance is always creating and tracking numbers and trends. In several organizations however, these efforts are executed in "non-unified silos". In addition, most businesses today focus on past performance using standard metrics in reports. Though these measurements are critical, they are inherently passive.

It is only when such measures and the processes supporting them are united with goal setting, forecasting, accountability through Key Performance Indicators (KPI's) and feedback loops across functional areas, that the system becomes proactive. In contrast to performance measurement, corporate performance management is inherently forward facing.

## Overview of the Oracle Corporate Performance Management Suite

Oracle makes available a set of products that unify the many performance management elements under an executive dashboard. The Corporate Performance Management suite enhances understanding of the business through a range of powerful analytic applications that support consolidations, reporting, analysis, budgeting, planning, forecasting, activity based costing, and profitability.

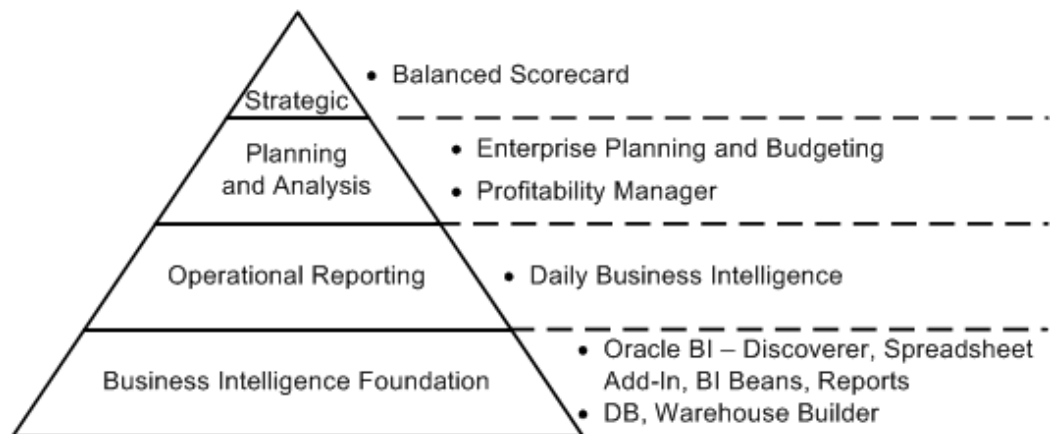
These applications are ready to use out of the box and enable the proactive management of the full life cycle of business decision making. Oracle's Corporate Performance Management suite focuses on the following areas:

- Strategic Goals Setting and Alignment (Oracle Balanced Scorecard)
- Enterprise Data Consolidation (Oracle Financial Consolidation Hub)
- Planning, Budgeting, Forecasting, and Modeling (Oracle Enterprise Planning and Budgeting)

- Profitability Analysis and Modeling (Oracle Profitability Manager)
- Operational Analytics and Reporting (Oracle Daily Business Intelligence)

**Note:** For more details on the Oracle Financials Consolidation Hub, see Accounting Consolidation in Oracle Ledgers.

The following diagram depicts a pyramid structure where the foundation layer includes direct data manipulation tools such as Discoverer, Spreadsheet Add-In, Beans, Reports, Database, and Warehouse Builder working directly on the Database. Daily Business Intelligence, operational reporting based on the line transaction processing tables is the next layer, and provides operation and managerial dashboards. The third layer is based on web data warehouses and includes Enterprise Budgeting and Planning and Profitability Manager. The fourth and top layer is the strategic analytic area, using Balanced Scorecard.



Together, these applications allow you to hypothesize, analyze, and model analytical solutions for your organization, for example you can now model a business problem with alternative solutions and the models predict the likely result of candidate solutions.

## Unified Data Model

Oracle's unified data model (all data in one place and defined in one and only one way) provides a 360-degree view of the enterprise. This single source of truth enables a complete understanding of the firm from multiple perspectives. All the Oracle Corporate Performance Management applications (with the exception of Daily Business Intelligence) are integrated with this central repository of information. Such a data model allows you to move rapidly between reporting the past and projecting the future. Furthermore, such a data model allows you to drill as required into details to support your hypothesis and projections.

Corporate Performance Management applications are also delivered with a set of tools that allow users to configure them to their specific business requirements. Managers can provide all relevant information to the decision makers at the right time and in a format that best supports their business needs.

## Enterprise Performance Foundation

Oracle General Ledger is the central repository of financial information for a firm running the Oracle E-Business Suite. The information contained there is critical for activities such as financial and management reporting, profitability analysis, budgeting, planning, and consolidation.

Several applications in the Oracle Corporate Performance Management product suite feed off General Ledger based data including:

- Oracle Enterprise Planning and Budgeting
- Oracle Financial Consolidation Hub
- Oracle Profitability Manager

However, all these applications access the General Ledger data for analytical processing through the Enterprise Performance Foundation (EPF) framework. It is therefore necessary for the source General Ledger data to be first transferred and stored in this underlying architecture before any analysis or planning can be conducted.

**Note:** Oracle Daily Business Intelligence and Oracle Balanced Scorecard do not interface with the EPF foundation but instead feed off ERP data directly.

The General Ledger Rules architecture provides a means to transfer information captured in Oracle General Ledger to the Enterprise Performance Foundation from which analysis, reporting, and modeling can be performed.

**Note:** For more information on Oracle Enterprise Performance Foundation, see the *Oracle Enterprise Performance Foundation User's*

*Guide.* For more information on Oracle Financial Consolidation Hub, see the *Oracle Financial Consolidation Hub User's Guide*.

The following sections provide more details on the individual applications with the Oracle Corporate Performance Management Suite.

## **Oracle Balanced Scorecard**

### **Overview**

Strategic goal setting and alignment is the first tenet of Corporate Performance Management. Oracle Balanced Scorecard is a powerful framework to help leaders define and implement strategy. This is accomplished by translating the vision and strategy into a set of operational objectives that drive behavior and performance. The Balanced Scorecard concept is built upon the premise that measurement motivates and that measurement starts with a clearly described strategy. Key Performance Indicators (KPI's) such as profitability or performance to plan which feed the strategic goals can then be set and disseminated across the enterprise.

The Oracle Balanced Scorecard is a web-enabled design, administration, and delivery tool to deploy an organization-wide performance management solution. Within the Balanced Scorecard application users can develop and present information via cause-and-effect diagrams that are deployed as interactive maps showing relationships between organizational initiatives, events, and processes.

Using KPI's that feed off Enterprise Resource Planning (ERP) and other data sources, users can compare current performance against various benchmarks such as industry peers, internal plans, budgets, and historical data to assess current performance. Additionally, users can easily spot trends and compare performance along different dimensions such as business unit, product, geography, or sales channel. Color coding is used throughout the application to alert users to exceptions.

Collaborative decision making is supported through the addition of qualitative comments by end users. For example, owners of a specific KPI can supplement structured data presented in tables or charts with personal comments. Thus, Oracle Balanced Scorecard combines the best of both quantitative analysis and employee intuition. Furthermore, using Oracle's integrated workflow you can streamline inter-user approvals and participation in review processes.

### **Provision for Custom Solutions**

Differences between industries and business models create unique performance measurement needs. Oracle Balanced Scorecard provides flexible design tools that allow you to create a performance measurement and management solution tailored to the needs of your organization. You can effectively create scorecards and dashboards that display the key strategic objectives and performance indicators for your business. Custom drill-down reports can be designed to support multi-dimensional drill-down

analysis on key performance indicators.

For example, in addition to integration with the pre-built Daily Business Intelligence KPI's, users can identify other preferred KPI's and the software automatically generates the appropriate schema and materialized views for them. You can then use Oracle Business Intelligence Warehouse Builder to map data sources to this optimized data mart. In effect, end users are "developing" the data mart and thus taking an important step towards alleviating one of the perennial challenges in business analytics - the gathering of business requirements.

### **Integration with Oracle Daily Business Intelligence**

Balanced Scorecard is integrated with Oracle Daily Business Intelligence, which enables users to include over 250 pre-built Daily Business Intelligence KPI's on custom dashboards and drill-down reports. As these Daily Business Intelligence KPI's are already mapped to the E-Business Suite tables, you save the time required to map and load data. This gives a strategic time and cost advantage to corporations deploying a Corporate Performance Management solution.

You can design custom KPI's, dashboards, and drill-down reports and automatically generate the supporting database tables and summaries. Users can also link from custom scorecards to Daily Business Intelligence overview pages and reports. This allows them to drill from a high level strategic view to more granular and/or operational views.

### **Oracle Enterprise Planning and Budgeting**

Oracle Enterprise Planning and Budgeting controls the business processes of planning, budgeting, forecasting, monitoring, and analysis. Convert business strategies into actionable plans. Automate real-time monitoring of execution against plans. And integrate performance management with personal accountability.

### **Oracle Profitability Manager**

Oracle Profitability Manager is an application that enables the accurate and detailed modeling of profit analysis across an enterprise. The module includes powerful allocation methodologies and multi-dimensional analysis to support profitability management.

Oracle Profitability Manager assists with strategic and operational decision-making by providing accurate information to answer questions about your business such as:

- Which customers, products, or channels are the most profitable?
- How much does it cost to serve my customers?
- Where are the best opportunities to reduce costs?

## Powerful Multi-Dimensional Modeling

Oracle Profitability Manager's multi-dimensional approach takes advantage of the richness of your detailed data. You can now analyze and model your organization from multiple points of view, for example multiple "dimensions".

Predefined dimensions are available including product, customer, channel, project, geography, activity, business unit, and calendar period. Additionally there are seeded "user configurable" analytic dimensions that you can customize to meet your distinct needs. Upon any of these analytic dimensions, you can define an unlimited number of hierarchies, each with as many levels as needed. The hierarchies and dimensions are actively used in the creation of modeling rules and business definitions.

Oracle Profitability Manager enables analysis and reporting of profitability along any of these dimensions and hierarchies. Armed with this information, you can make supportable decisions about your customers, your products, as well as your business policies and processes. In short, Oracle Profitability Manager helps you manage all the significant facets of your business.

## Open Allocation Engine Including Activity Based Costing and Activity Based Management

Analytical capability in the application is driven by an engine that uses your preferred allocation methodology, from the simple to the complex. Comprehensive support for the activity based management allocation methodology, now becoming widely adopted, is also included.

Activity-Based Management and Costing methodologies provide a more accurate and complete view of the profits and costs of doing business than traditional costing. Costs are distributed to activities and cost objects based on business processes, allowing you to identify the true cost of activities.

Using Oracle Profitability Manager, you learn the value added by each activity and can perform detailed analysis to enable continuous improvement and competitive benchmarking of your business process. In addition, Oracle Profitability Manager has the power and scale to create distinct customer level cost objects instead of summarized cost object pools. This results in the accurate "cost to serve" of individual customers.

## Integration with Enterprise Performance Foundation

Data loading utilities are provided with Oracle Profitability Manager through the functionality of the Enterprise Performance Foundation.

**Note:** For more information on Oracle Enterprise Performance Foundation, see the *Oracle Enterprise Performance Foundation User's Guide*.

Dimension data, dimension hierarchies and customer and transaction detail data can be loaded into the Enterprise Performance Foundation through interface tables provided,

using seeded loader programs. Seamless integration with Oracle General Ledger allows you to easily load ledger data, and open API's help you to load data from any other source. All required validation checks are performed at the time of the data load, ensuring consistent and reliable data is loaded into the model. Custom data transformations and validations, if needed, can be performed using Oracle Warehouse Builder, or your preferred extract, transform, and load (ETL) tool.

## **Enterprise Wide Analysis and Reporting**

Oracle Profitability Manager provides the capabilities to support a rich reporting and analysis environment, with built-in reporting using Oracle Business Intelligence Discoverer. Additionally, Oracle's open standards allow any third-party reporting tools to be integrated.

## **Oracle Daily Business Intelligence**

Oracle Daily Business Intelligence provides a set of dashboards that display business performance information for key performance indicators such as revenue, expenses, and profit margin. Overview pages highlight trends, which can then be further analyzed by drilling into detail reports.

Daily Business Intelligence dashboards are supported by hundreds of drill-down reports that enable users to drill to the level of detail they need to understand the root cause of a problem and take appropriate action. For example, managers can analyze past due shipments to understand which products or warehouses are causing the backlog. They can then determine which customer orders are being delayed and take corrective action immediately.

Dashboards have built-in time summarization options from calendar week or month to rolling periods to fiscal periods depending on the analytical subject area. Furthermore, these time periods can be compared to prior periods and years. All dashboards offer a variety of visualization options including KPI's, graphs, tables, and guiding links.

## **Comprehensive Out-of-the-Box Content**

Pre-built dashboards and reports are available for all the major functional areas including Financials, Sales and Marketing, Human Resources, Projects, Supply Chain, Procurement, Manufacturing, and Product Lifecycle Management. Specifically, Daily Business Intelligence provides analytical subject areas or modules including (but not limited to) the following:

- Daily Business Intelligence for Compliance
- Daily Business Intelligence for Financials
- Daily Business Intelligence for Human Resources
- Daily Business Intelligence for Projects

- Daily Business Intelligence for Procurement
- Daily Business Intelligence for Supply Chain

Each of these modules map to corresponding Oracle enterprise applications. For example, the Human Resources family of E-Business applications has a pre-built analytical module called Daily Business Intelligence for Human Resources. Similarly, all other E-Business applications have similar Daily Business Intelligence modules to provide the right "cockpit" or interactive dashboards, queries, reports, and KPI's.

A key inherent strength of Daily Business Intelligence is its ability to provide analysis across different functional silos such as Human Resources, Finance, and Customer Support. For example, Profit and Loss is a Daily Business Intelligence for the Finance dashboard that can provide information by line of business and by manager as defined in the organization hierarchy specified in the Human Resources application. Similarly, measuring marketing's contribution to company revenues has been a sought after capability to optimize marketing investments. Daily Business Intelligence for Marketing incorporates data from the Finance, Marketing, and Sales E-Business application modules to compute impact by calculating total closed deals that were marketing driven.

You can also drill down to the underlying operational applications to better understand root causes or to take immediate action. These strengths are critical in providing the business context for analytical applications.

## **Integrated Architecture**

Traditional business intelligence solutions typically involve designing a separate database to store summarized information. Most of these solutions require significant custom development effort to design the reporting database and the corresponding data extraction routines needed to populate it.

Instead of implementing a separate reporting infrastructure and moving a subset of data from the transaction system to a separate reporting system, Oracle Daily Business Intelligence maintains summaries in the same database where transactions are stored. As a result, users have access to both summary data and transaction details in a single system. Therefore users have access to more complete and up-to-date information, while at the same time reducing the amount of time and cost to implement and maintain the solution.

Beyond the database, Oracle Daily Business Intelligence's ability to provide cross functional business context, drill-down and through capability is a direct result of its seamless integration with the E-Business Suite. In fact, Daily Business Intelligence can be thought of as an embedded analytical solution that is built by extending the same framework that is used to build the underlying operational application or Oracle Application Framework

In addition, a critical benefit of an organic integration with the underlying applications is that they share the same security model – from authentication to authorization to auditing – ensuring data level security across the organizational hierarchy.

### **Configurable and Extensible for Your Industry**

With Oracle Daily Business Intelligence, KPI's and reports can be renamed, hidden, or rearranged on the appropriate Daily Business Intelligence Dashboard, tailoring intelligence for the needs of your specific industry. Daily Business Intelligence is also extensible, allowing you to create new KPI's and reports, based on both Oracle and non-Oracle data sources. The framework provides a toolset to create custom Daily Business Intelligence dashboards from scratch in a "drag and drop" environment.

---

## The Oracle Financials Product Footprint

This appendix covers the following topics:

- Introduction
- CRM, Sales, Order Management, Product Management, Procurement, and Supply Chain
- Logistics, Maintenance, Human Resources, Service, Finance, and Projects

### Introduction

Oracle Financials applications are an integrated part of the Oracle E-Business Suite. The suite consists of a complete and comprehensive set of applications that are designed to assist you with every aspect of running your business across today's world.

### CRM, Sales, Order Management, Product Management, Procurement, and Supply Chain

In addition to the Financial applications, other applications within the Oracle E-Business Suite include those associated with Product Management, Marketing, Order Management, Sales, Supply Chain Planning, Procurement, and Marketing.

| Business Process   | Oracle Product or Feature                                                                                                                                                                                                 |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product Management | <ul style="list-style-type: none"> <li>• Product Lifecycle Management</li> <li>• CAD Viewing</li> <li>• Product Information Management Hub</li> <li>• UCCnet Trading Connector</li> <li>• Product Intelligence</li> </ul> |
| Marketing          | <ul style="list-style-type: none"> <li>• Customer Data Management</li> <li>• Marketing</li> <li>• Partner and Trade Management</li> <li>• Marketing Intelligence</li> </ul>                                               |
| Order Management   | <ul style="list-style-type: none"> <li>• Order Management</li> <li>• Configurator</li> <li>• Advanced Pricing</li> <li>• Release Management</li> <li>• Receivables</li> <li>• Order Intelligence</li> </ul>               |

| Business Process      | Oracle Product or Feature        |
|-----------------------|----------------------------------|
| Sales                 | • iStore                         |
|                       | • TeleSales                      |
|                       | • Field Sales                    |
|                       | • Quoting, Proposals             |
|                       | • Incentive Compensation         |
|                       | • Sales Contracts                |
|                       | • Interaction Center             |
|                       | • Sales Intelligence             |
| Supply Chain Planning | • Demand Planning                |
|                       | • Advanced Supply Chain Planning |
|                       | • Collaborative Planning         |
|                       | • Constraint Optimization        |
|                       | • Inventory Optimization         |
|                       | • Global Order Promising         |
|                       | • Exception Management           |
|                       | • Planning Intelligence          |

| <b>Business Process</b> | <b>Oracle Product or Feature</b>                                                                                                                                                                                                                                                           |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Procurement             | <ul style="list-style-type: none"> <li>• Sourcing</li> <li>• Purchasing</li> <li>• iProcurement</li> <li>• Services Procurement</li> <li>• Procurement Contracts</li> <li>• Supplier Collaboration</li> <li>• Supplier Network</li> <li>• Purchasing Intelligence</li> </ul>               |
| Marketing               | <ul style="list-style-type: none"> <li>• Manufacturing Scheduling</li> <li>• Discrete Manufacturing</li> <li>• Flow/Lean Manufacturing</li> <li>• Process Manufacturing</li> <li>• Project Manufacturing</li> <li>• Shop Floor Management</li> <li>• Manufacturing Intelligence</li> </ul> |

## Logistics, Maintenance, Human Resources, Service, Finance, and Projects

Oracle Financials applications include Corporate Performance and Management applications such as Enterprise Planning and Budgeting, Governance and Compliance applications such as Internal Controls Manager, and Financial Control and Reporting applications associated with General Ledger.

Subledgers include Credit to Cash applications supporting the management of your receivables and Procure to Pay facilitating the completion of the procurement cycles and management of disbursements.

Travel and Expense management expedites and controls your employee based

disbursements. Asset Lifecycle, Lease Management, and Property Manager drive your return on investment in capital intensive assets.

| Business Process | Oracle Product or Feature                                                                                                                                                                                                                                                                                       |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Logistics        | <ul style="list-style-type: none"><li>• Inventory Management</li><li>• Mobile Supply Chain Applications</li><li>• Warehouse Management</li><li>• Transportation Management</li><li>• Transportation Planning and Sourcing</li><li>• Freight Pay, Bill, Claims</li><li>• Fulfillment Intelligence</li></ul>      |
| Service          | <ul style="list-style-type: none"><li>• iSupport</li><li>• TeleService</li><li>• Field Service</li><li>• Mobile Field Service</li><li>• Advanced Scheduler</li><li>• Spares Management</li><li>• Depot Repair</li><li>• Service Contracts</li><li>• Interaction Center</li><li>• Service Intelligence</li></ul> |

| Business Process | Oracle Product or Feature          |
|------------------|------------------------------------|
| Maintenance      | • Enterprise Asset Management      |
|                  | • Self Service Work Requests       |
|                  | • Property Management              |
|                  | • Maintenance Intelligence         |
| Finance          | • Corporate Performance Management |
|                  | • Governance and Compliance        |
|                  | • Financial Control and Reporting  |
|                  | • Credit-to-Cash                   |
|                  | • Procure-to-Pay                   |
|                  | • Travel and Expense Management    |
|                  | • Cash and Treasury                |
|                  | • Asset Lifecycle Management       |
|                  | • Lease Management                 |
|                  | • Property Management              |

| Business Process | Oracle Product or Feature      |
|------------------|--------------------------------|
| Human Resources  | • iRecruitment                 |
|                  | • Human Resources              |
|                  | • Self Service Human Resources |
|                  | • Learning Management          |
|                  | • Time and Labor               |
|                  | • Advanced Benefits            |
|                  | • Payroll Management           |
|                  | • Human Resources Intelligence |
| Projects         | • Project Management           |
|                  | • Project Collaboration        |
|                  | • Resource Management          |
|                  | • Portfolio Analysis           |
|                  | • Project Costing              |
|                  | • Project Billing              |
|                  | • Project Contracts            |
|                  | • Project Intelligence         |



---

## Industry Specializations

This appendix covers the following topics:

- Overview
- Enhanced Industry Support

### Overview

Oracle Applications provide enhanced industry support for organizations in the following areas:

- Manufacturing
- Asset Intensive
- Service
- Public Services

### Enhanced Industry Support

#### Manufacturing

- Regulatory compliance for clinical trials and Title 21 Code of Federal Regulations Part 11 (21 CFR Part 11).

#### Asset Intensive

- Common asset repository
- Enhanced fleet asset management

- Support for 21 CFR Part 11
- Enhanced budget and forecasting

## **Service**

- Oracle Financials and Oracle Retek Merchandising System - Retek Store Systems integration
- Oracle Financial Services Accounting Hub

## **Public Services**

- Centralized and configurable budgetary control and accounting
- Enhanced shared services

---

# Index

## A

---

### accounting

- calendars, 4-7
- chart of accounts, 4-2
- common subledger operations, 4-11
- consolidation, 4-15
- conventions, 4-7
- currency, 4-4
- inquiries, drill-down, and reporting, 4-12
- journal entry setup, 4-10
- multiple accounting representations, 4-10
- overview, 4-1
- setting up, 4-12

*See also* Accounting Setup Manager

### accounting consolidation, 4-15

- Financial Statement Generator, 4-17
- Global Consolidation System, 4-18
- Oracle Financial Consolidation Hub, 4-15

### Accounting Setup Manager, 4-12

- corporate view, 4-14
- legal environment considerations, 4-13

### Advanced Global Intercompany System, 5-2

## B

---

### balancing segment, 2-10

- chart of accounts, 2-15

### bank account model, 5-6

### business analytics, 7-1

- See also* Oracle Corporate Performance Management
- architecture, 7-2

### business divisions, 2-3

### business groups, 2-6

## C

---

### calendars, 4-7

### chart of accounts, 2-14, 4-2

- balancing segment, 2-15
- cost center, 2-15
- global, 4-2
- natural account, 2-16
- regulated, 4-3

### compliance, 6-1

- architecture, 6-3
- legal entities, 2-4
- requirements, 6-2

### consolidation tools

- cross organization reporting, 2-19

### conventions

- accounting, 4-7

### corporate governance, 6-1, 6-15

- See also* internal control
- localizations support, 6-16
- multiple representations, 6-15

### Corporate Performance Management

- See* Oracle Corporate Performance Management

### cost center

- chart of accounts, 2-15

### cross organization reporting, 2-18

- consolidation tools, 2-19
- ledger sets, 2-19
- multiple organizations access control, 2-19

- Oracle Daily Business Intelligence, 2-18
- Oracle XML Publisher, 2-19
- reporting tools, 2-19
- standard reports, 2-18
- currency, 4-4
  - primary currency, 4-5
  - reporting currency, 4-6
  - transaction currency, 4-5

## D

---

- departments, 2-7
- desktop integrators
  - reporting, 3-3

## E

---

- E-Business Suite
  - See* Oracle E-Business Suite
- E-Business Tax
  - See* Oracle E-Business Tax
- establishment
  - legal entities, 2-8

## F

---

- Financial Consolidation Hub
  - See* Oracle Financial Consolidation Hub
- Financials
  - See* Oracle Financials
- Financial Statement Generator (FSG)
  - ledgers, 4-17
  - ledger sets, 4-17
  - periodic management reporting, 3-1
- FSG
  - See* Financial Statement Generator
- functional organizations, 2-3

## G

---

- global chart of accounts, 4-2
- Global Consolidation System, 4-18
- governance, 6-1
  - See also* internal control
- Government Reporting Legal Entity (GRLE), 2-7
- GRLE
  - See* Government Reporting Legal Entity

## I

---

- industry specializations, B-1
- intercompany accounting
  - Oracle ledgers, 5-3
- intercompany system
  - See* Advanced Global Intercompany System
- internal control
  - compliance architecture, 6-3
  - effectiveness, 6-3
  - enterprise visibility and security, 6-5
  - financial compliance, 6-2
  - introduction, 6-1
    - See also* Oracle Internal Controls Manager
  - operational efficiency, 6-3, 6-7
  - regulations, 6-2
  - self service solutions, 6-8
  - shared service centers, 6-8
  - standardized processes, 6-9
- inventory organizations, 2-14

## L

---

- ledgers, 2-8
  - intercompany accounting, 5-3
  - reporting, 5-6
- ledger sets, 2-9
  - cross organization reporting, 2-19
- legal entities
  - compliance and disclosure, 2-4
  - establishment, 2-8
  - role, 2-4
  - system entities, 2-7
- legal organization, 2-1
- localizations
  - support, 6-16

## M

---

- multiple ledgers, 2-9
- multiple organizations
  - support, 5-2
- multiple organizations access control
  - cross organization reporting, 2-19
  - operating units, 2-13

## N

---

- natural account

chart of accounts, 2-16

## O

---

operating units, 2-11

multiple organizations access control, 2-13

shared services, 2-13

subledger accounting, 2-13

Oracle Application Server, 6-6

Oracle Balanced Scorecard, 7-9

Oracle BPEL Process Manager, 6-7

Oracle Business Intelligence, 7-3

Oracle Business Intelligence Beans, 7-5

Oracle Business Intelligence Discoverer, 7-4

Oracle Business Intelligence Spreadsheet Add-In,  
7-5

Oracle Collaboration Suite, 6-15

Oracle Corporate Performance Management, 7-1,  
7-6

*See also* business analytics

architecture, 7-2

Oracle Daily Business Intelligence, 7-12

cross organization reporting, 2-18

daily management reporting, 3-1

Oracle Database, 6-6

Oracle Database 10g, 7-2

Oracle Discoverer, 3-4

Oracle E-Business Suite

key attributes, 1-2

Oracle E-Business Tax

tax engine, 5-5

Oracle Enterprise Performance Foundation, 7-8

periodic analysis reporting, 3-2

Oracle Enterprise Planning and Budgeting, 7-10

Oracle Financial Consolidation Hub, 4-15

Oracle Financials

benefits, 1-2

organizational classifications, 2-5

suite, 1-4

using Oracle Human Resources, 2-17

Oracle Human Resources

using with Oracle Financials, 2-17

Oracle Identity Management, 6-6

Oracle Internal Controls Manager, 6-10

application controls management, 6-13

change management, 6-11

financial statement certification, 6-13

integration with Oracle Scripting, 6-11

process and organization certification, 6-12

process and risk control library, 6-10

process approvals, 6-11

segregation of duties, 6-12

Oracle Learning Management, 6-14

Oracle Portal, 3-4

Oracle Profitability Manager, 7-10

Oracle Reports Services, 7-5

Oracle Scripting, 6-11

Oracle Subledger Accounting, 4-8

*See also* subledger accounting

common subledger operations, 4-11

inquiries, drill-down, and reporting, 4-12

journal entry setup, 4-10

multiple accounting representations, 4-10

Oracle Tutor, 6-14

Oracle Warehouse Builder, 7-3

Oracle Workflow, 6-7

Oracle XML Publisher

cross organization reporting, 2-19

ledgers and reporting, 5-6

organization, 2-1

business divisions, 2-3

classifications in Oracle Financials, 2-5

functional, 2-3

legal, 2-1

other structures, 2-3

structures, 2-4

transactions, 2-5

organizational model

flexible, 2-16

legal entities, 2-4

overview, 2-1

system entities, 2-6

OU

*See* operating units

## P

---

primary currency, 4-5

## R

---

regulated chart of accounts, 4-3

reporting

capability, 3-2

cross organization, 2-18

- daily management, 3-1
- desktop integrators, 3-3
- Oracle Daily Business Intelligence, 3-1
- Oracle Discoverer, 3-4
- Oracle Portal, 3-4
- periodic analysis, 3-2
- periodic management, 3-1
- RXi reports, 3-4
- SQL extracts, 3-4
- systems organizations, 3-4
- tools, 3-3
- reporting currency, 4-6
- reporting tools
  - cross organization reporting, 2-19
- reports
  - drill-down and cross reference, 3-3
  - filing, 3-2
  - generating, 3-3
  - product specific, 3-3
  - reconciliation and control, 3-2
  - security, 3-4
- risk management, 6-1
  - See also* internal control
- RXi reports, 3-4

## S

---

- Sarbanes-Oxley, 6-2, 6-7, 6-13
- security
  - management, 6-5
  - reports, 3-4
- shared services
  - operating units, 2-13
  - shared service centers, 6-8
- SQL extracts, 3-4
- standard reports, 3-2
  - cross organization reporting, 2-18
- subledger accounting, 2-13, 4-8
  - default transaction distributions, 4-9
  - rules, 4-9
- subledgers, 2-10
- system entities, 2-6
  - balancing segment, 2-10
  - business groups, 2-6
  - departments, 2-7
  - Government Reporting Legal Entity (GRLE), 2-7

- inventory organizations, 2-14
- ledgers, 2-8
- ledger sets, 2-9
- legal entities, 2-7
- multiple ledgers, 2-9
- operating units (OU), 2-11
- subledgers, 2-10
- systems organizations
  - reporting, 3-4

## T

---

- transaction currency, 4-5
- transactions
  - organization, 2-5

## W

---

- worldwide operations
  - Advanced Global Intercompany System, 5-2
  - bank account model, 5-6
  - intercompany accounting, 5-3
  - ledgers and reporting, 5-6
  - multiple organizations, 5-2
  - Oracle E-Business Tax engine, 5-5
  - overview, 5-1