Oracle Fusion Cloud SCM

Using Supply Chain Financial Orchestration

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1 Introduction

Overview of Supply Chain Financial Orchestration

Oracle Supply Chain Financial Orchestration enables you to run financial orchestration flows and define business rules for financial orchestration. Using Supply Chain Financial Orchestration, you can:

- Manage intercompany transactions and intracompany flows. Intracompany flows are present when a financial orchestration exists between two different profit center business units that belong to the same legal entity. You can separate the physical part of this transaction from the financial part of the transaction.

- Support complex global structures without compromising supply chain efficiency.

- Model your corporate tax structures in a global environment efficiently without impacting the physical movement of goods. You can deliver goods and services to your customers as quickly as possible, and lower your total supply chain costs at the same time.

- Optimize operational efficiency by centralizing sourcing and order management functions.

- Reduce implementation costs and cycle time.

- React effectively to corporate reorganizations or acquisitions.

The following figure illustrates an example of an intercompany transaction for the Vision Corporation.
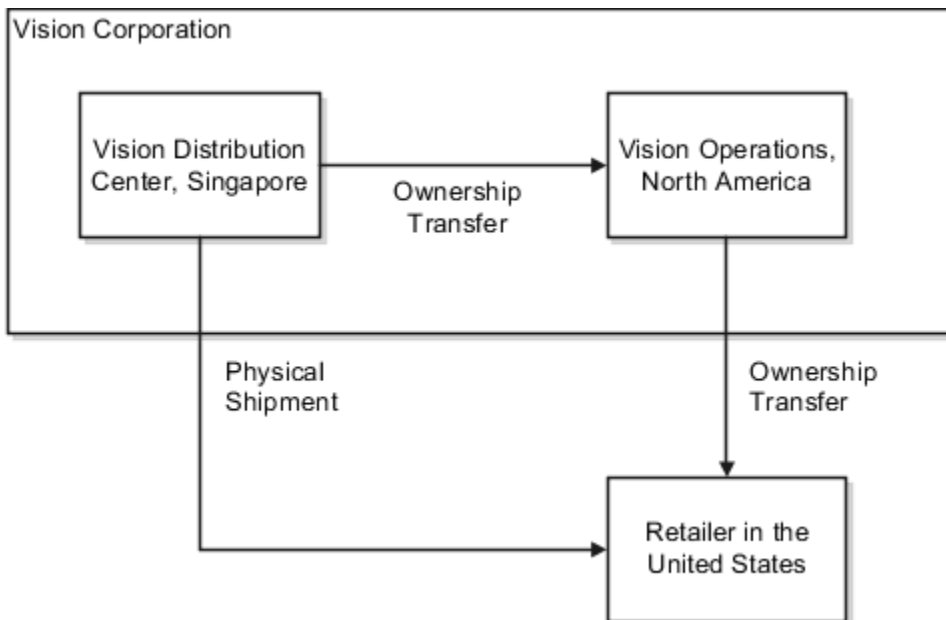
In this example, a financial orchestration flow exists between the Vision Distribution Center, located in Singapore, and Vision Operations, located in North America. The Vision Distribution Center sends the physical product that's involved in the transaction to retailers. It also sends the financial information and transfers ownership of the product in the financial books for the transaction to Vision Operations in North America. Each organization is a separate legal entity in Vision Corporation. However, these organizations are located in different countries. They require separate accounting and tax reporting. You can use Supply Chain Financial Orchestration to capture, process, and perform an accounting of the

events. The events occur during an intercompany transaction in an enterprise that's similar to Vision Corporation. For example, you can use it to do the following:

- Create documentation and accounting rules that specify the type of accounting documentation to create. For example, whether or not to create an intercompany invoice, to track profits in inventory, or to track trade distributions.

- Create transfer pricing rules that specify whether to use the transaction cost, a purchase order price, or the sales order price as the basis to calculate the intercompany transfer price between the seller and the buyer. You can create transfer pricing rules that apply a markup or markdown percentage on the internal sale.

- Create intercompany buyer profiles and intercompany seller profiles that Financial Orchestration uses to create the intercompany invoice. You can specify the business units that provide the following:

    - Procurement and payables invoicing for the profit center business unit.

    - Business unit that provides receipt accounting information.

    - Bill-to business unit and bill-to locations.

    - Procurement business unit.

- Create financial orchestration qualifiers that specify when to run a financial orchestration flow. For example, you can create a rule to run an orchestration flow only if a particular supplier is involved in the transaction.

- Create financial orchestration flows. You can specify the following:

    - Legal entities and business units that are involved in a flow.

    - Financial orchestration qualifiers that control when to use the flow.

    - Financial routes to use for the flow.

    - Transfer pricing rules and documentation accounting rules.

    - Date when the flow goes into effect.

- Specify a priority among different flows.

In general, the term financial orchestration is used to describe the Financial Orchestration work area and the related tasks. This work area is part of the Manufacturing and Supply Chain Materials Management offering. For more information about implementing supply chain financial orchestration, see the Implementing Manufacturing and Supply Chain Materials Management guide.

Global Procurement

In global procurement, a single purchasing affiliate negotiates with all suppliers on behalf of the entire corporation. This enables the company to negotiate lower prices for purchased goods. For example, a single global agreement is used to create purchase orders in multiple legal entities.

The legal owner of the purchase, that is the Sold-to Business Unit (BU) is determined when the purchase order is created from the defined financial orchestration flow. The Sold-to BU owns the supplier liability for the purchases. The Sold-to BU is different from the manufacturing plant or warehouse that actually consumes the goods or services procured. This purchase can also be routed through one or more financial intermediaries. For more information about global procurement and creating a global procurement flow, see the Implementing Manufacturing and Supply Chain Materials Management guide.

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Related Topics
- Global Procurement Flow

How can I identify the financial orchestration flow for global procurement?

Open the schedule for the selected global procurement Purchase Order (PO) line.

You can view the details of the financial orchestration flow identified for the PO and the purchasing trade organization where the supplier accrual is accounted. When a PO is created, the application checks if a financial orchestration flow exists for the receiving business unit. The PO can be created directly or from a requisition. Additionally, you can define financial orchestration qualifiers to identify a financial orchestration flow based on attributes like purchasing category or supplier site. If a financial orchestration flow is applicable, then the PO is created with the sold-to legal entity specified in the financial orchestration flow.

Consigned Inventory in Global Procurement

A global procurement Purchase Order (PO) can be created for a supplier consigned inventory. In the standard global procurement flow, the execution of financial orchestration occurs at the time of receipt.

For a consigned global procurement flow, the execution of financial orchestration occurs at the time of consumption. A financial orchestration flow defined with the procurement business process type can be used for both consigned and regular global procurement flows. The supply chain financial orchestration flow ignores the PO receipt transaction for a global procurement flow. Financial orchestration tasks are generated when the Transfer to Owned transaction is generated in Inventory for the goods received through a consigned global PO. Reverse financial orchestration tasks are generated if the goods are transferred back to consigned.

Consigned Inventory in Internal Transfers

Supplier consigned inventory can be transferred from one inventory organization to another without an ownership change.

Sometimes supplier consigned inventory may be transferred across inventory organizations belonging to different profit center business units. An internal transfer financial orchestration flow may be defined between these business units. In such cases, the financial orchestration tasks are generated at the time of consumption of the supplier consigned inventory in the destination organization.

If the transfer to owned transaction is generated in an organization different from the receiver organization, the application checks if a financial orchestration flow exists between the profit center business units. The business units include the inventory organization where the goods were received and the inventory organization where goods were consumed. If a financial orchestration flow exists, financial orchestration tasks are generated for the internal transfer. If the transferred consigned inventory belongs to a global procurement PO, then the tasks for both the global

procurement and the internal transfer are triggered at the time of consumption. The shipment and receipt transactions of the internal transfer of supplier consigned inventory are ignored.

Global Shipments

In a global shipment flow, a single sales affiliate sells to customers on behalf of the entire corporation.

The selling business unit is the legal owner of the sale and is different from the manufacturing plant or warehouse that actually ships the goods to the customers. This sale can also be routed through one or more financial intermediaries.

> **Note:** The selling business unit here is the selling profit center business unit in the order line. This is because in Oracle Order Management, you can have a selling profit center on the sales order line that is different from the Order Management business unit. If the enterprise has multiple tax registrations across different states, you can define those tax registrations as profit center business units, while continuing to use a single shared order management business unit. The Financial Orchestration application uses the profit center business unit in the order line as the selling business unit for both global shipment and global drop shipment flows. However, if the selling profit center is not entered in the order line, then the business unit in the order header will be the selling business unit.

Global Drop Shipments

Global drop shipment is an order fulfillment strategy where the seller does not keep products in the inventory.

The seller relies on suppliers or contract manufacturers to build, store, and ship orders to the customers. When a customer places an order for a drop shipped product, the seller issues a purchase order for the item. The seller also provides instructions to the suppliers to ship directly to the customer. The supply chain financial orchestration process routes the orchestration flow of drop shipments through one or more business units within the corporation. These business units can belong to the same legal entity or may occur across legal entities.

How can I identify the requisition organizations for drop shipment?

Configure the relationship between the selling business unit and the requisition organization on the Manage Drop Ship Financial Flow page.

Fulfillment of a customer order through drop shipment requires identification of the requisition organization to create a purchase requisition. You can define rules based on attributes such as item category.

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Global Nonshippable Sales

Global Nonshippable sales are bill-only sales in which the products aren't physically shipped to the customers. For example, a company sells a software which can be downloaded from a website, without shipping a compact disc.

Nonshippable orders are considered as fulfilled when the sales order line is closed.

The supply chain financial orchestration process routes the orchestration flow of nonshippable products through one or more business units within the corporation. These business units can belong to the same legal entity or multiple legal entities.

For the Nonshippable sales business process, you must:

- Define the transfer pricing rules and documentation and accounting rules.

- While creating the documentation and accounting rules, on the Create Documentation and Accounting Rules page, deselect the Trade Distributions option, and enable Inter Company Invoices.

- While creating the financial orchestration flow, on the Create Financial Orchestration Flow page, in the Buy and Sell Terms tab, specify the charge account for the intercompany payables invoice.

  Note: You must specify the financial route. On the Create Financial Orchestration Flow page, in the financial routes region, in General Information, unlike the shipment business process, you don't see an option to specify the buying or selling trade organizations. This is because the buying and selling trade organizations aren't relevant for nonshippable sales. For global non-shippable sales, as products aren't shipped only intercompany invoices are generated and not cost accounting entries.

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2 Financial Orchestration Process

Financial Orchestration Events

Financial Orchestration tasks are generated for different financial orchestration flows when the ownership of the goods changes from one profit center business unit to another.

The following table lists the supply chain events when ownership change is assumed to have happened for the different business processes in supply chain financial orchestration.

Business Process	Ownership Change Event - Forward Flow	Ownership Change Event - Return Flow
Global Procurement	PO Receipt	PO Return
Global Procurement of Consigned Inventory	Transfer to Owned	Transfer to Consigned
Internal Organization Transfer	Interorganization Shipment (Or) Internal Organization Receipt (as defined in the documentation and accounting rules)	Not applicable
Internal Material Transfer	Transfer Order Shipment (Or) Transfer Order Receipt (as defined in the documentation and accounting rules)	Return Transfer Order Shipment (Or) Return Transfer Order Receipt (as defined in the documentation and accounting rules)
Internal Organization Transfer of consigned inventory	Transfer to Owned	Transfer to Consigned
Internal Material Transfer of consigned inventory	Transfer to Owned	Transfer to Consigned
Global Shipment	Sales Order Shipment	Return Material Authorization Receipt
Drop Shipment	Advance Shipment Notice from Supplier or Supplier Invoice match (as defined in the drop ship financial flow	Not applicable.
Nonshippable	Order Fulfillment Line Close	Not applicable

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Financial Orchestration Tasks

Financial orchestration tasks are generated to document and account for the ownership changes in the financial orchestration flow.

Financial orchestration tasks can be trade events associated with Oracle Cost Management and intercompany invoices.

Trade Events

Trade events are associated with cost management to account for accruing intercompany liability, valuation of in-transit inventory and accounting intercompany cost of goods sold. Trade events also account for the intercompany receivables and intercompany payables when intercompany invoices aren't generated for a financial route.

Intercompany Invoices

For all transactions except nonshippable sales, generation of intercompany invoices is optional. This option can be configured in the documentation and accounting rules. When you select the Intercompany Invoices option on the Create Documentation and Accounting Rule page, the system can generate an intercompany receivables invoice that is associated with receivables, and then generate an intercompany payables invoice that is associated with payables.

> **Note:** For nonshippable sales, you must deselect the Trade Distributions option, and enable Inter Company Invoices on the Create Documentation Accounting Rules page.

When a primary trade route has multiple financial trade routes, the task-generating events are processed in the same sequence as the financial routes.

You can generate the intercompany receivables invoice using the Import Autoinvoice scheduled process. This scheduled process automatically triggers the Update Intercompany Receivables Invoice Import Details request to import the latest invoice data from Receivables and update the financial orchestration tasks.

In some instances, the intercompany invoice is created in Receivables, but not reflected on the Financial Orchestration UI. You can run the scheduled process Update Intercompany Receivables Invoice Import Details manually to update the receivables invoice import status. You must enter the associated Import Autoinvoice Process ID in the Process Details window. To generate intercompany payables invoices you can run the Import Payables Invoices scheduled process.

This table summarizes the parameter information to run the scheduled processes that generate intercompany invoices for financial orchestration flows.

Invoice	Scheduled Process	Parameter to Set
Accounts Receivable	Import Autoinvoice	Set the Transaction Source parameter to ORA_ Supply Chain Financial Orchestration.
Accounts Payable	Import Payables Invoices	Set the Source parameter to Supply Chain Financial Flow Orchestration.

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Financial Orchestration Category

A financial orchestration category is a predefined category that users can select while creating a financial orchestration qualifier. In an intercompany sales order, a financial orchestration category can be set up for the sales order item.

At the time of implementation, you must associate a product catalog to the Supply Chain Financial Orchestration functional area.

In the Setup and Maintenance work area, use the following:

- Offering: Manufacturing and Supply Chain Materials Management
- Functional Area: Catalogs
- Task: Manage Functional Area Catalogs

3 Monitor Financial Orchestration

Event Types in Supply Chain Financial Orchestration Flows

Event types are types of events that can trigger supply chain financial orchestration tasks. Event types are different based on the forward or return flows during the orchestration process.

The supply chain events related to Oracle Supply Chain Orchestration originate from Oracle Logistics and from accounts payables. There are different events for procurement, shipment, internal transfers, or drop ship processes.

Event Types During the Procurement Process

The event types that can occur during the forward and return flows of the procurement process are:

Flow Type	Event Type	Event Raised On
Forward	PO Receipt This event is raised against a purchase order.	• Receipt of goods at a warehouse • Fulfillment of a service
Forward	Transfer to Owned	Transfer of ownership of goods from supplier consigned to owned stock.
Return	Return to Supplier	Return of goods to supplier.
Return	Transfer to Consigned	Transfer of ownership of goods from owned stock to supplier consigned.

Event Types During the Shipment Process

The following table lists the event types that can occur during the forward and return flows of the shipment process.

Flow Type	Event Type	Event Raised On
Forward	Sales Order Shipment This event is raised against a sales order	Shipment of goods from warehouse.
Return	Return Material Authorization (RMA) Delivery The event is raised against a Return Material Authorization (RMA).	Delivery of goods returned by the customer.

Event Types During the Internal Transfers Process

The following table lists the event types that can occur during the forward and return flows of the internal transfers process.

Flow Type	Event Type	Event Raised On
Forward	Interorganization Shipment This event is raised against an interorganization transfer transaction or a transfer order.	Shipment of goods from one internal location or warehouse to another.
Return	Interorganization Shipment Return	Return shipment of goods received in an interorganization transfer transaction or a transfer order.
Forward	Interorganization Receipt This event is raised against an interorganization transfer transaction or a transfer order.	Receipt of goods.
Return	Interorganization Receipt Return	Receipt of goods returned in an interorganization transfer transaction or a transfer order.
Return	Interorganization Return for Scrap	Return of goods received in an interorganization transfer, where the physical return of material isn't required.

Event Types During the Drop Ship Process

The following table lists the event types that can occur during the forward and return flows of the drop ship process.

Flow Type	Event Type	Event Raised On
Forward	Interorganization Shipment Shipment of goods from one internal location or warehouse to another.	This event is raised against an interorganization transfer transaction or a transfer order.
Forward	ASN from Supplier	Shipment of goods or when goods are ready for shipment to customer.
Return	ASN Cancellation	Cancellation of advanced shipment notice from supplier.
Forward	Accounts Payable Invoice Match	Validation of payables invoice.

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Event Types During the Nonshippable Sales Process

The following table lists the event types that can occur during the forward flow of this process.

Flow Type	Event Type	Event Raised On
Forward	Sales Order Fulfillment Line Close This event is raised once the last orchestration task for the fulfillment line is completed.	Once the sales order line is marked as closed.

Event Statuses in Supply Chain Financial Orchestration

You can view the status of the orchestration and also search for events based on the orchestration status.

The statuses are:

- **Not Used**: If the supply chain event captured isn't used for orchestration of the financial flow, the status appears as 'Not used'.

- **Not Started**: This status is set if the execution of the tasks hasn't started for the event. This includes generation of costing accounting distributions and IC, Accounts Receivables, and Accounts Payables invoices.

- **In Progress**: This status is set if the execution of one or more tasks for generation of costing accounting distributions and IC, Accounts Receivables and Accounts Payables Invoices has started for the event.

- **Completed**: If all the tasks associated with the event for costing, account and intercompany invoice generation is in 'Completed' status.

Business Units in Supply Chain Financial Orchestration

The supply chain financial orchestration process involves interactions with various business units.

The business units are:

- **Buying Business Unit**: A profit center business unit acting as the buyer in the buy and sell relationship.

- **Selling Business Unit**: A profit center business unit against which the receivables are recorded for a sales order. Applicable only to shipment flows.

- **Shipping Business Unit**: A profit center business unit associated with the organization that ships goods or services against a customer order or internal transfer. Applicable only to shipment flows and internal transfers.

- **Receiving Business Unit**: A profit center business unit associated with the organization that receives goods or services against a purchase order or internal transfer. Applicable only to procurement flows and internal transfers.

What's a Transaction Number?

The transaction number is the invoice number for the IC, Accounts Receivables, or Accounts Payables invoices. You can view the transaction number from the Monitor Financial Orchestration Execution page.

Manage Event Exceptions

You can manage event exceptions from the Monitor Financial Orchestration Execution page.

The actions include:

- **Submit Selected**: Select and reprocess the events which have met with an error during the execution of the financial flow.

- **Submit All**: Submit all events retrieved in the results table that met with an exception, for reprocessing.

- **Submit Unreferenced**: Submit the referenced events for returns flows as an unreferenced event.

Note: You can also use the Submit Financial Orchestration Events schedule process to schedule the Submit Selected and Submit All actions. Navigation: Scheduled Processes work area > Schedule New Process > Submit Financial Orchestration Events.