

Oracle Financials Cloud Introduction for CFOs and System Integrators

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Chapter 1: Preface

This document is a discussion of the considerations for implementing Oracle Financials Cloud for a small public company and its subsidiaries on the Cloud, and is also applicable for on-premises customers. It is addressed to the Chief Financial Officer and the lead partner at her implementation consulting firm. It assumes familiarity with general accounting and control principles, and it assumes the availability of the regular documentation.

The discussion is based on the decisions made by a fictional group as they deployed on the Oracle Cloud. Recommended best practices and their alternatives are debated, and the advantages are delineated.

The InFusion Core Group, its members, InFusion Core Inc., InFusion Neutron Inc., InFusion Quark LLC., InFusion Gamma LLC., and InFusion Canada Limited, and its businesses, Surgical and Technical, are fictional. No reference is intended to any actual business or group.

The Client

The InFusion Core Group (InFusion Core, Core, The Group) is a fictional public holding company with four wholly owned subsidiary companies. It operates two businesses across the US and Canada. The Group has been growing rapidly and has outgrown their previous financial management system.

The Group considers itself to have two core competencies: one handling exotic radiology materials and the other locating and supplying the medical experts who use such materials.

As Oracle's core competency is information technology services, Core management decided as a matter of strategy to have Oracle provide their ERP services. They anticipate that Oracle Financials Cloud would both simplify and accelerate their management reporting and decision making, and reduce complexity in their organization.

Core anticipates expanding the footprint both with phased implementations and by on-boarding acquisitions, and are actively considering acquisitions, in particular, related to processing radiology materials.

To get the most value out of their investment in Oracle Financials Cloud, InFusion Core approached the implementation with the following key principles in mind:

- ✓ Keep it simple
- ✓ Minimize need for extensive training
- ✓ Allow room for future expansion and change in the business

The Discussion

Chapter Two

Core began by registering their **enterprise structures**, such as their registered companies and management organization with the Oracle Financials Cloud. As part of this process, management paid careful attention to their need to balance data security with processing efficiency. They aimed to keep their data as integrated as possible, while addressing the unique security issues they have handling radio-active medical supplies.

Chapter Three

Management at InFusion Core are results oriented, treating financial reporting as the main objective of their business results, and focused the implementation on the information they wanted to extract from the system. Their objective is to maximize investor returns and they want to keep that in the forefront of their

decision making. With that in mind, the **accounting and control environment** was architected specifically for an automatically informative, rapid, and accurate close.

Chapter Four

A major area on Core's radar is cost and a tight **disbursement deployment** is essential. Core considered various alternatives and decided on the centralized approach outlined here.

Chapter Five

Core also leverages the Oracle Financials Cloud **reporting capabilities** to speed the close and reconciliation, and publish financial metrics to operational management.

Chapter Six

The **security paradigm** in the Oracle Financials Cloud was deployed in line with Core's needs.

Chapter Seven

Core exploits the ability of the Oracle Financials Cloud to communicate with other software still operating on premises.

Chapter Eight

The successful execution of the migration of existing data from the previous geography-bound system to Oracle Financials Cloud contributes to Core's success.

Chapter 2: Enterprise Structures

Let's begin by looking at how the InFusion Core Group represented their legal and management organization in the Oracle Financials Cloud. Their intention was clear: to add immediacy and transparency to financial data and reporting, with simple processing and visibility, in order to optimize and align decision making to their shareholders benefit.

Core realized that the Oracle Financials Cloud's combination of relational and dimensional features, together with the new hierarchy features, shifted the paradigm for financial reporting, and involves a new approach to the design of the chart of accounts. We'll explore their approach as they applied it to their legal and managerial structure, and later look at how the elements of their chart of accounts interact with other.

InFusion Core Creates a Dimension With Company Codes

Background: InFusion Core's Legal Organization

There are five registered companies in the InFusion Core Group: InFusion Core Inc. (Core Inc.), a public company, owns 100% of the shares of each of: InFusion Neutron Inc. (Neutron), specializing in sales, InFusion Quark LLC. (Quark), specializing in locating consultants, InFusion Gamma LLC (Gamma), a broker of exotic materials, and InFusion Canada Ltd. (Canada).

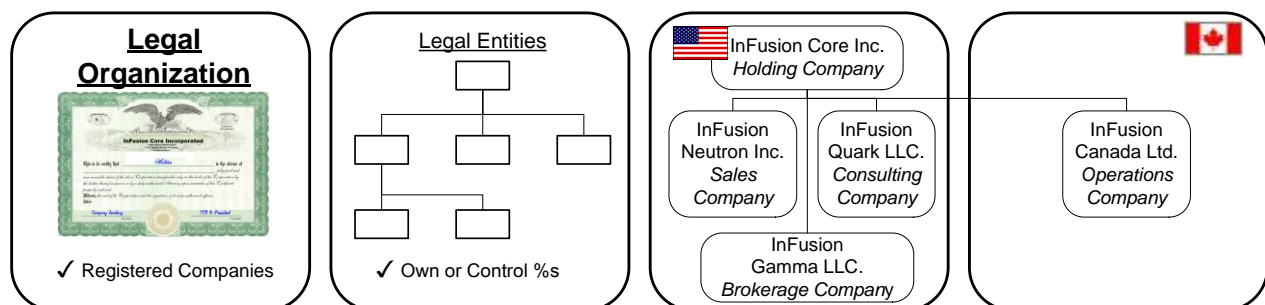


Image 1: Registered companies make up a group of companies through ownership of each other, and are listed in Oracle Financials Cloud as LEs.

InFusion Core entered each registered company as a Legal Entity (LE) into the system. This system representation of the LEs contributes to their intercompany and intra-company processing, and holds their transaction tax registrations. The registered companies also have company codes associated with them for financial reporting, and we'll look at that momentarily.

Background: InFusion Core's Management Organization

The group operates two radio-therapy related businesses, Surgical and Technical. Surgical specializes in locating and providing specialist surgeons and operating room staff to hospitals who have patients who can benefit from radio-therapy. Technical specializes in exotic radioactive material logistics, and the provision of experienced technicians who can handle and service the related equipment.

Each of the registered companies plays a particular role in the execution of both businesses. Core serves as owner and provides common services to the others, Neutron delivers the services to customers, Quark finds the people, and so on.

InFusion Core's General Ledger and Financial Reporting

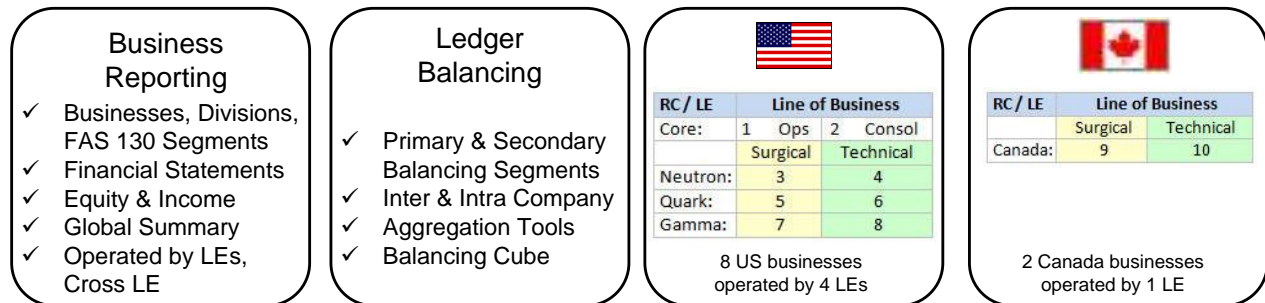


Image 2: Registered companies (Core Inc., Neutron, Quark, Gamma, and Canada) operate the businesses (Common, Surgical, and Technical) in a matrix manner. The 5 companies in the Group operate 10 reportable businesses.

InFusion Core Uses a Common Dimensional Chart of Accounts, Designed From the Top Down

The Group adopted best practice by using a common global chart of accounts¹ for all entities. A common chart of accounts ensures that all transactions everywhere are categorized and classified using a common semantic, that is, a common set of definitions.

In the Oracle Financials Cloud, when a common chart of accounts is attached to several ledgers², the ledgers form a single balanced source of data for unified and real time reporting.

To keep their focus on the bottom line, management at InFusion Core designed their chart of accounts from the top down, so that internal management reporting and decision making aligned with the public results.

- They started by creating a skeleton of natural accounts (assets, liabilities, equity) and cost center totals (revenue and functional expenses) from their SEC and external financial statements.
- They added to that more natural accounts and major cost centers that represented lines and pages in their monthly management packages.

¹Chart of Accounts

Accountants use a **chart of accounts** to apply **account codes** to financial transactions so that the transaction can be summarized in financial statements that meet the reporting definitions laid down in published accounting principles, such as US GAAP or IFRS. Account codes representing transactions are also reported in analytics that help management make decisions that optimize the business results for the shareholders and owners.

A chart of accounts is segmented by the assertion of the balance – ownership, responsibility, type, function. Each segment also represents a reporting dimension by which financial activity can be tracked and reported. Common segments include company (owner), natural account (type), cost center (business function), and line of business (responsibility). A typical chart of accounts is included as a sample in the Rapid Implementation spreadsheet.

A chart of accounts is associated with many ledgers, or as few as one.

A chart of accounts that is associated with many ledgers facilitates deploying a common corporate semantic and simultaneous financial aggregation across all operations.

²Ledgers

In Oracle Financials Cloud, a **ledger** is a system of activity and balances that allow you to assert the balance on an account (chart of accounts) for a given date (calendar) recognized and valued monetarily (accounting currency) in accordance with accounting principles (accounting method). A ledger can contain the account books of several entities, each identified by a company code.

- They aligned their FAS 131 (IFRS 8) Segment Reporting with their business reporting and company code segment design.
- To facilitate intercompany matching and elimination, they use an Intercompany segment.

How InFusion Core Created a Hierarchical Dimension on Their Legal and Management Reporting Codes

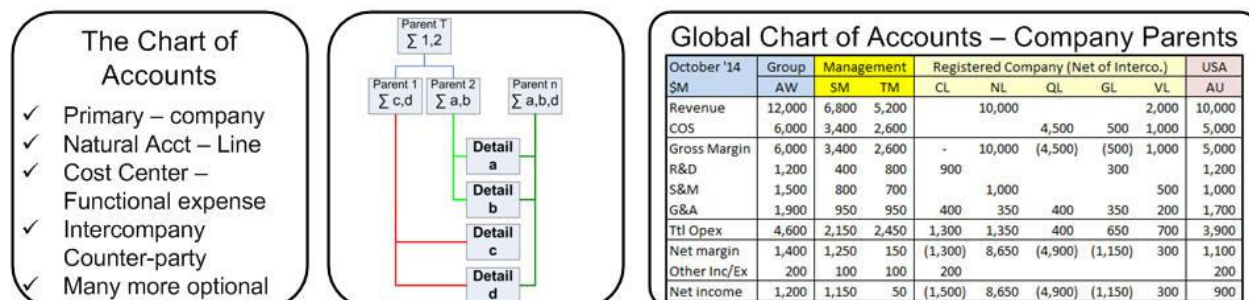


Image 3: Left side highlights major uses of chart of accounts segments, and illustrates detail values being aggregated in multiple hierarchies to different parents. Right side illustrates a draft or model worldwide report by management entity (Surgical, Technical) and by registered company (including a USA subtotal) in the company dimension, intersecting with parents from the cost center dimension to form an income statement.

The organization of the Group implies that Core has ten business operations for which they wish to measure equity and draw up a balance sheet. Core created multiple hierarchies on their posting company codes, providing immediate reporting by both registered company as well as by line of business (Surgical and Technical).

The Group manages most of the operation at the business level within the individual companies: each registered company employs managers assigned to each business. The holding company operates a shared service operation and an elimination unit (2 operations), and each subsidiary reports on both businesses, Surgical and Technical. This structure results in eight more businesses in the system: four subsidiaries with two lines of business each.

Choosing Company Codes

Consequently, the Group assigned each legal entity a detail code for each business it operates: a code for Surgical as operated by Quark and another for Technical as operated by Quark; a code for Surgical as operated by Gamma and another for Technical as operated by Gamma; and so on. The holding company, Core Inc., has company codes for the common expenses and for consolidation and elimination purposes.

These ten detail codes, assigned to the system LEs, record all of the transactions.

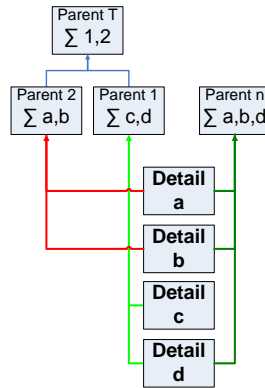


Image 4: Parent codes in a multiple hierarchies aggregate balances accumulated in Detail Codes (available in all chart of accounts segments)

In the chart of accounts, Core also created one parent code for each registered company, serving to aggregate the complete legal entity, and included in a legally oriented reporting hierarchy.

The legal entity's parent code sums the detail business codes. The balances are stamped with the detail codes and aggregated at the parent code to form the book of accounts for that registered company. Additional parent codes in this legal hierarchy roll up US and Worldwide operations. There are 5 legal entity parent codes and a code each for the US and Worldwide consolidations.

In a second reporting hierarchy, the Technical and Surgical operations have parent codes that aggregate their operational results.

	J	K	L	M	N
4					
5	Parent1	*Child Value	*Company Description	Legal Entity Name	*Legal Entity Identifier
6	031SM		Surgical Business		
7		110NS	Surgical Business at Neutron Inc.	InFusion Neutron Inc.	...2567
8		130QS	Surgical Business at Quark LLC.	InFusion Quark LLC.	...7896
9		150GS	Surgical Business at Gamma LLC.	InFusion Gamma LLC.	...4568
10		170VS	Surgical Business at Canada Ltd.	InFusion Canada Ltd.	...6654
11	032TM		Technical Business		
12		120NT	Technical Business at Neutron Inc.	InFusion Neutron Inc.	...2567
13		140QT	Technical Business at Quark LLC.	InFusion Quark LLC.	...7896
14		160GT	Technical Business at Gamma LLC.	InFusion Gamma LLC.	...4568
15		180VT	Technical Business at Canada Ltd.	InFusion Canada Ltd.	...6654

Image 5: In the second hierarchy, seen on an extract from the Upload Spreadsheet, parent company code 031SM aggregates the Surgical Management entity, and 032TM rolls-up the Technical Management entity.

There are 9 parent codes, five for the registered companies, and one each for US and World totals in the legal hierarchy, as well as two for the businesses in the management hierarchy.

All of these company codes are in the same segment of the chart of accounts, the Primary segment. The balances for each code are updated every time an entry is made.

These 19 company codes provide Core management with total group, business division, national, and company visibility of their equity, assets, and results: full legal and management insight.

InFusion Core Group Company Codes		Alternative Hierarchy			Primary Hierarchy							
	Bus/Co Code	Business Parent 1 Level			Legal Entity Parent 1 Level					Country Parent 2 Level		All Parent 3
Parent Entity Nickname		Surgical	Technical	Common	Core	Neutron	Quark	Gamma	Canada	USA	Canada	World
Parent Entity Code (Non-Posting)		031SM	032ST		020CL	021NL	022QL	023GL	024VL	080AU		090AW
<u>Detail (Child) Company Codes (Posting)</u>												
Operations at Core Inc	100CO			100CO	100CO							
Surgical Business at Neutron Inc.	110NS	110NS				110NS						
Technical Business at Neutron Inc.	120NT		120NT			120NT						
Surgical Business at Quark LLC	130QS	130QS					130QS					
Technical Business at Quark LLC	140QT		140QT				140QT					
Surgical Business at Gamma LLC	150GS	150GS						150GS				
Technical Business at Gamma LLC	160GT		160GT					160GT				
Surgical Business at Canada Ltd.	170VS	170VS							170VS			
Technical Business at Canada Ltd.	170VS		170VT						170VT			
Elimination & Consolidation	999AW											999AW
<u>Parent Company Codes (Reporting)</u>												
<u>Parent Level 1 Totals (Business & Company)</u>		031SM	032ST	100CO	020CL	021NL	022QL	023GL	024VL			
<u>Parent Level 2 Totals (USA & Canada)</u>												
United States (08AU sums 020CL, 021NL, 022QL, 023GL)					✓ +	✓ +	✓ +	✓		= 080AU	=	✓
Canada (Synonymous with 024VL)									✓	=	✓	✓
<u>Parent level 3 Total (Total Group) (090AW foots 024VL, 080AU and 999AW)</u>												090AW

Image 6: InFusion Core assigned 10 company codes representing their businesses to their registered companies, and transactions are recorded in these detail codes. They also created 9 parent codes in the chart of accounts as hierarchy nodes on the original 10, defining the automatic aggregations they wish to see. They created two hierarchies: a business hierarchy with 1 level and with two parents and a legal hierarchy with 3 levels, 5 registered company parents and two consolidation parents.

Core Wasn't Concerned About Volume Entry of Account Numbers

Core elected to use a 5 digit alphanumeric structure for their company code, with a two letter mnemonic as a memory aid for users. For example, company 110NS is the Surgical business within Neutron Inc., while company 120NT is the Technical business within Neutron Inc.

The implementation team also considered alternatives in the account code format. They intend that, in most cases, the software determines the account code, and that therefore they didn't need to address keyboarding issues by, for example, using only numeric codes. They also intend to use the hierarchies in the product to rollup the balances, and therefore, a smart-number scheme wasn't needed.

The Group Considered Using the Second Balancing Segment

Management considered using the alternative: two series of company codes in different balancing segments, the Primary and the Second Balancing segments: one series only representing registered companies and the other series only representing lines of business.

This approach is advantageous when there are a great number of members in the dimension. It makes no sense to enable a 5 by 2 matrix rather than a single dimension with two hierarchies for just ten units. It also makes no sense to handle a dimension on 10,000 members using hierarchies alone. The Group can use hierarchies in any segment to aggregate child units into various totals, and report on each total directly. Hierarchies can be constructed in any segment, but do not cross segments.

When using Second Balancing segments, the balances stamped by the Primary Balancing segment identify the book of account of the registered company.

Core Understood the Impact of the Combination of Hierarchies and Dimensionality

Core is very pleased with the combination of hierarchies and the balances cube³ on top of a relational general ledger.

They realized early that the objective in the design of the chart of accounts in the context of the Oracle Financials Cloud is to exercise the power of the cube to report by dimensions and by hierarchies on the dimension members. Their account codes are in effect members in the cube's dimensions.

Management understood that, in turn, reporting and chart of accounts design becomes a question of designing intersecting dimensions, and of designing hierarchies with parents that total child members. Their reporting tool becomes the desktop spreadsheet⁴ whose rows and columns present the dimension members, and whose cells present the balances.

The balance cube totals, aggregates and foots their general ledger balances as they post, according to their predefined hierarchies. Not only do they no longer have to execute time-consuming and error-prone extracts and mappings, they no longer have to use wildcards to pull out values, no longer have to produce technical inquiries nor construct and maintain esoteric reports. They find the balances cube to be a user friendly, functional reporting tool, linked directly into their users' spreadsheets without IT or other technical support.

Core finds, for example, that the Surgical business is reported to Excel from segment 031SM without any wildcards, without any report mapping, without any IT support, updated automatically as they do their ongoing accounting. Equally, the US results are visible on demand from segment 080AU. All that the Group and the finance organization needs to be concerned with is that the appropriate processing – payroll posting, depreciation, accruals, reserves, revaluation, translation, et cetera – have been executed or are understood not yet to have been executed.

When Core wishes to create additional reporting aggregations, it can declare parent values in respect of any selection of child values in any segment, creating a new hierarchy.

³ The General Ledger Balances Cube

Oracle Financials Cloud's General Ledger includes a built in and internally controlled General Ledger balances cube designed to facilitate General Ledger reporting. Balances in the cube are updated immediately when an entry is made to General Ledger.

A single balances cube will be created for all of the ledgers that share the same chart of accounts. The balances cube will include all worldwide ledgers when the chart of accounts is shared by them.

It does not matter if the ledger's accounting currencies are different. The cube will total by currency, and include parent currency values once FAS 52 or IAS 21 Translation or Remeasurement is completed.

A single balances cube provides direct and real-time reporting for the complete organization. For this reason, in addition to providing a standard semantic, it is enormously advantageous to share a common chart of accounts over all ledgers.

⁴ Desktop Spreadsheet Tools

Spreadsheet tools shipped as part of General Ledger include Oracle Smart View spreadsheets, which dynamically pull in Oracle Cloud Financials data into Microsoft Excel spreadsheets.

Internal Control

The GL balance cube retains the characteristic internal control of a general ledger, is maintained through general ledger chart of account maintenance, and is populated through the controlled posting process.

Ledgers and Countries

When Core uploaded their list of companies and their chart of accounts to Oracle Financials Cloud via Rapid Implementation spreadsheets, one ledger was created for the US and second was created for Canada. Country ledgers are usually aligned with national management structures, and hold the books of the legal entities registered in that country. Activity and balances are valued in that country's currency.

The Group's US ledger contains the account books for the four US-registered legal entities.

The same chart of accounts is associated with all ledgers, facilitating total-group dimensions in the reporting cube.

- Both the US companies and the Canadian company use the same series of natural accounts and cost centers.
- All of the company codes are only valid in their own ledger.
- Management and shared service users have access to all the company codes, and to all accounts and cost centers.
- Certain users might be prevented from using certain codes through security.
- The US and Canada Ledgers have distinct subledgers.

Reporting Currency

In Canada, Core translates the results of operations from their accounting currency, CAD, to their Functional and Reporting currency, USD, using historic rates for non-monetary items. This is in line with FAS 52 (US GAAP Topic 830), converged with IAS 21. The Group had been hoping that they could treat CAD as the functional currency for Canada, and translate using current rates for all balances, but their auditors felt that the Canadian operation is merely an outlet for the US business, and therefore the Group's functional currency is USD.

Core uses a Reporting Currency ledger at transaction level for the translation. This means that every transaction can be represented in both CAD and USD. This gives US management a home-currency view of the Canadian operation.

Ledger Set

The group has created a Ledger Set around the US ledger and the Canadian USD ledger, facilitating unified closing and GL operations. This allows Core to work across both ledgers as if they were a single ledger.

Chart of Accounts Summary

Core's handling of the company codes became a model for their handling of the reporting codes in the other segments of their chart of accounts.

Let's look at how Core used the segments of the chart accounts to their needs, revisiting the Primary and Second Balancing segments, and looking at the other segments, from the perspective of their specific attributes and role in the chart as a whole, in addition to their support for hierarchies and their capability as dimensions.

Core Uses Six of the Many Available Chart of Account Segments

A	B	C	D	E
2	Chart of Accounts, Calendar and Ledger			
3	* Required			
4	*Ledger	InFusion Core Group		
5	*Ledger Currency	USD		
6	*Retained Earnings Account	00000-0000-39000-00000-0000-0000		
7	*Enable Average Balances	No		
8	*Fiscal Year Start Date	1-Jan-2008		
9	*Period Frequency	Monthly		
10	*Adjusting Periods	Once at year end		
11				
12	Chart of Accounts			
13	*Segment	Segment Label	*Short Prompt	*Display Width
14	Company	Primary Balancing Segment	Co	5
15	Cost Center	Cost Center Segment	CC	4
16	Account	Natural Account Segment	Acct	5
17	InterCompany	Intercompany Segment	InterCo	5
18	Future			4
19	Future			4
20				

Image7: Core's first tab on their Rapid Implementation chart of accounts spreadsheet, showing their calendar start date, retained earnings account, and the chart of accounts segments they chose to deploy.

Core's practice in all chart of accounts segments

All segments of the chart of accounts support multiple date-effective hierarchies. The InFusion Core Group uses them to implement reporting on their companies and businesses using company codes. They also use them extensively to rollup cost centers to functional revenue and expenses and for other insights, and to group natural accounts into expense categories.

Subledger and journal entries are recorded using the detail company codes, cost center numbers or natural accounts. Posting in all segments is to the detail values.

General Ledger instantly and automatically updates the balances in the parent values in all segments. Parents values on company codes, for example, present the registered companies, the two businesses, and the geographic US and worldwide results. On cost center numbers, one hierarchy is functional expenses (R&D, S&M, G&A), other hierarchies might include vice-presidents' spending, plant operations, campus costs, rechargeable spend, and so on.

Core use balancing segments to measure equity – creating inter-entity balancing accounts

As we discussed, Core uses company codes to represent legal entities and management entities or businesses for which they wish to measure equity. Measuring equity involves tracking assets and liabilities and measuring income, including the group's investment in the entity.

The balancing segment in the chart of accounts is the segment that provides that capability. When a transaction includes more than one balancing segment code valid in the same ledger, the software automatically records how much the first owes the second, and vice versa. This feature is in addition to and complements the more formal inter-company (update of legal ownership) and intra-company (updates of management responsibility) features that involve pricing, mark-ups, invoicing, shipment management, reconciliation, and elimination.

Balancing segment values usually identify reportable entities. If the entity has property rights, balances stamped with the balancing segment value assert its legal ownership (assets), obligation to pay (liabilities), equity due to its owners, and income (revenue less expenses). If the entity is a management entity, they assert the amounts for which that management entity is responsible.

Core's Primary Balancing Segment Asserts Both Ownership and Responsibility

We saw that Core used the Primary Balancing segment to represent their businesses (companies). The application balances debits and credits for each one. The Group produces a balanced set of financial statements for each registered company and business for which there is a detail child or a parent company code.

Core, as is best practice, mirrored the detail values from the Primary Balancing segment in the Intercompany segment, calling out equal and opposite intercompany balances for elimination.

Core has specifically elected that one segment asserts both responsibility in the management hierarchy and ownership in the legal hierarchy. As discussed, the Group implemented this by using the hierarchy feature instead of using the Second Balancing segment feature.

The Primary Balancing segment values can alternatively be used exclusively to represent legal entities and assert legal ownership. In this model, management entities have values in one or two Second Balancing segments.

Core Chose Not to Assert Management Responsibility With Either of Two Second Balancing Segments

Core decided not to use the Second Balancing segment feature. General Ledger supports two additional balancing segments to provide balance sheets and income statements (trial balances) in respect of management divisions, businesses, and management organizations for which you wish to track equity and return on investment.

When you use Second and Third Balancing segments, the Primary Balancing segment represents registered companies or other forms of legal entity, and asserts their legal ownership of the underlying assets and liabilities. The Second and Third Balancing segments assert management responsibility or other attributes outside of ownership.

Core decided not to use the Second Balancing segment for their two businesses because they get that information from the alternate management entity hierarchy on the Primary Balancing segment.

They do not have the volume of dimension members such that this two-segment approach would trump some simple hierarchies on the Primary Balancing segment.

Alternative Two Segment Scheme (Rejected at Core, given only 10 entities)					
Second Balancing Segment	Business Name	Surgical	Technical	Operations	Eliminations
	Business Code	031	032	100	999
Primary Balancing Segment					
Reg. Company Name	Company Code				
Core Inc.	020			✓	✓
Neutron Inc.	021	✓	✓		
Quark LLC.	022	✓	✓		
Gamma LLC.	023	✓	✓		
Canada Ltd.	024	✓	✓		

Image 8: An alternative approach to assigning company codes to legal and management reporting entities: use a Primary Balancing segment for legal, and up to two additional balancing segments for management.

Core uses the Natural Account for Assets, Liabilities, Revenue, and Expense types

Natural Account is used to label balances by kind. On the balance sheet, it is used for assets, liabilities and equity – cash, receivables, so on. On the Income Statement, Natural Account is used for revenue and expenses such as payroll related expense, spend related expenses like utilities and occupancy, or for depreciation and amortization. These expenses are usually assigned to cost centers so they can be rolled up as functional expenses (COGS, R&D, S&M, G&A, et cetera); although in some situations they are reported directly on the income statement.

Core's Natural Account parents for expenses look like the first column in the next illustration, Image 9. In this area, as with company codes, they chose to use hierarchies – rather than a second segment, such as sub-account - to roll up similar categories. For example, account 15000, Cafeteria Medical Plan under Total Employee Remuneration, sums several other Natural Account values that track elements of their health care benefit plan. They don't assign any special meaning to the account numbers, using loose groups and a next available number approach.

Certain Natural Account values defined in the Chart of Accounts spreadsheet are used by subledger modules as control or total accounts, and other Natural Account values are required so that transaction flows can be cleared. Accounts for capital, retained earnings, and other specific balances must also be nominated. Natural Accounts have specific behaviors based on a classification by asset, liability, equity, revenue, and expense.

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Report:	Operating Expense by Cost Center						
Group:	InFusion Core Group (All Companies)						
Period:	Conference Room Pilot						
Currency:	USD (Thousands) (CAD operations translated)						
SEC Reporting:	Total OPEX	Total R&D	Total Selling	Total Marketing			Total G&A
Management Reporting: (Expand Groups [+])	9900- Operating Expenses	3000- Research & Development	5000- Selling Expense	6000- Marketing Expense	3120- Marketing Surgical	3130- Marketing Technical	7000 -General and Administrative
89010-Total Employee Remuneration	6,499	860	1,047	1,648	690	958	2,945
89020-Total Rent and Occupancy Expenses	2,182	303	369	471	197	274	1,039
89030-Total Utility Expenses	1,095	130	158	363	152	211	445
89040-Total Asset Usage Expenses	964	109	132	350	147	203	372
89050-Cost Center Direct Expenses	1,604	211	257	414	173	241	722
89060-Total Communication Charges	1,299	162	197	383	160	223	556
89070-Total Travel and Entertainment Expense	2,051	282	344	457	191	266	967
89080-Customer Oriented Expense	1,502	195	237	404	169	235	667
89090-Total Office & Sundry Expenses	2,438	344	419	498	209	289	1,178
89980-Gross Cost Center Expense	19,634	2,595	3,160	4,988	2,088	2,900	8,891

Image 9: Proposed Smart View report includes expenses from all sources and companies categorized on the vertical axis by Natural Account parent values in the financial reporting hierarchy, and on the horizontal axis by Cost Center parent values in the functional expense hierarchy.

The Group Uses Cost Centers to Roll Up Revenue and Functional Expenses to the Income Statement

Core's cost centers aggregate elements of natural expense accounts and revenue accounts into the functional expenses and revenues on the income statement.

The Cost Center aggregation also uses hierarchies extensively. The InFusion Core Group has created hierarchies on cost centers that:

- Roll up costs to reported functional expenses – the Profit & Loss expense rollup. The column headings in Image 9 show the cost center parents that Core as using: Operational Expenses, R&D, S&M, and so on.
- Roll up costs to the spend as incurred by each vice-president through their departmental activities – the organizational rollup.
- Roll up costs associated with different sales channels, customer types or other business metrics.
- Roll up centralized or common costs like facilities or campuses so they can be allocated and billed to the businesses and registered companies.
- Costs associated with management issues.

As with Company or any other accounting code, a given cost center can be included in several hierarchies, reflected in the updated balancing in the cube.

- For example, the Canada Finance Cost Center rolls up to Finance Expense and to the Canadian GM's Spend. It is allocated as finance expense to the Surgical and Technical businesses in Canada.
- In another example, Core use cost centers to ensure that legal expense related to Workers Compensation is expensed as cost of goods sold; related to patent defense is expensed as R&D, related to acquisitions is expensed as Finance. For spend management, these detail cost centers are grouped as the VP Legal's responsibility & department, and reported directly to her using a Legal Dept. parent.

The Group tracks administrative cost by functional expense totals, and allocates them to the various lines of business and registered companies.

As with the company codes, the Cost Center hierarchy balances are updated instantly. When a journal in respect of an expense, for example, payroll or depreciation, is posted to the Finance Cost Center, all the hierarchies in which that Cost Center is represented are immediately updated: G&A Expense, CFO & Treasury Department, and so on.

Management Resolve Intercompany Eliminations With the Intercompany Segment

In the Intercompany segment, the Group uses the same values as in the Primary Balancing segment. They call out the reciprocal of an intercompany balance so that it can be easily eliminated.

Core Doesn't Use All the Segments Available in the Chart of Accounts

Core chose not to use a product segment because their business is largely a consulting and technical service business. Product segments would be more appropriate if management was considering switching to a product model to manage the business.

Core also chose not to use a project segment because their customers drive the activities of their consultants and technologists. For example, if Core provides a specialist anesthesiologist, the hospital their customer defines the medical procedures she follows. Project segment would be more appropriate if management was managing activities to optimize for gross margin by controlling project costs against project revenues. Since Core's customers request specialist help, this is not necessary for Core.

Core Created Two Unused Segments for Future Use

The Core Group has two charts of accounts segments that they are not populating at this time, but are reserving for future use. They recognize that as they grow, they may need to report additional information externally, or classify transactions in ways not forecast today, in order to optimize decisions.

Core's Final Account Code

The entire account code looks like this: 100NS-2230-22010-180VT-0000-0000. The first value, 100NS, represents the company (legal entity & businesses); the second value, 2230, represents the cost center; the third, 22010, is the Natural Account, the fourth, 180VT, is the intercompany trading partner, and the last two are for future use. Core's staff sees this account code on transactions and journals.

Each segment is a dimension in the balances cube, and the balance for each parent and child value is updated at each entry.

Other GL Concepts Used by Core

The InFusion Core Group Consolidate in the GL Balances Cube

The InFusion Core Group completes their consolidation and management reporting in General Ledger. There are no complex minority interests or other disparate systems. Both the consolidated results and the management results are updated instantly on each posting. Intercompany eliminations are both self eliminated (intercompany AP and AR share a line) and eliminated through simple allocations; matching asset to liability is very direct through the intercompany segment.

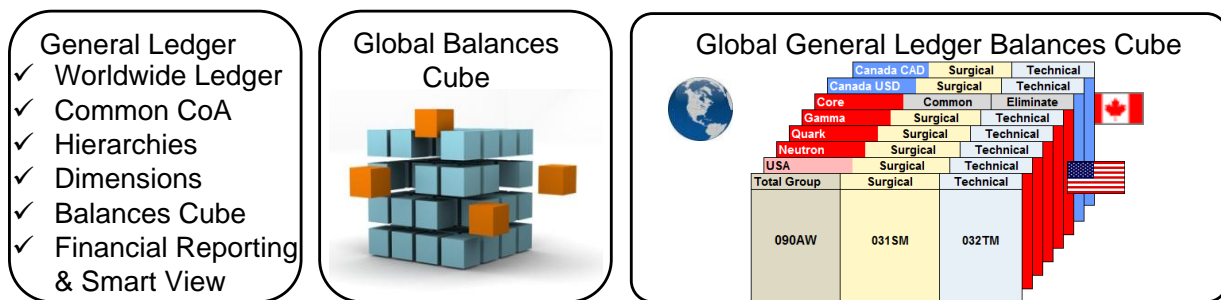


Image 10: GL is an enterprise-wide ledger, with a common Chart of Accounts (CoA), and dimensional reporting from a balances cube. At Core, each company's financials, and their business' are grouped into national ledgers, a parent currency Ledger Set, and one reporting cube.

Another posting “company”, 999AW, has been created to accommodate group journals and re-classes, including elimination entries (see Image 6 earlier in this document). This company was uploaded on the Rapid Implementation spreadsheet, and is included in the 090AW consolidation.

Core Didn't Create Any Additional Financial Databases

The InFusion Core external reporting and statutory finance team works in the same General Ledger balances cube as the management reporting and analysis team do, simultaneously and independently, with the same data. There is no physical movement of data or ETL activity. However, security and control of the updates ensure a snapshot view of the position at given times is available to the CPAs and analysts, and that only the right people can see the appropriate data. At Core, analysts examine data for internal business uses while CPAs are more concerned with drafting the financial statements for external reporting. This allows each team to work independently with the same data without interrupting or affecting the other team's work.

This Deployment Speeds and Eases the Group's Reporting and Close

Core optimized the design of their chart of accounts and the deployment of the Fusion General Ledger in the Oracle Financials Cloud to maximize the ease and immediacy of financial data and reporting. As a result, they got the instantly updated general ledger dimensionality, effective across currencies and companies, business and bureaucracies, on their desktops in familiar spreadsheet reporting tools.

InFusion Core's Ledger, Sub-Ledgers, and Business Units

Core Minimized the Numbers of Subledgers They Deployed

The Group has One Subledger Business Unit per Ledger and a Centralized Procurement Business Unit

The InFusion Core Group has implemented one single-function business unit (BU) to centralize its procurement activities. Both ledgers, Canada and the US, have one subledger⁵ each, that is, there are two all-function financial business units⁶ managing the detailed transactions, one in each country.

In total, the Group has three BUs:

1. The US Ledger's subledger, the US Financial BU
2. The Canada Ledger's subledger, the Canada Financial BU
3. The Procurement BU, which is not a financial BU or a subledger to any ledger.

Core administers the Group through common management identified with Core Inc. at head office, a smaller group handling Canada specific affairs based in Vancouver, and a formally centralized procurement organization. Management is focused on the Surgical & Technical businesses but operate as a single team, so their initiatives are managed through a single business unit. The management team works for and through all of the United States registered companies. Canadian management uses a Canadian Business unit.

Procurement is managed centrally. One procuring business unit serves both Canada and the US, and buys for all registered companies and businesses.

Transactions driven by all BUs, contracted through any registered company, and classified as any business, or incurred at any location, are processed at the shared service center.

⁵ Subledgers

Subledgers contain volume transactions that are summarized in General Ledger, and are particular to the specific General Ledger that summarizes them. Standard accounting terminology states that the balance in general ledger is supported or evidenced by the detail in the subledger. For example, the Payables GL balance is the sum of open invoices in Accounts Payable, perhaps amended by approved adjustments in GL.

A subledger is reconciled to its ledger during a period close. An accountant validates that the GL balance actually does correspond to the lists of open documents in the subledger and authorized adjustments in General Ledger.

⁶ Business Units

Business Units (BU) are management organizations that initiate and execute transactions. BUs can be specific to a particular function, such as procurement or invoice processing, or they can do all functions. When an employee closes a sale, requisitions supplies, or incurs expenses, the appropriate BU for her creates and manages the transaction.

Single function BUs might be thought of as being an administrative department such as procurement serving a company or many companies. All-function BUs might be thought of as the administration of a set of companies or an individual company using a ledger.

A BU that sends accounting entries to a ledger is sometimes called a Financial BU, and meets the definition of a subledger.

Core Uses a Central Procurement Business Unit Independent of Both the US and Canada

The InFusion Core Group has deployed Procurement and its global procurement-function BU. This BU processes requisitions from both the US and Canada. The requisitioning and procurement process specifies to the vendor which Group company completes the purchase, and how it is accounted for in that company's subledger/BU and ledger by Accounts Payable using data received from the Procurement BU.

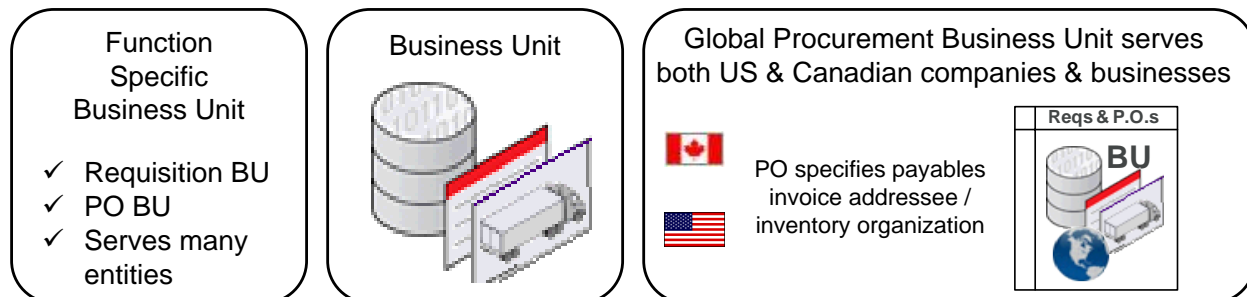


Image 11: A function specific BU that does not do accounting is not associated with a ledger and can serve many companies and businesses. Core does its procurement this way.

Core's considerations when electing to use one Subledger BU per Ledger

Core has elected to use one subledger or Financial BU (an all-function BU that does accounting) each for the US ledger and their Canadian Ledger, because as far as possible, management run the group as a whole – they want to administer, search and account for information holistically. While one subledger BU per ledger is optimal, the subledger can be partitioned into more BUs if circumstances demand it.

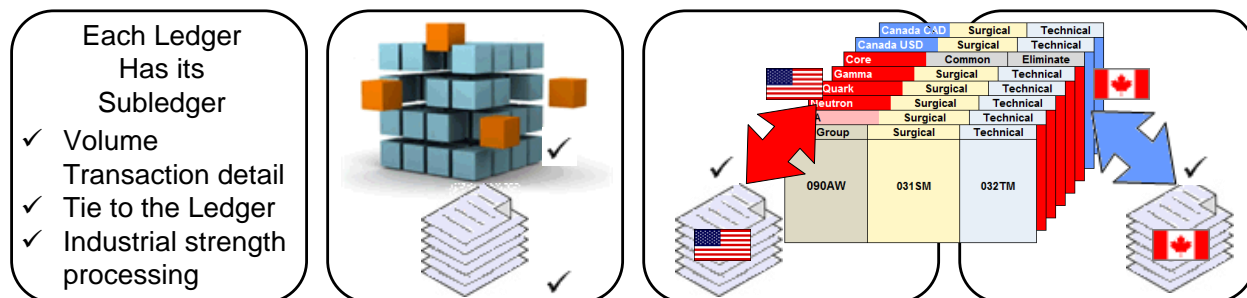


Image 12: Subledgers aggregate similar documents and transactions (receivables, payables, and inventory) and account for them in summary in General Ledger. At Core, distinct US and Canadian subledgers support the US and Canadian General Ledgers.

Core accrues certain processing and reporting benefits from using one BU per ledger:

- Users don't have to examine or preprocess incoming data to determine which BU to use.
- During the period close, having only one BU per ledger contributes to speed and control in two ways:
 - As each BU must be closed and reconciled, having just one BU reduces the demand on resources and time.
 - Reconciliation is also simpler. There is a direct relationship between the subledger and general ledger balances.
- Financial reclassifications from one business to another (intracompany) are a straightforward accounting entry, not requiring any behind-the-scenes BU updates.

- Intercompany transactions, that is, updating legal ownership by selling an item or service from one registered company to another, can be easily effected within the BU.
- Functions that work across the ledger and its users are easily supported. For example, cash received at the corporate lockbox at InFusion Core Inc. can be applied to invoices issued by the other corporations in the group.
- The Business Unit's subledger entity and the national management ledger entity for each of the US and Canada are aligned.

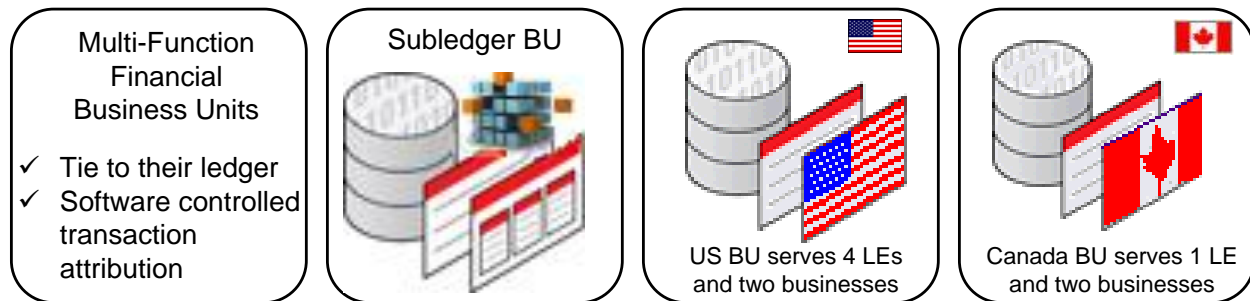
The Group examined three alternatives. They looked at having distinct BUs (a) for each of the businesses (Surgical and Technical), (b) for each of the registered companies, and (c) even for the business as operated by the companies. Core management found that benefits from this approach were not relevant to their circumstances:

- All Business Units, including Financial BUs, provide access security by inhibiting access and reporting of its data to anyone not specifically granted access. Core feel that roles related to maintaining financial data should be able to access all of the data. For example, a Surgical coordinator needs to be able to access Technical division data to properly support a customer, and a Quark employee should be able to access Gamma records at any time.

There is a possibility that they might need to impose access security on the logistics associated with the radio-active metals, but they'd rather not inhibit their access for this issue at this time. If they need to, they can create a secure logistics BU later, limiting access to and inclusivity of that data. Core has been briefed on the tools and functionality that provide access to multiple BUs to appropriate people and processes, and that permit sharing of common data across BUs.

- BUs also provide parameters to subledger features: a particular configuration can be limited to one BU or shared by several. This can be useful when operating in countries with special subledger related regulations – the feature required by the regulated company can be limited to that company's subledger. Some local regulators require that subledger data be partitioned for a company in their jurisdictions. In cases like this, it can be useful to use a BU dedicated to a single registered company or other form of LE. Core does not feel this is necessary in the US or Canada.
- A given BU can deliver all *business functions*, or be limited to one or a limited number of business functions, facilitating and upstream/downstream mapping of functions within the ledger context. Core is satisfied that the work flows provided in the applications address their needs with further access security.
- Reports are available by BU before the accounting is completed. Core have built their reporting requirements into their accounting processes, and see reporting that meets financial criteria (recognition and valuation) as primary.
- Ledger-level reports that cross BUs facilitate reconciliation to the ledger balances when the accountants that need it are given access to the relevant BUs. Core feels that a direct BU to ledger alignment is more easily reconciled.
- The BU is the point of entry to the system; the first decision to be made in a given transaction process. The selection of which BU to use when entering a transaction is determined either from data in upstream transactions or from whatever data is available at the point of entry. Core was concerned that the initial data might not be available to determine which BU to use, and that manual preprocessing would be required.

Each of Core's Subledger BUs Serve Many Registered Companies and Businesses



- *Image 13: Multifunction BUs serve companies and businesses. As they send accounting entries to a ledger, they are subledgers, and they tie to the ledger directly. Core use 1 subledger BU each in the US and Canada, each with multiple companies, reportable businesses, and employee users.*

The Core Group uses one subledger BU in the US to support many registered companies, that is, many legal entities. While some people are comfortable when accessing an environment with many companies and their company codes, others are more used to logging on to an individual company's system to record its transactions, and are uncomfortable entering a transaction without selecting its first party registered company first. Oracle Financials Cloud determines the appropriate company, and also, natural accounts, cost centers and so on, from within a BU.

How Core Determines the LE and Other Accounting Attributes in Their US Subledger BU

The BU uses business rules, accounting rules and tax rules applied to the transaction data to determine the legal entity that is the Group's party to a transaction, as it does for any other accounting element. As in most groups, Core's companies have specific roles to play in its operations, and Core uses these roles to define the relevant business rules.

The Group also uses information associated with managers, employees, and their job roles as they initiate or approve transactions to drive company identification.

InFusion Core's specific US policy in respect of company roles is outlined in this footnote⁷. Other groups have other approaches and policies, and Core may revise this as business conditions require.

⁷ Summary of Group Policy in Respect of US LE/Registered Company Trading Activity

All US consulting revenue booked is entered as Neutron Inc.; billing in respect of medical specialists is classified as Surgical, and of materials engineers is classified as Technical.

All consulting and contractor payroll and disbursements is recorded in Quark LLC., and as in Neutron, divided into Surgical and Technical. A GL Allocation is created a cross-balancing segment intercompany cross-charge from Quark to Neutron each month. US full time and permanent part time employees' payroll is met by Core Inc., and charged directly to their cost centers in the relevant company. The companies are intercompany charged for the total disbursement by Core Inc.

All exotic material, including brokerage fee revenue, is handled by Gamma. Gamma allocates the cost to Neutron using GL allocations, and creates intercompany invoices with Canada at cost plus a fee billed once a month. Gamma does not buy exotic material; it locates, transports, and supplies it without owning it. The logistics services are procured through Procurement.

Core Inc. manages the procurement of all US services other than the provisioning of consultants (handled by Quark) and expenses them in its own cost centers related to functional expense. At the end of each

On transactions that have been arranged through Procurement, the purchasing agent instructs the vendor which company to invoice, directly or indirectly, based on information received by her in the requisitioning process. Other relevant accounting information is conveyed to the payables subledger BU using the chart of accounts used by the originating or destination company in its ledger.

For transactions outside the procurement realm, InFusion Core is using group policy to define the transacting role of each of the legal entities, and consequently, to determine which LE creates or enters into which transaction. Transaction processing and data entry reflects this. The policy specifies the kind of expense each company incurs, depending on its role within the group.

The InFusion Core Group has considered other models, and found that this particular model is amenable to its particular business: a policy that follows the roles of their registered companies in managing the transactions in which those companies engage.

In Canada, Core's BU Serves One Registered Company

The Group uses a single operating company model in the Canadian operation. All transactions in Canada are contracted, incurred, and recorded by InFusion Canada Limited.

month, it will allocate them to the companies' and businesses' codes in the US ledger. Core Inc. is also the operator of the shared service center.

US full time and permanent part time employees' payroll is met by Core Inc, and charged directly to their cost centers in the relevant company. The companies are intercompany charged for the total disbursement by Core Inc.

Core Inc. manages the procurement of all US services other than the provisioning of consultants (handled by Quark) and expenses them in its own cost centers related to functional expense. At the end of each month, it allocates them to the companies' and businesses' codes in the US ledger. Core Inc. is also the operator of the shared service center.

Chapter 3: General Ledger

Journal Entry

Most journal entries originate in subledgers but the InFusion Core Group also must enter certain journal entries directly in Oracle Fusion General Ledger for purposes such as recording adjustments, accruing expenses at month-end, and allocating costs and revenues.

Core can enter journal entries using a spreadsheet or a browser.

- The **spreadsheet approach** is ideal for skilled spreadsheet users, as it lets them take advantage of data entry efficiencies such as copying and pasting values across many rows at once. The spreadsheet approach validates most of the data during the upload process.
- The **browser approach** is a more guided experience, as it validates information as it is entered. The browser approach also provides more information as the user enters the data in the journal, such as the history of all changes to the journal and the projected balance in each account after the journal is posted.

Core uses both approaches. They use the browser for certain users and journals, such as last-minute adjustments that have a high impact but are few journal lines. They use the spreadsheet method for other journals, such as those that require high-volume data entry, where their users can capitalize on their experience and speed of entry.

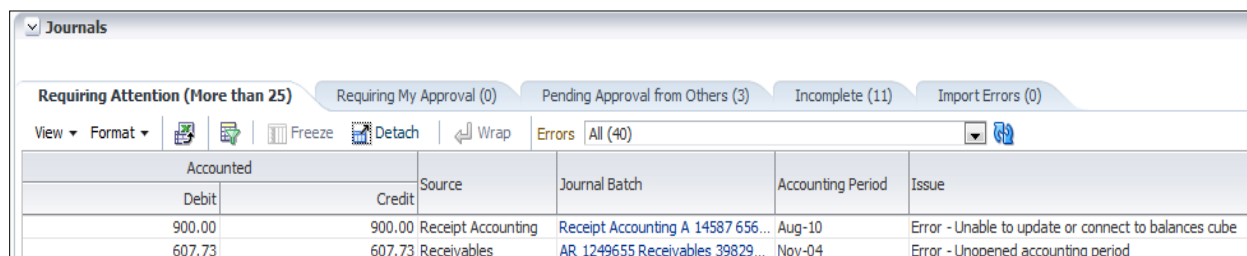
Journal Review, Approval, Reversal, and Posting

As mentioned above, the spreadsheet approach is intended as a quick way to enter journal entries into the system. The browser approach, in addition to allowing journal entry, also enables users to find and review existing journals, as well as make modifications, approve, reverse, and post additional journals.

Core uses journal approval to ensure that manual adjustments of material value are properly reviewed before being posted. Any journal over \$1000 in total financial impact is automatically routed to the supervisor of the person who entered the journal. The supervisor may approve or reject the journal. If approved, the journal is then automatically posted.

Core does not use approval for the journals that originate from subledgers such as Oracle Fusion Payables and Receivables, as these had already gone through a rigorous review process within the subledger. Core sets up automatic posting rules so that these journals post all the way through to update the General Ledger balances without any manual intervention.

Occasionally, a journal is not postable. This can be due to a data entry error, such as a user entering an account that is no longer valid, or a timing issue. For example, a cost center enabled only for the previous month has a transaction entered against that cost center in the current month. In this case, manual intervention is required. Oracle Financials Cloud helps resolve these errors by guiding users to those journals that require correction.



The screenshot shows the 'Journals' section in Oracle Financials Cloud. It features a navigation bar with tabs for 'Requiring Attention (More than 25)', 'Requiring My Approval (0)', 'Pending Approval from Others (3)', 'Incomplete (11)', and 'Import Errors (0)'. Below the tabs is a toolbar with icons for 'View', 'Format', 'Freeze', 'Detach', 'Wrap', and 'Errors'. The main table displays journal entries with columns for 'Accounted' (Debit and Credit), 'Source', 'Journal Batch', 'Accounting Period', and 'Issue'. Two entries are highlighted with error messages.

Accounted		Source	Journal Batch	Accounting Period	Issue
Debit	Credit				
900.00	900.00	Receipt Accounting	Receipt Accounting A 14587 656...	Aug-10	Error - Unable to update or connect to balances cube
607.73	607.73	Receivables	AR 1249655 Receivables 39829...	Nov-04	Error - Unopened accounting period

Users can modify a manual entry or spreadsheet uploaded journal or elect to delete the journal altogether. However, posted journals can no longer be modified or deleted. In the case of an erroneous manual adjustment that has been mistakenly posted, Core users elect to reverse the journal. This removes the erroneous journal's impact on balances while still preserving the audit trail.

Similarly, month-end accruals must be reserved at the start of the following period. Since this is a regular process, Core chooses to do it automatically.

They do not reverse journals that originated in the subledgers. Instead, any issues with a subledger journal are addressed within that subledger and resubmitted to the General Ledger. This is an important control measure, ensuring that the subledgers tie to the General Ledger.

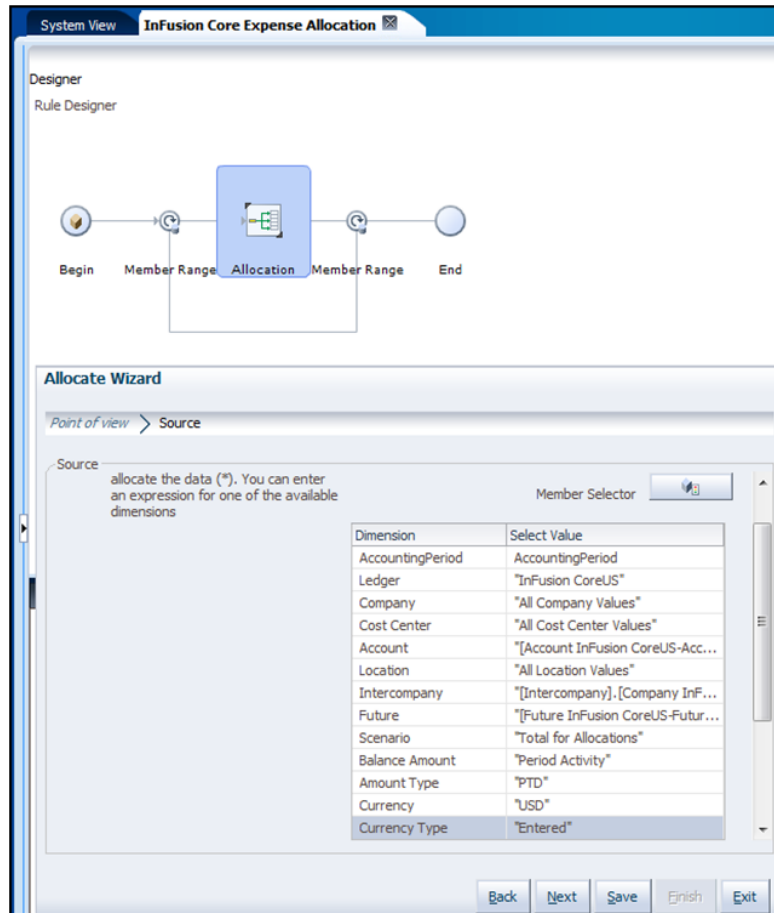
Allocations and Recurring Journals

Many journal entries are entered routinely, as part of the month-end process or at some other frequency. It would be a waste of effort to manually enter these journals month after month. Instead, Core is taking the following recommended approaches:

- When they must debit and credit the same accounts for the same amounts routinely, they plan to copy the original journal. After copying it, they make any needed modifications, such as changing the date. This may be useful, for example, for accrued rent expense, which rarely changes from month to month.
- When they must adjust the same accounts but the amounts change, they plan to enter the first journal in a spreadsheet and save the spreadsheet file. Then, each month, they simply open the spreadsheet, change the date, update the amounts, and reload the journal. They are working in a spreadsheet, so they can use formulas to calculate the amounts if necessary. This may be useful for accrued utility expenses, which vary from month to month.
- They can download current account balances into a separate spreadsheet and then use formulas to calculate their journal debits and credits based on those current balances. This may be useful for the reserve for bad debt, calculated as a percentage of outstanding accounts receivable balance.

The above approaches all require manual intervention. Core can automate the entire journal processes by defining a formula within the browser and then scheduling this formula to run whenever needed.

- When the formula runs, it generates a journal based on the formula already defined. This is a much better approach when having many journals that are entered periodically.
- All of the above examples can be automated in this manner as well.
- An additional common use case is allocating costs across cost centers or revenues across profit centers or lines of business. A single formula can be used to sum amounts originating in many accounts and then post the results across another large number of accounts.



In the case of month-end accruals, Core reverses the accrual at the beginning of the following period. This is an automated process.

For more information, see the *Capturing Journal Transactions: Points to Consider* topic in the [Oracle Fusion Applications Financial Control and Reporting, Accounting Transactions, Tax Transactions and Reporting Guide](#).

Multicurrency Processing

Companies who only transact in a single currency, such as United States dollars (USD), do not have to worry about multicurrency processing. Core has operations in the United States, Canada, and also has a small amount of sales in several European countries. Therefore, they must transact in USD, Canadian dollars (CAD), and Euros (EUR).

Core uses the following three currency processes in Oracle Financials Cloud:

- **Conversion:** Accounts for cross currency transactions in the currency of the ledger as well as the currency that the transaction takes place.
- **Revaluation:** Adjusts cross currency asset or liability accounts at the end of a period due to a fluctuation in the conversion rate between the time the transaction was entered and the end of the period.
- **Translation:** Restates an entire ledger or a set of balances for a company from the ledger currency to a reporting currency.

Conversion

The primary currency for InFusion Core Inc. as well as InFusion Neutron, InFusion Quark, and InFusion Gamma is USD. However, this does not mean all transactions must be entered in USD. Transactions can be recorded in any currency. Transactions entered in another currency are automatically converted to USD using loaded conversion rates.

InFusion Canada's primary currency is CAD. When the Canadian operation sells something in Europe, the transaction is recorded in EUR and converted to CAD.

Core loads conversion rates every morning using a simple manual process. These rates are received from a feed that they subscribe to, and then the rates are copied into the standard Oracle Financials Cloud spreadsheet loader. This works fine, but over time they expect to replace this with a fully automated process. This automatic process bypasses the spreadsheet loader and loads rates directly from the rates feed into the open interface table.

Revaluation

Monetary assets and liabilities, such as Receivables and Payables that are held in foreign currencies, can change in value as conversion rates fluctuate. Core revalues their balance sheet accounts to reflect the current value before running financial statements. They could revalue every day or even more frequently, but generally they do it at month-end.

Revaluation is an automatic process. Core defines the group of accounts that require revaluation, which in their case includes all noncash accounts on their balance sheet. They also specify which account to use to record the **unrealized gains or losses** that result from changes in conversion rates. Revaluation then produces a journal entry that reflects the impact of the change in rates.

Core typically reverses this revaluation journal at the beginning of the next month. When a nonmonetary asset or liability is converted to cash, for example when a receivable is collected, they record a **realized gain or loss**.

In the example below, the Entered Debit and Entered Credit columns represent the actual transaction amounts that they entered in their journal spreadsheet. The Converted Debit and Converted Credit columns represent the amounts that the system calculates, using that day's conversion rate of 1 EUR = 1.314 CAD.

	At Transaction Entry				At Month End	
Account	Entered Debit	Entered Credit	Converted Debit	Converted Credit	Revalued Debit	Revalued Credit
Accounts Receivable	2000 EUR		2628 CAD		12 CAD	
Sales Revenue		2000 EUR		2628 CAD		
Realized Gain						12 CAD

The Revalued Debit and Revalued Credit columns represent the changes due to the change in rates from the time the transaction is entered to the time when Core is ready to run month-end financial statements. The rate has changed to 1 EUR = 1.32 CAD. The revaluation journal increases their receivables balance by 12 CAD to reflect its current value in their primary currency. They only revalue their balance sheet accounts, not their income statement account, and offset the 12 CAD increment against their **Unrealized Gains** account.

Translation

As part of their month-end financial reporting process, Core must translate InFusion Canada's books to USD so they can include the Canadian results in their reports in a common currency. Translating from

one currency to another to consolidate the results is a common accounting process, defined in accounting standards with some slight variations in different countries. For their business, they translate from CAD to USD by converting the balance sheet at the month-end rate and the income statement at the average rate calculated for the month. Core holds long-term nonmonetary asset and equity accounts at historical rates, because the USD is their FAS 52 Functional currency.

Core did these manually using spreadsheets, but Oracle Financials Cloud provides an automated translation process. This process multiplies the appropriate rate by each account balance, producing a full trial balance in USD accurately reflecting the starting full trial balance in CAD. The difference that results from using different rates for different types of accounts is posted to their **Cumulative Translation Adjustment** account.

For more information, see the *Revaluation Process: Explained* topic in the [*Oracle Fusion Applications Financial Control and Reporting, Accounting Transactions, Tax Transactions, and Reporting Guide*](#).

Subledger Processing

As mentioned earlier, repetitive transactions are documented and recorded in subledgers that are posted to and controlled in Oracle Fusion General Ledger. Transactions are recorded as they happen, but Core only posts to the General Ledger periodically. This is more efficient than constantly posting small transactions to the General Ledger. It affords the general accountants an important level of control over when and how the General Ledger is updated.

Subledger Journal Lines

Ledger: Vision Operations (USA) Account: 01-000-2210-0000-000
Journal Source: Payables Account Description: Operations-No Department-Accounts Payable-No Sub Account-No Product

View - Format - View Journal Entry - Detail - Wrap

Accounting Date	Transaction Number	Accounted (USD)	Journal Entry Line Description	Attachments
		Debit	Credit	
5/19/13	JF504		64,737.00 Full Distribution Set with one Line	Invoice image JF504
5/19/13	JF506		7,546.00 Full Distribution Set with one Line	None
5/19/13	JF503		5,737.00 Full Distribution Set with one Line	Invoice image JF503
5/19/13	JF501		4,357.00 Full Distribution Set with one Line	Invoice image JF501
5/19/13	JF502		4,357.00 Full Distribution Set with one Line	Invoice image JF502
5/19/13	JF507		2,345.00 Full Distribution Set with one Line	None
5/19/13	JF505		2,235.00 Full Distribution Set with one Line	None

Columns Hidden: 4

01-000-2210-0000-000: T

Advanced Network Devices

5600 Independence Ave
Fresno, CA 95602
(408) 544-2200

To:
Vision Operations
475 Park Avenue
New York, NY 10028
(408) 677-2354

Date: 10/10/2013
Invoice #: AND-01-22

Sold To	PO Number	Shipped Date	Terms
Ryan Smith	1000183	08/10/2013	Net 30 days

Num	Qty	Item Description	Price	Amount
1	1	Desk - Capitalizable, taxable item	\$2,500.00	\$2,500.00
2	1	Desktop	\$1,250.00	\$1,250.00
3	1	Quad Core Server	\$5,500.00	\$5,500.00
4	1	Laser Printer	\$6,200.00	\$6,200.00
5	1	Storage Server	\$3,800.00	\$3,800.00
6	1	Storage Software	\$8,800.00	\$8,800.00
7	1	Power Supply for Storage Server	\$4,500.00	\$4,500.00
8	1	Air Conditioner	\$9,100.00	\$9,100.00
9	1	Networking Peripherals	\$5,200.00	\$5,200.00
10	1	Projector	\$4,800.00	\$4,800.00
11	1	Video Editing Software	\$7,100.00	\$7,100.00

Subtotal	Shipping	Handling	Sales Tax	Total Due
\$58,750.00	\$112.00		\$5,875.00	\$64,737.00

ATTENTION
THIS IS THE ONLY COPY OF THE INVOICE YOU WILL RECEIVE. IF RECEIVED VIA FACSIMILE OR EMAIL IT SHALL BE DEEMED TO BE AN ORIGINAL INVOICE.
CLAIMS FOR SHORTAGES, LOSS OR DAMAGE MUST BE MADE BY THE CUSTOMER WITHIN SEVEN (7) DAYS OF RECEIPT OF THE PRODUCT. CLAIMS FOR CONCEALED DAMAGE MUST BE MADE WITHIN 48 HOURS OF RECEIPT OF PRODUCT.

In general, Core posts its accounts payable transactions nightly, its accounts receivable transactions weekly, and its payroll and asset transactions at the end of the month. This cadence allows the general accounting staff to keep close tabs on expenses without being constantly buffeted by revenue transactions, which tend to be less frequent and greater in financial impact.

The posting process generates a detailed subledger journal entry for each transaction, summarizes these detailed entries into a general ledger journal entry, and posts it in the General Ledger so account balances reflect the activity. Accountants can then review current balances using a broad range of online inquiry, report, and other analytical capabilities provided by Oracle Financials Cloud. This approach enables Core to capture critical information in each subledger without cluttering the General Ledger with superfluous detail.

The subledgers are considered frozen in the General Ledger, meaning that, while the accounting staff can update other journal entries with manual adjustments before posting them, they cannot modify a journal entry that originated from a subledger. This is critical for maintaining integrity between subledgers and the General Ledger. If a subledger journal is not able to post in the General Ledger, for example, when a data entry clerk enters an incorrect cost center; the system notifies the user so the error can be corrected at the source.

Budgeting and Forecasting

Core's budgeting cycle is very simple. A small group of financial analysts start by downloading the prior year's budget and actual results to a spreadsheet. With guidance from senior financial management, they prepare an initial high-level budget and distribute budget slices to line managers for their feedback and allocations. Core performs iterations on the numbers for two weeks, with two or three interim reviews from senior management. The entire process is done using spreadsheets, email, and over Oracle Social Network.

When the budget is approved, Core loads the budget numbers into the balances cube, which is an Oracle Essbase database that stores the actual and budget balances. By doing this, they are able to report on budgets against actual balances without any additional work. All actual activity is posted to the same balances cube. It is therefore simple to compare actuals side-by-side with budgets, rolling both up with the same hierarchies, and applying the same management calculations to both sets of numbers.

Core reviews its budgets quarterly and, where needed, makes adjustments. The adjustment process is quite simple, and is done using the same Smart View tool that their financial analysts use for in-depth financial analysis.

Over time, Core expects to formalize its budgeting process using a dedicated budgeting application such as Oracle Fusion Planning and Budgeting Cloud Service. This will allow them to move away from the need to e-mail spreadsheets around the organization. All budgets will be maintained centrally, within the planning application, and budget slices will be distributed for review without need to email data to anyone.

The InFusion Core Group's sales forecasting is done purely departmentally at this point, but they intend to standardize this process and bring it more directly in-line with financial analysis. Their goal is to load forecasts into their balances cube as they do budgets, though on a more frequent basis. In order to do this, however, they will need to work through a degree of standardization, as each sales department currently tracks forecasts in a slightly different way.

Consolidation Process

When the person responsible for each of Core's five companies signs off on that company's trial balance, they submit their trial balance for consolidation. Core can then produce a single set of consolidated financial statements for the overall enterprise.

The first step in the consolidation process is to gather all relevant trial balances and transform where necessary to the corporate standard chart of accounts and currency. In this case, the task is simplified since all five companies manage their books on a single system. Many larger enterprises must transmit trial balances from one system to another. In addition, Core's five companies all use the corporate chart of accounts, so no transformation is needed.

This is not accidental. Enforcing consistency in this area can be difficult and requires great discipline, but the benefits are very compelling. This approach minimizes Core's maintenance burden and enables a continuous proforma consolidation. At any point in time, they are able to view their financial results across the entire enterprise. They do not have to run any additional process or transfer any data. They use a month-end consolidation process, which includes, for example, their intercompany allocations. However, their proforma consolidated financial statements are always available.

Core's reporting currency is USD. All of the subsidiaries use USD except InFusion Canada, which uses CAD. As part of InFusion Canada's month-end close, they translate their trial balance from CAD to USD to enable the consolidation.

The consolidation accountants can then eliminate any intercompany activity and apply needed consolidation adjustments. They produce consolidated financial statements using the same reporting tools used by each subsidiary individually.

Subledger Reconciliation

As mentioned above, subledgers are frozen in the General Ledger, so Core's reconciliation process is fairly straightforward. That said, the company performs a reconciliation process, and discrepancies happen occasionally, due to:

- **Timing Issues:** In some cases, subledger transactions may be recorded but not yet transferred to the General Ledger.
- **Manual Adjustments:** Manually entered entries in the General Ledger must be separated from any general ledger balances resulting from subledger activity.
- **Chart of Accounts Changes:** Last-minute changes, such as inactivating a cost center, can miss transactions in the process of being transferred.

Core's use of collaboration tools has helped reduce the occurrence of these issues but there are still a few discrepancies. The Subledger Reconciliation Reports pull information from both subledgers and the General Ledger and display the relevant information side-by-side. The reports make it clear which transactions did not post from the subledger to the General Ledger, and which transactions were held up due to a no longer valid cost center. Core runs these reports as they close, enabling them to go back and correct any pending transactions and erroneous journal entries.

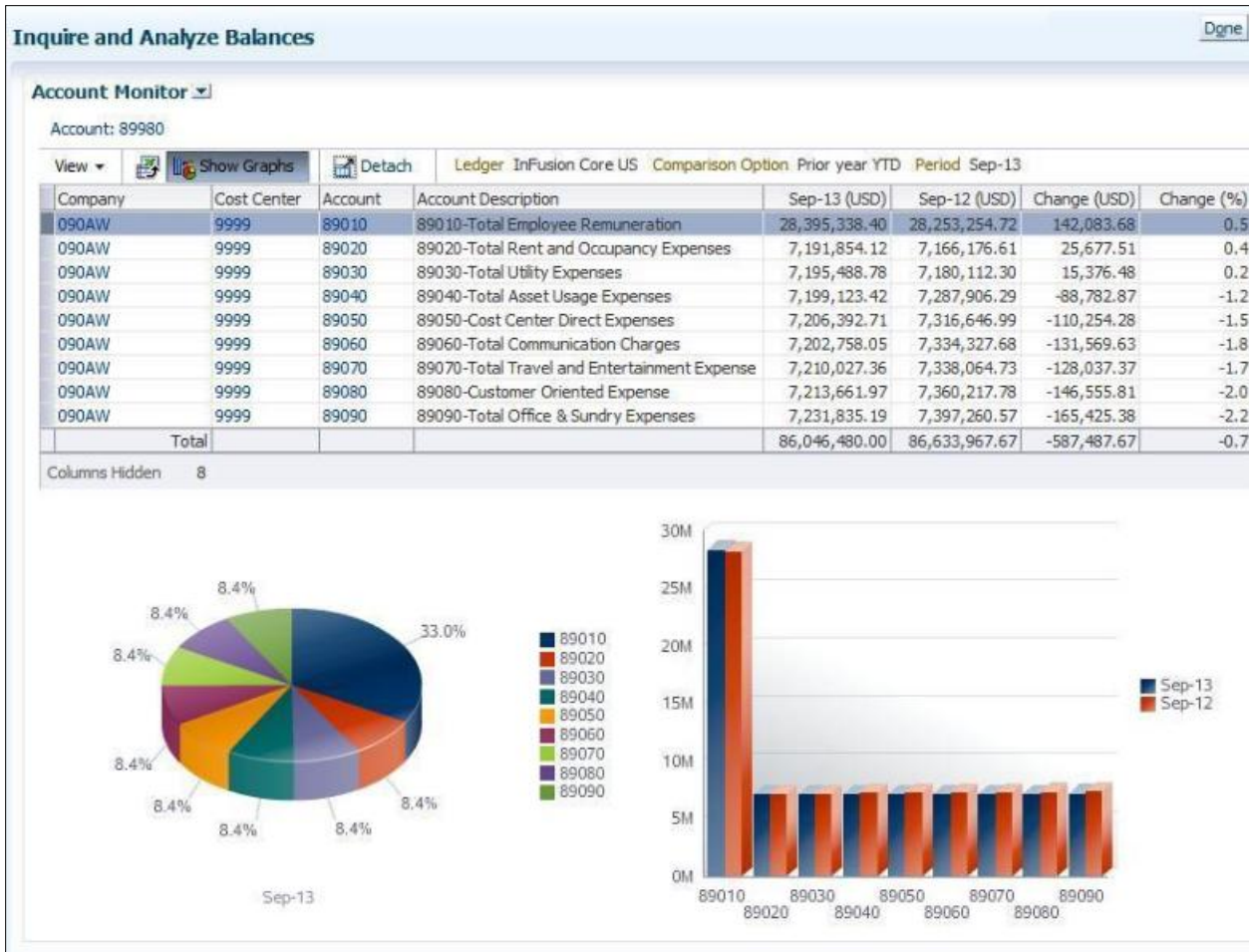
For more information, see the *Reconciling Accounts: How It Works with the Subledgers* topic in the [Oracle Fusion Applications Financial Control and Reporting, Accounting Transactions, Tax Transactions, and Reporting Guide](#).

Financial Analytics

One of Core's chief goals in rolling out Oracle Financials Cloud is to provide more and richer information directly to its consumers, rather than restricting access to the system to a small group of highly-trained specialists. The chapter on reporting covers the rich capabilities Core uses to empower its users with direct information access.

In addition to these capabilities, their financial users rely on several analysis and reporting tools for the specific purpose of financial statement analysis. Their accountants manage Core's balance sheet and income statement closely and directly. They do not wait until month-end or worse, quarter-end, to get an understanding of their financial situation. They monitor the financial situation on a daily basis.

One of the key capabilities in this area is the Account Monitor, an online inquiry tool which is tailored for each user to automatically track the key accounts for which that user is responsible.



Simply by logging into Oracle Financials Cloud, the user is presented with an up-to-the-minute picture of these key accounts, including current balances, year-over-year or budget to actual comparison information, and the ability to drill directly into transactional details. Additionally, Core leverages hierarchies to summarize its financial information in several ways. The Account Monitor allows their users to drill step-by-step down the hierarchies, as well as pivot between dimensions, affording a view of everything from the largest forest to each single tree.

Some of their users prefer switching to the Account Inspector view, a pivot-table approach which affords greater interactivity. They can drag and drop dimensions between the rows, columns, and pages, instantly getting different views of how their different accounts relate.

Inquire and Analyze Balances										Done	
Account Inspector											
Sep-13											
	▽ 9900	▽ 3000	▷ 3500	▷ 4000	▷ 5000	▽ 6000	3120	3121	3130		
▽ 89980	86,046,480.00	14,676,610.01	2,935,322.01	11,741,288.00	17,025,320.00	6,774,690.00	3,991,676.00	-	2,783,014.00		
▷ 89010	28,395,338.40	4,843,281.30	968,656.26	3,874,625.04	5,618,355.60	2,235,647.70	1,317,253.08	-	918,394.62		
▷ 89020	7,191,854.12	1,226,686.30	245,337.26	981,349.04	1,422,993.92	566,235.62	333,628.42	-	232,607.20		
▷ 89030	7,195,488.78	1,227,306.25	245,461.25	981,845.00	1,423,713.08	566,521.79	333,797.03	-	232,724.76		
▽ 89040	7,199,123.42	1,227,926.20	245,585.24	982,340.96	1,424,432.24	566,807.95	333,965.64	-	232,842.31		
80350	-	-	-	-	-	-	-	-	-		
80410	-	-	-	-	-	-	-	-	-		
80420	7,199,123.42	1,227,926.20	245,585.24	982,340.96	1,424,432.24	566,807.95	333,965.64	-	232,842.31		
▷ 89050	7,206,392.71	1,229,166.09	245,833.22	983,332.87	1,425,870.55	567,380.29	334,302.87	-	233,077.42		
▽ 89060	7,202,758.05	1,228,546.14	245,709.23	982,836.91	1,425,151.39	567,094.12	334,134.25	-	232,959.87		
80610	-	-	-	-	-	-	-	-	-		
80620	7,202,758.05	1,228,546.14	245,709.23	982,836.91	1,425,151.39	567,094.12	334,134.25	-	232,959.87		
80630	-	-	-	-	-	-	-	-	-		
▷ 89070	7,210,027.36	1,229,786.04	245,957.21	983,828.83	1,426,589.71	567,666.46	334,471.48	-	233,194.98		
▷ 89080	7,213,661.97	1,230,405.98	246,081.20	984,324.78	1,427,308.86	567,952.62	334,640.09	-	233,312.53		
▷ 89090	7,231,835.19	1,233,505.71	246,701.14	986,804.57	1,430,904.65	569,383.45	335,483.14	-	233,900.31		

Page Level Dimensions

Scenario Actual

Amount Type YTD

Balance Amount Ending Balance

Currency USD

Currency Type Total

Ledger InFusion Core US

Company 100CO

Location 100

Intercompany 100CO

Future 0000

Refresh

Core plans to roll these tools out to a wide audience, putting information directly into the hands of those for whom it is most relevant. They will leverage data security to ensure people only see the information they should. For example, a cost center manager could use the Account Monitor and Account Inspector to proactively manage their expenses without being able to see expense information for other cost centers.

Their financial analysts have different information needs. Whereas a non-financial user, like a cost center manager, needs to keep close tabs on a small group of accounts, financial analysts work across the entire trial balance. They define whatever financial statements they need and run them on demand or at scheduled intervals. Reports are automatically distributed to users using a Windows Explorer-like folder structure. Users can review reports directly in their browser, on paper, or in Excel.

Financial Reporting Center

Data Access Set: InFusion Core Group [Change]

Tasks

Balance Inquiry

- Inquire and Analyze Balances
- Inquire and Analyze Average Balances
- Inquire on Journal Lines
- Inquire on Detail Balances

Financial Reports

- Open Workspace for Financial Reports

Report: Operating Expenses by Cost Center

Done

[Company: [Company]] [Company InFusion CoreUS-Company InFusion CoreUS Current] [090AW] Location: Location Intercompany: Intercompany Future: Future

InFusion Core Group
Operating Expenses by Cost Center
For Period Sep-13

Accounting Period: Sep-13 Ledger: InFusion Core Group Scenario: Actual Balance Amount: Ending Balance Amount Type: Amount Type Currency: USD Currency Type: Currency Type

	9900-Operating Expenses	3000-Research & Development	5000-Selling Expense	6000-Marketing Expense	7000-General and Administrative
▷ 89010-Total Employee Remuneration	28,395,338	4,843,281	5,618,356	2,235,648	15,698,054
▷ 89020-Total Rent and Occupancy Expenses	7,191,854	1,226,686	1,422,994	566,236	3,975,938
▷ 89030-Total Utility Expenses	7,195,489	1,227,306	1,423,713	566,522	3,977,948
▷ 89040-Total Asset Usage Expenses	7,199,123	1,227,926	1,424,432	566,808	3,979,957
▷ 89050-Total Cost Center Direct Expenses	7,206,393	1,229,166	1,425,871	567,380	3,983,976
▷ 89060-Total Communication Charges	7,202,758	1,228,546	1,425,151	567,094	3,981,966
▷ 89070-Total Travel and Entertainment Expense	7,210,027	1,229,786	1,426,590	567,666	3,985,985
▷ 89080-Total Customer Oriented Expense	7,213,662	1,230,406	1,427,309	567,953	3,987,995
▷ 89090-Total Office & Sundry Expenses	7,231,835	1,233,506	1,430,905	569,383	3,998,041
89980-Gross Cost Center Expense	86,046,480	14,676,610	17,025,320	6,774,690	47,569,860

Export In Query Ready Mode

Operating Expenses by Cost Center

- 3000-Research & Development
- 5000-Selling Expense
- 6000-Marketing Expense
- 7000-General and Administrative

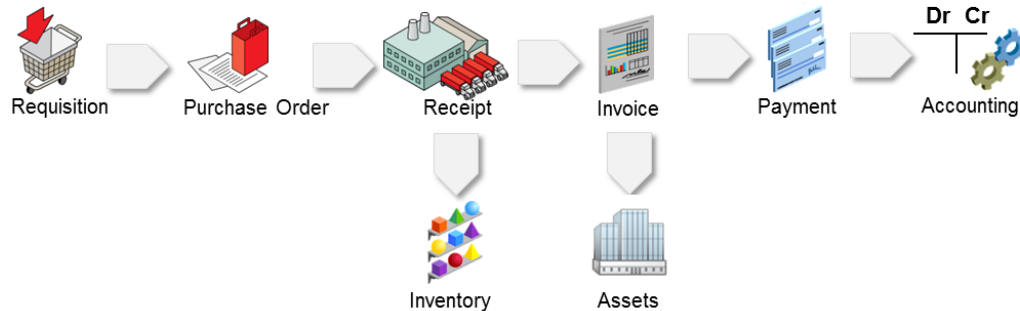
As with the Account Monitor and Inspector, users can drill down in reports to their hierarchies as well as drill directly to the underlying transactional detail. Users can get from a high-level corporate revenue number to an individual customer invoice with a few simple mouse clicks.

Core's users also take advantage of Smart View, the Excel plug-in which allows them to see data in real time from Oracle Financials Cloud within pre-formatted Excel report templates.

Using Oracle Smart View reports in query-ready mode, Core's users can see their data in Excel with a live connection to the system. Users can then refine their queries, retrieve additional account balances into their spreadsheet, and perform any needed calculations or further analysis.

Chapter 4: Accounts Payable

Oracle Financials Cloud supports the procure-to-pay flow as an integrated solution that links purchasing and payables and other related modules to maximize return on invested capital. By implementing procure to pay, Core-plans to reduce costs, improve margins, streamline processes, and drive compliance.



Suppliers

Core imported supplier data from their legacy system by first populating the supplier interface tables using predefined templates and then loading the suppliers into Oracle Financials Cloud using Oracle Cloud data integration services.

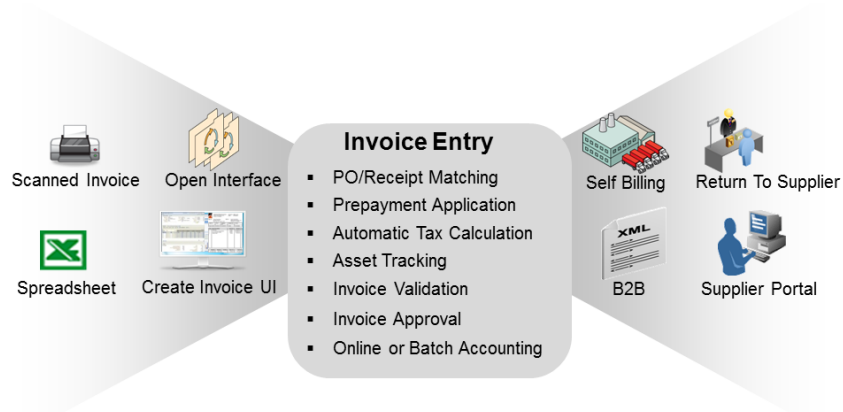
Core's procurement department has two buyers reporting to a procurement manager.

Invoice Entry

Core is using several approaches for recording invoices. The approaches line up with their business needs, and are discussed in detail in the later sections.

Core scans most of its invoices received in US and Canadian bill-to locations and routes them for invoice entry at the US shared service center. It uses spreadsheets to record recurring invoices such as utilities and rent. Core has agreements to receive electronic XML invoices with the suppliers who prefer to receive the purchase order and send invoices electronically.

Core also has agreements with some of its critical medical equipment suppliers for self-billing such that invoices are automatically created in Payables as soon as the goods are delivered.



Invoice Entry Using Imaging

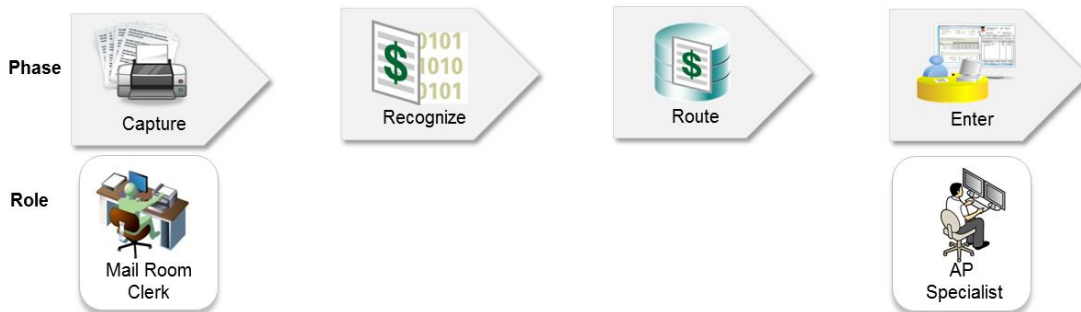
By implementing imaging, Core expedites recording invoices as key header information is extracted from the image of the invoice using optical character recognition (OCR) and automatically defaulted in the invoice entry user-interface of Oracle Financials Cloud.

Side-by-side invoice display facilitates data entry, providing more information to users such as prepayments that are available to apply and line subtotals. It also allows action on invoices, such as calculating taxes, validating, accounting, and payment.

Num	Qty	Item Description	Price	Amount
1	1	Desk - Capitalizable, taxable item	\$2,500.00	\$2,500.00
2	1	Desktop	\$1,250.00	\$1,250.00
3	1	Quad Core Server	\$5,500.00	\$5,500.00
4	1	Laser Printer	\$6,200.00	\$6,200.00
5	1	Storage Server	\$3,800.00	\$3,800.00
6	1	Storage Software	\$8,800.00	\$8,800.00
7	1	Power Supply for Storage Server	\$4,500.00	\$4,500.00
8	1	Air Conditioner	\$9,100.00	\$9,100.00
9	1	Networking Peripherals	\$5,200.00	\$5,200.00
10	1	Projector	\$4,800.00	\$4,800.00
11	1	Video Editing Software	\$7,100.00	\$7,100.00
12	2	SCSI Hard drive	\$7,075.00	\$14,150.00

Core receives and scans invoices locally in the United States and Canadian bill-to locations because suppliers prefer to mail invoices to local locations to save on postal charges. Scanned invoices automatically go through intelligent character recognition. The Supervised Learning feature enables Core to train the application to ensure ever-higher success rates of the optical character recognition and import process.

Invoices received and scanned in several bill-to locations are routed to the United States shared service center for invoice entry based on configured rules.

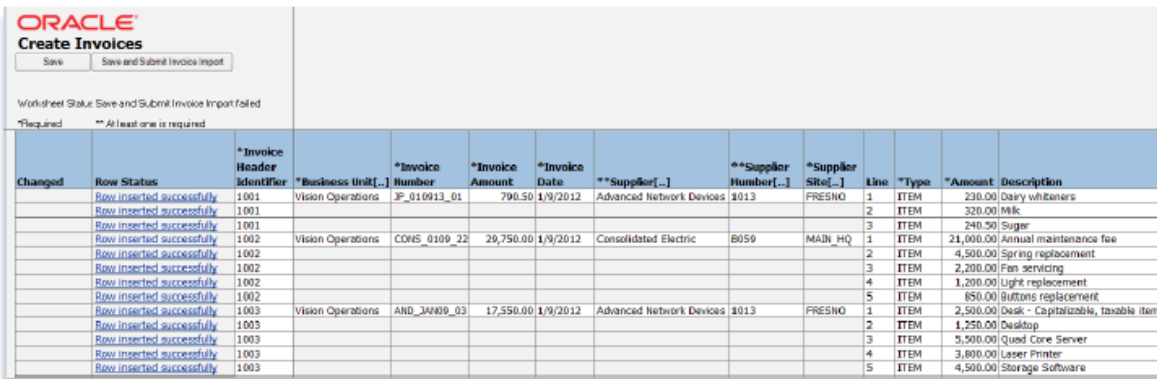


For more information, see the Integrated Invoice Imaging Implementation: Critical Choices topic in the [Oracle Fusion Applications Financials Implementation Guide](#).

Invoice Entry Using a Spreadsheet

The spreadsheet approach is intended as a quick way to enter and load invoices into the application as opposed to the guided approach of browser-based entry. Core's skilled users take advantage of data entry efficiencies, such as copying and pasting values across many rows at once for high-volume data entry scenarios.

Core uses pre-formatted spreadsheets provided as part of the Oracle Financials Cloud offering to record recurring invoices every month for rent and utility invoices.



The screenshot shows the Oracle Financials Cloud 'Create Invoices' interface. At the top, there are buttons for 'Save' and 'Save and Submit Invoice Import'. Below these, a status message reads: 'Worksheet Status: Save and Submit Invoice Import failed'. A legend indicates that '*' denotes required fields and '**' denotes fields where at least one is required. The main table contains invoice data with columns for 'Changed', 'Row Status', 'Invoice Header Identifier', 'Business Unit', 'Invoice Number', 'Invoice Amount', 'Invoice Date', 'Supplier', 'Supplier Number', 'Supplier Site', 'Line', 'Type', 'Amount', and 'Description'. The table lists several invoices, including one for 'Vision Operations' with invoice number 'JP_010913_01' and another for 'Vision Operations' with invoice number 'CONS_0109_22'.

Changed	Row Status	*Invoice Header Identifier	*Business Unit	*Invoice Number	*Invoice Amount	*Invoice Date	**Supplier	**Supplier Number	*Supplier Site	Line	Type	*Amount	Description
	Row inserted successfully	1001	Vision Operations	JP_010913_01	790.50	1/9/2012	Advanced Network Devices	1013	FRESNO	1	ITEM	230.00	Dairy whiteners
	Row inserted successfully	1001								2	ITEM	320.00	Milk
	Row inserted successfully	1001								3	ITEM	240.50	Sugar
	Row inserted successfully	1002	Vision Operations	CONS_0109_22	29,750.00	1/9/2012	Consolidated Electric	8059	MAIN_HQ	1	ITEM	21,000.00	Annual maintenance fee
	Row inserted successfully	1002								2	ITEM	4,500.00	Spring replacement
	Row inserted successfully	1002								3	ITEM	2,200.00	Fan servicing
	Row inserted successfully	1002								4	ITEM	1,200.00	Light replacement
	Row inserted successfully	1002								5	ITEM	850.00	Buttons replacement
	Row inserted successfully	1003	Vision Operations	AND_3A409_03	17,550.00	1/9/2012	Advanced Network Devices	1013	FRESNO	1	ITEM	2,500.00	Desk - Capitalizable, taxable item
	Row inserted successfully	1003								2	ITEM	1,250.00	Desktop
	Row inserted successfully	1003								3	ITEM	5,500.00	Quad Core Server
	Row inserted successfully	1003								4	ITEM	3,800.00	Laser Printer
	Row inserted successfully	1003								5	ITEM	4,500.00	Storage Software

Match Option, Tolerances, and Holds

Core's procurement covers a range from low value repetitive goods and services to high value medical equipment and supplies with substantial exposure in mid-range services.

The internal audit department identified several scenarios designed to balance the cost of control to the risk of loss, and they deployed the Accounts Payable module's matching tools against Purchase Orders in conformance with these scenarios.

Low value items and recurring expenses are paid upon management approval of the invoice. For mid-range services, the largest part both by volume and value, Core employs three way matching controls, ensuring that the PO, invoice and receipt correspond in both quantity and amount. Core pays for high end goods and services only after four way matching, requiring inspection in addition to the regular three way match.

They use standard workflow around invoice holds to enforce policy for discrepancy resolution.

Invoice Approval

Core was able to be quite subtle in configuring approval rules that optimize the balance between risk management and processing ease. It preferred to require invoice validation before an invoice could be approved, valuing data accuracy over speed of disbursement. The alternative, accommodating approval before validation, can speed disbursement, but risks paying against an invalid invoice. The approval rules Core implemented for invoice approval are:

- Different approval rules are implemented for PO-matched and unmatched invoices and certain invoices are auto approved.
- The threshold for auto approval of unmatched invoices is lower when compared to PO-matched invoices as POs already go through an approval process.
- Unmatched invoices for less than 50 United States dollars (USD) or Canadian dollars (CAD) and PO-matched invoices for less than 150 USD or CAD are automatically approved.
- Invoices greater than the above thresholds are routed first to the requester for review and then to his supervisor for approval.
- Payment requests for employee expense reports are automatically approved as the expense reports are already preapproved.
- Payment requests for customer refunds less than 50 USD or CAD are automatically approved.

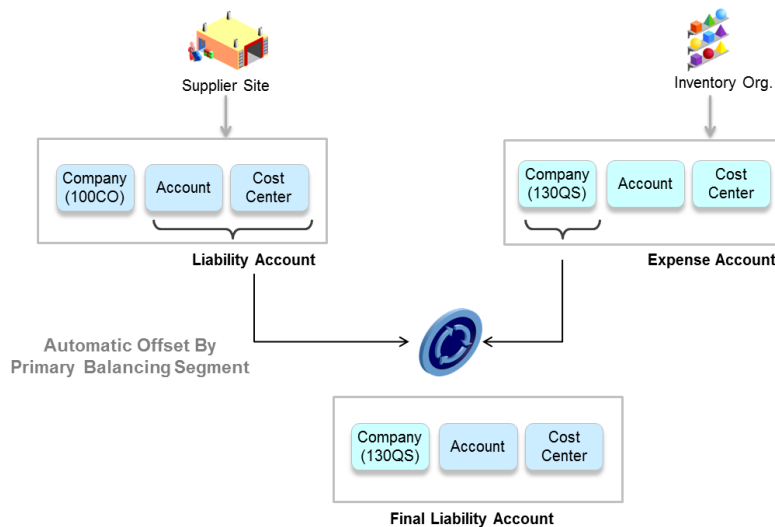
- The accounts payable manager can force approve an invoice on an exception basis.
- Recurring utility invoices for the same amount each month and that need little review are automatically approved. For example, the invoice for monthly water charges is always 620 USD for the United States facility and an auto approval rule is configured for it.

Accounting of Payables Transactions

Core's policy is that the business company (Technical as operated by Quark LLC., Surgical as operated by Gamma, LLC. etc.) accepts the liability and takes responsibility for goods and services it requests.

Core could specify only one liability account on supplier sites for its Payables business units even though the business units process invoices for multiple legal entities.

To derive the correct company code corresponding to the legal entity requesting goods for the liability account, Core uses the Automatic Offsets feature of Oracle Financials Cloud.



Core books the accrued liability upon receipt of goods instead of at period end. Core specifies defaults for accounts, such as liability, expense accrual, and prepayment for both the United States and the Canadian business units. Core has also specified a set of accounts to be used when recording non-PO matched invoices, such as utilities and rent.

Core initiates accounting daily to ensure that current accounting information is captured and to generate financial reports that are up-to-date. With no backlog of unaccounted transactions, Core anticipates a smooth period close.

Expense Reports Processing

Core employees use the Oracle Fusion Expenses module for authorized company business transactions. Core requires its employees to promptly report business expenses, including a detailed business justification per line item, within 30 days of incurring the expense. Employees submitting expense reports are responsible for correctly itemizing expenses, including the necessary receipts and providing merchant information.

The expense report then goes through approval to ensure that business expense claims are in accordance with Core policies.

Core configured expense approval rules as follows:

- Expenses up to 500 USD or CAD require one level of supervisory approval by the employee's manager.
- Expenses for 500 through 1000 USD or CAD require two levels of supervisory approval.

- Expense greater than 1000 USD or CAD require the approval of the chief financial officer (CFO).
- Expense reports for the CFO, chief executive officer (CEO), and chairperson of the board require the approval of the controller.

The expense auditor is responsible for processing expense claims for approved expenses and rejecting noncompliant expense items and reports. Once approved, expense reports are automatically imported into Core's Payables department and go through similar processing as a standard invoice.

Customer Refunds Processing

The accounts receivable specialist can initiate a request to the payables department to issue payments to their customers through electronic funds transfer (EFT) or check. The refund payment requests go through invoice processing like standard invoices. Core has configured refund payment requests less than 50 USD or CAD to be automatically approved.

Payment Terms and Discount

Core's standard payment term is Net 45 requiring full payment within 45 days of the invoice date. Certain United States and Canadian suppliers have the option of enrolling in the **Accelerated Payment Program**, which enables them to be paid in 20 days with a 1 percent discount off the total invoice. Expense report and customer refund payment requests are due for payment immediately.

Payment Processing

Core has decided to process most payments by scheduling pay runs by using the preferred payment method of EFT. Core can issue a single payment to record off-cycle or urgent payments to accommodate last-minute supplier requests.

Pay Runs

In order to meet due dates and take advantage of discounts, Core schedules pay runs twice a week. They review cash requirements for impending pay runs a day before the pay run. To achieve this, they schedule the Cash Requirements Report to run every Monday and Wednesday, and then schedule pay runs every Tuesday and Thursday morning.

The manager reviews payments before they are issued by pausing the pay runs to review the selected installments on the afternoons they are scheduled.

Core distinguishes pay runs for employee expense reports from supplier invoices, to be able to review them effectively. To achieve the fewest possible pay runs and to avail themselves of discounts, Core has defined pay run templates that select invoices based on discount eligibility regardless of supplier, business unit or legal entity.

Payment Format

Core uses US NACHA EFT payment format which is automatically provided in Oracle Financials Cloud for both the United States and Canadian business units. Core sends a remittance advice accompanying the payments to their suppliers informing them of specific invoices for which payments are issued. Core's payment processing security policy also requires them to generate a positive pay file for their banks to prevent check fraud.

Payment Validation

Core uses automatically provided payment validations to ensure that remittance data provided to the bank is complete and accurate.

During invoice entry, Core validates the payee bank account which results in earlier verification.

Validations can also be placed later during payment processing. Core has placed a special security check on payments by implementing payment validation to limit the maximum payment amount to 1 million USD.

Income Tax Reporting

Core is required to comply with the 1099 regulations in the United States. To meet this requirement, Core designates suppliers as federally reportable during supplier configuration, so that invoices are automatically classified with a United States 1099 miscellaneous type to accommodate accurate Form 1099 creation at year end.

Transaction Taxes

Core's United States companies are registered for sales tax in the states of New York and California where they have offices and warehouses. They receive all purchases and fulfill all customer orders from across the United States for these locations. These transactions are subject to sales and use taxes. Each company files monthly tax returns in both states for the sales during the month and for the use taxes due for purchases from nonregistered suppliers.

InFusion Canada Ltd. has their offices in Vancouver and suppliers and customers across Canada. InFusion Canada Ltd. is subject to Goods and Service Tax (GST) and Provincial Sales Tax (PST) for their sales and purchases.

Implementation Considerations

Core had the following options to select from in implementing Oracle Financials Cloud Service to meet the tax needs of Core's United States and Canadian operations.

OPTIONS		Configure	Calculate	Report	Consider this option if your US company:
	1	Oracle Fusion Tax	Oracle Fusion Tax	Oracle Fusion Tax	Has nexus in limited localities within one or two states.
	2	Partner Data	Oracle Fusion Tax	Oracle Fusion Tax	Has nexus in most or all states and can use reports provided by Oracle Fusion Tax for paying tax returns.
	3	Partner Data	Partner Services Enabled Through Oracle Fusion Tax	Partner Services	Has decided to outsource transaction tax compliance processes.

Core selected the first option for their United States operations considering their limited presence in the states of New York and California. This option gives Core an advantage with a quick implementation by their in-house team, with no additional costs for tax partner data or services. This ensures low costs for initial implementation and ongoing maintenance. Core plans to consider switching to the second option as their business expands.

For their operations in Canada, Core also selected the first option, considering the more manageable tax rates and rules in Canada.

Tax Reports

Core uses the legal, business, and reconciliation reports available in the Oracle Fusion Tax module to meet the reporting needs of the tax authorities in the United States and Canada. Key reports for Core include:

- **US Sales Tax Report:** To review and reconcile tax liability to the various tax authorities in the United States.
- **Tax Reconciliation by Taxable Account Report:** To reconcile period-end taxable account balances to tax amounts and report on taxable transactions in Payables and Receivables. This report fulfills the legal reporting requirements for tax returns and tax audits for tax accounting.

- **Account Analysis Report:** To reconcile self-assessed tax (use tax) liability for the period.

Assets

Fixed Assets Acquisition Processing

Core establishes a standardized fixed asset acquisition process to control costs and comply with corporate capital asset acquisition policies. Core defines the following business processes and requirements:



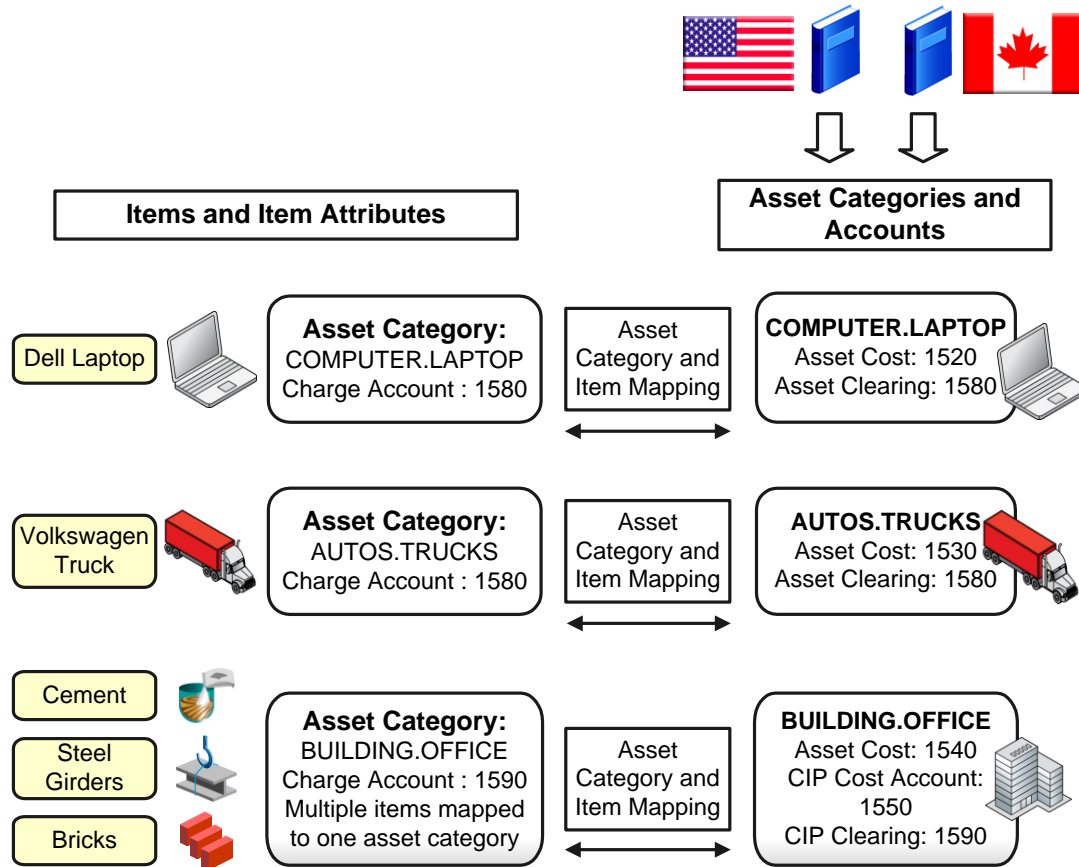
- All fixed assets for the United States and Canadian operations are requisitioned and fulfilled through a centralized procurement process.
- Fixed assets placed in service have a clear audit trail to the purchase transaction.
- Fixed assets are reported by their owners in their respective ledgers.
- The cost of fixed assets includes the cost of the primary item, as well as qualifying charges such as the cost of freight, installation, nonrecoverable tax, and other charges paid, minus any discounts.

Most assets are placed in service on the invoice date as Core buys off-the-shelf items for immediate use.

To automate procurement of fixed assets to asset acquisition, depreciation, maintenance, and asset accounting, Core's implementation policies include:

- Classifying fixed assets and their components to be purchased and used in the business as asset categories in Fixed Assets and items in Materials Management.
- Asset categories are assigned to asset books based on the assets that are acquired and depreciated. For example, Core assigns various classifications of assets, including Autos, Buildings, Furniture, Computers, and Plant and Equipment, to their asset book. An asset book includes all assets and depreciates them to meet Core's management and statutory reporting.

The figure below illustrates the asset categories and items relationships defined for Core. The process they follow for a fixed asset purchase is to specify the appropriate item on the purchase order. When an invoice is matched to the purchase order, Oracle Financials Cloud automatically populates the asset category on the current line for Assets during the acquisition process, which minimizes data entry errors during asset additions.



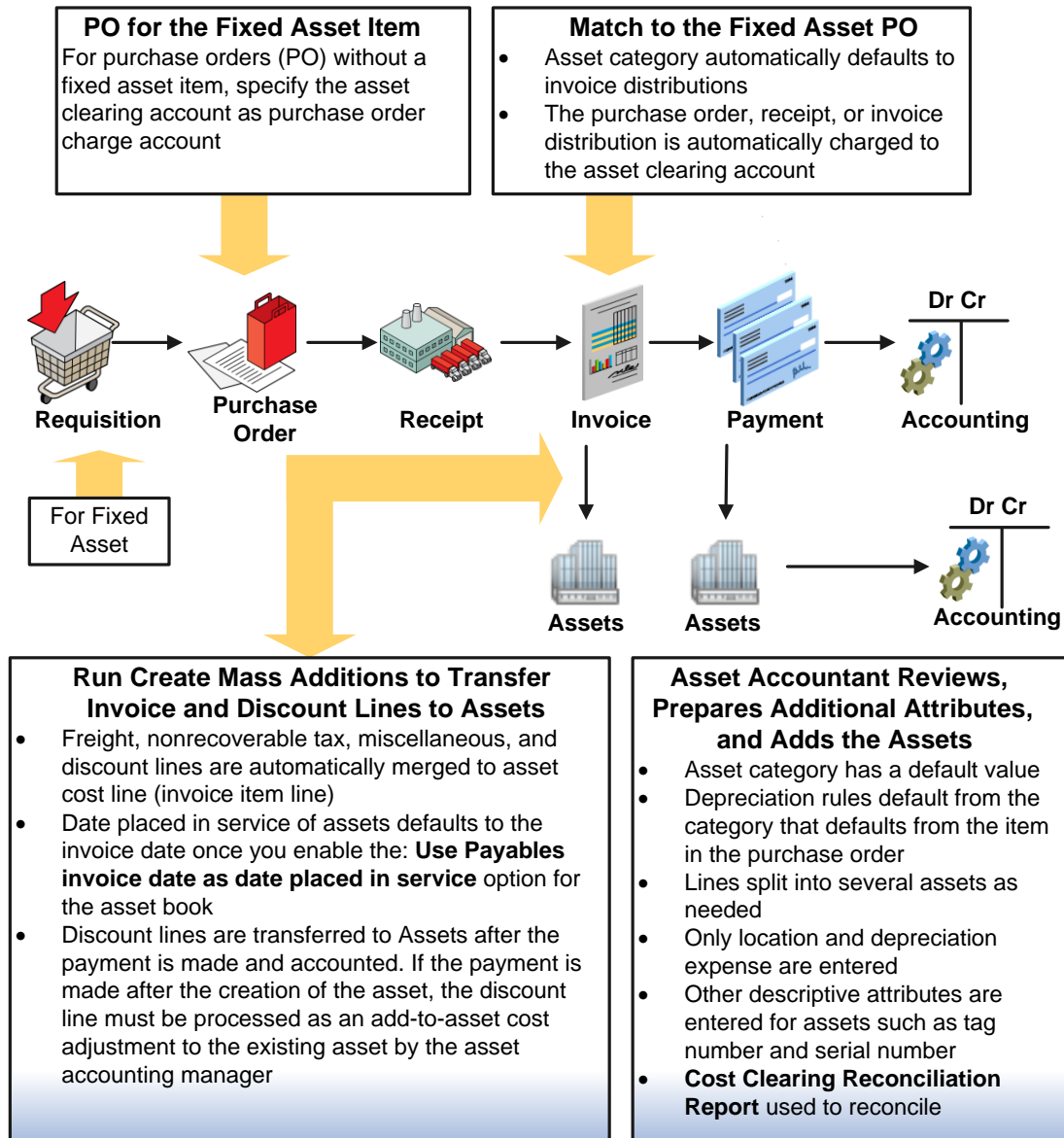
Key considerations:

- Core uses the same account as asset clearing account for all asset categories and item charge accounts for all capitalized fixed assets.
- Core may occasionally choose to construct fixed assets over a period of time. For example, Core decides to purchase materials such as cobalt and steel girders to construct a building. Construction-in-process (CIP) fixed assets use a different clearing account for all asset categories and as the item charge account to accurately transfer invoice lines as CIP assets during the automated asset additions process.
- Core occasionally acquires expensed assets. These assets do not depreciate and have no financial impact. Core tracks expensed assets for accurate record keeping purposes and records the assets in an expensed asset category.

Core did examine alternatives. They looked at having different asset books to procure and track assets for each of the companies within US and Canada. This is usually done when secure access to assets each company owns is important. Given its simpler structure, Core elected to centralize fixed asset management and simplify its implementation by using one corporate book each for US and Canada.

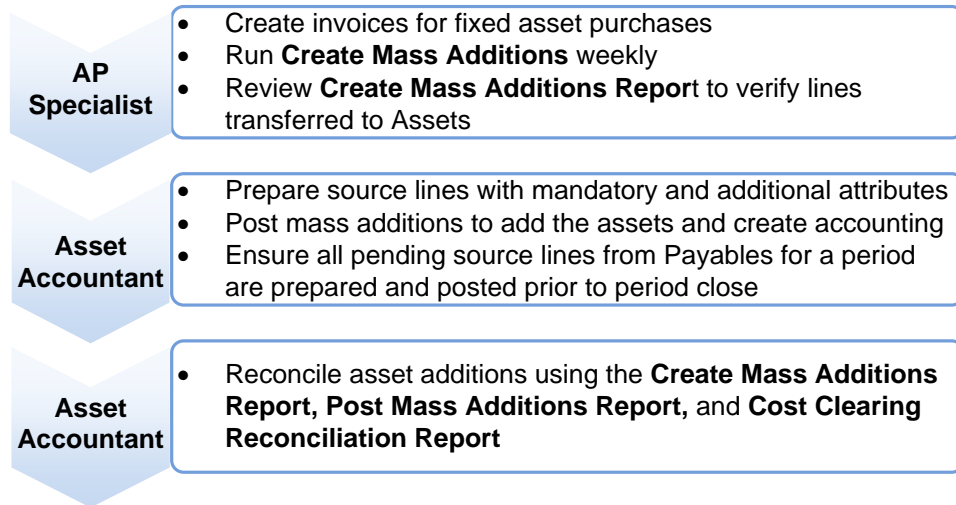
Asset Procurement Process Flow

The diagram below explains the asset procurement of assets flow that Core is implementing. Core is implementing all setups and relationships represented in this diagram, which also provides important information on Core's data defaulting and integration points.



User Roles for Processing Asset Additions from Payables

The following diagram describes the tasks performed for each of Core's user roles when processing assets from Payables:



Chapter 5: Close, Reconciliation, and Reporting

Reporting the Close

InFusion Core management are aiming for a very rapid and simple close. Earlier, management explained how they designed their chart of accounts and declared hierarchy nodes so that their General Ledger balances are preaggregated and presented by registered company, business, cost center, and natural account in Financial Reporting and in Smart View. This makes closing a fast and accurate process.

Core also told us how they have held firm on using one subledger BU per ledger, and one ledger in each country, both to reduce input errors and to speed the close. Later, they may establish a Logistics BU for security purposes. They also mentioned how they have a single non-accounting Procurement BU serving all countries.

This model means that they have the same data footprint in their subledger products, such as Payables and Receivables, as they have in General Ledger, so that classification issues due to differences in the data footprint simply aren't a problem.

Core's Closing Schedule

The InFusion Core Group operates to a natural calendar, where each accounting period ends on the last day of a month. However, they treat months ending on Saturday or Sunday as ending on the Friday before. They complete the close and publish the results just two working days after the month end date, through a disciplined subledger close and a systematic closing process.

Prior to the last day of the month – complete regular, routine and repeating tasks.

- Standing accrual review, payroll accrual and posting, depreciation posting.

Last day of the month – complete posting for the current period to a predetermined schedule and time.

- Post recurring journals. Complete Payables and mark the Payables subledger closed. Complete other subledgers and mark closed.

First day of the following month – complete the major review and revaluation processes.

- Morning: First review of the trial balance by business and registered company. Accrue any activity not posted on the last day. Perform currency revaluation and translation.
- Afternoon: Complete subledger to general ledger reconciliation. Perform a review of the balance sheet against GAAP and forecast or actual balances. Perform the bad debt review and calculate the workers compensation, legal, and other major variable accruals. By 5:00 pm, review the trial balance for the second time. If necessary, review business issues in the evening.

Second day of the following month – finalize and report.

- Morning: Produce and review a third trial balance, a draft set of financial statements and cost center reports, and a draft controller's report. Discuss among senior financial management.
- Afternoon: Record any corporate level adjustments and push them back to the companies and business. Review the resulting updated financial reports, approve, and publish.

By the morning on the second day, the General Ledger is substantially correct. GAAP and other accounting matters managed by the senior certified accountants are handled exceptionally fast through the balances cube. The reports are updated instantly, and the financial statement reflecting the approved financial position can be published immediately.

Details of Core's Payables Close Process

- Before closing Payables, Core approve and post remaining invoices and payments, resolve holds, import everything in interfaces, and complete all work in progress in the course of the regular close process.

- Once done processing transactions, they use the Payables register reports to check for invoices that need validation and to review the totaling and transaction classifications for errors, and take appropriate action to correct them. They execute the sweep process to move incomplete invoices to next period.
- Then they mark the Payables period closed, and open the next. From that point onward, payable transactions will be posted in the next period. They run the Payables register, trial balance, revaluation, and reconciliation reports immediately on closing.
- On day one of the new period, Core reconcile the Payables trial balance to the GL balance, using the Payables to Ledger Reconciliation Report, supported by the invoice and payable registers and the open item revaluation report. Payments, of course, are included in the bank reconciliation.
- Reconciliation adjustments and swept transactions are accrued in the general ledger in the current period as reversing entries and are entered in payables routinely in the next period. In the following month, the postponed subledger processing and the GL reversal offset each

Subledger to Ledger Reconciliation Reports

Each close, although they don't anticipate discrepancies, they run the **Payables to Ledger Reconciliation** report. This report identifies differences between the open subledger invoices, the subledger accounting, and the general ledger balance. Items such as unaccounted for open items (for example, reminders), or general ledger adjustments are highlighted for attention.

Payables to Ledger Reconciliation Summary			
	Payables Amount (USD)	Accounting Amount (USD)	Difference (USD)
Accounting Begin Balance		(314,568.65)	
(Non-Payables Begin Balance)		200.00	
Payables Begin Balance	316,888.65	(314,768.65)	2,120.00
Invoices	115,827.00	(117,827.00)	(2,000.00)
Payments	(85,234.00)	85,234.00	0.00
Prepayments		0.00	0.00
Payables Variance	0.00	0.00	0.00
Payables End Balance	347,481.65	(347,361.65)	120.00
Non-Payables Begin Balance		200.00	
Non-Payables Journals		0.00	
Other Accounting		0.00	
(Not Transferred to General Ledger)		0.00	
(Not Posted in General Ledger)		(2,000.00)	
Accounting Variance		0.00	
Accounting End Balance		(345,161.65)	

[Refresh](#) - [Print](#) - [Export](#)

The Payables and Receivables subledger to general ledger reconciliation summaries compare (a) document (invoice, payment) data from that comprise the Ledger's subledger, to (b) the Subledger Accounting registers and account tabulations and the General Ledger activity and balances, showing any differences in a third column. The report lines show the activity from opening balance through to closing balances.

The report is interactive, so Core can drill into any difference or into matching activity to understand the details.

Core can also specify which companies sharing a ledger the report will include; until and if they deploy the Logistics Secure BU instead of maintaining a single BU, they intend to specify simply **All**.

Embedded and Ad-hoc Analytics

Core uses the embedded and adhoc analytics to run quick analyses in parallel to the closing process. This allows them to gain real-time insight without interrupting or delaying the closing process, enabling them to meet their two day goal for final close.

Comprehensive Set of Reporting Content

The reports Core use in reconciling Payables are just a few of the many reports provided in the applications.

Name	Description	Name	Description
Payables Cash Requirement Report	Forecasts imm	General Ledger Report	Provides journal i
Payables Discounts Taken and Lost Rep...	Identifies pay	Journals Batch Summary Report	Provides a list of
Payables Invoice Aging Report	Lists unpaid in	Journals Check Report	Provides informat
Payables Invoice Register	Provides deta	Journals Day Book Report	Provides posted j
Payables Key Indicators Report	Generates rep	Journals Report	Provides journal a
Payables Matched and Modified Receipt...	Identifies rece	Trial Balance - Average Report	Provides a listing
Payables Matching Detail Report	Provides deta	Trial Balance Report	Provides summari
Payables Matching Hold Detail Report	Provides deta		
Payables Open Items Revaluation Report	Lists changes		
Payables Payment Register	Provides deta		
Payables Period Close Exceptions Report	Lists exceptio		
Payables Trial Balance Report	Lists and subt		
Payables Unaccounted Transactions an...	Lists invoices		
Payables Withholding Tax Letter	Creates a with		
Transfer Intercompany Transactions to...	Transfers inte		
Validate Payables Invoice	Checks the m		

Some Standard Reports on Payables

Some Standard Reports on General Ledger

Core also creates additional relevant and personalized reports using data extracts shipped with Oracle Financials Cloud. They use report templates they modify themselves in desktop products to refine the data, adding logos and formatting layouts to emphasize what is important to them and to their business issues.



Trial Balance Report

Report Date 9/30/13 11:42 PM
Page 1 of 1

Ledger InFusion Core US
Company 160GT Technical Business at Gamma LLC

Account	Description	Beginning Balance (USD)	Debits (USD)	Credits (USD)	Ending Balance (USD)
10310	Accounts Receivable	4,323,586.80	3,792,620.00	0.00	8,116,206.80
41000	Accrued Workers Comp	-6,110,114.40	0.00	5,692,700.00	-11,802,814.40
50300	Retained Earnings	1,786,527.60	0.00	0.00	1,786,527.60
60310	Technical Engineering Revenue	0.00	0.00	3,792,620.00	-3,792,620.00
70240	Med-Support Fees	0.00	1,892,540.00	0.00	1,892,540.00
70440	Logistical Delivery Cost	0.00	3,800,160.00	0.00	3,800,160.00
Total for Company 160GT Technical Business at Gamma LLC		-0.00	9,485,320.00	9,485,320.00	0.00

End of Report

For more information, see [Oracle Fusion Middleware Report Designer's Guide for Oracle Business Intelligence Publisher](#).

Spreadsheet Integration

Excel is a popular desktop tool at InFusion Core. Immediately after go-live, staff began saving onscreen reports from their users work areas using the Export to Excel button. Users send Excel tabulations to peers and work colleagues directly and securely via Oracle Social Network. Below is an example of an Excel export from the Invoices module:

Invoice Number	Line	Due Date	Invoice Amount	Hold Reason	Releasable	Hold Date	Held By	Assigned To	Business Unit
10061111			2,240,277.12 USD	Total of invoice lines does not equal invoice amount.	<input type="checkbox"/>	04/25/2012	System		Vision Operations
10061112		10/22/2013	2,240,277.12 USD	Invoice amount exceeded limit.	<input checked="" type="checkbox"/>	10/22/2013	System		Vision Operations
10061112		10/22/2013	2,240,277.12 USD	Total of invoice lines does not equal invoice amount.	<input type="checkbox"/>	10/22/2013	System		Vision Operations
10061114	1	06/02/2012	789,654.12 USD	One or more distribution lines fall into a closed period.	<input type="checkbox"/>	05/03/2012	System		Vision Operations
10061115	1		760,395.10 USD	Total of invoice distributions does not equal invoice amount	<input type="checkbox"/>	01/25/2010	System		Vision Operations
10061115	2		760,395.10 USD	Total of invoice distributions does not equal invoice amount	<input type="checkbox"/>	01/25/2010	System		Vision Operations
10061115	3		760,395.10 USD	Total of invoice distributions does not equal invoice amount	<input type="checkbox"/>	01/25/2010	System		Vision Operations
10061115	4		760,395.10 USD	Total of invoice distributions does not equal invoice amount	<input type="checkbox"/>	01/25/2010	System		Vision Operations
10061115	5		760,395.10 USD	Total of invoice distributions does not equal invoice amount	<input type="checkbox"/>	01/25/2010	System		Vision Operations
10061115	6		760,395.10 USD	Total of invoice distributions does not equal invoice amount	<input type="checkbox"/>	01/25/2010	System		Vision Operations
10061115	7		760,395.10 USD	Total of invoice distributions does not equal invoice amount	<input type="checkbox"/>	01/25/2010	System		Vision Operations
10061115	8		760,395.10 USD	Total of invoice distributions does not equal invoice amount	<input type="checkbox"/>	01/25/2010	System		Vision Operations
10061115	9		760,395.10 USD	Total of invoice distributions does not equal invoice amount	<input type="checkbox"/>	01/25/2010	System		Vision Operations
10061115	10		760,395.10 USD	Total of invoice distributions does not equal invoice amount	<input type="checkbox"/>	01/25/2010	System		Vision Operations

	A	B	C	D	E	F	G	H	I	J	K
	Invoice Number	Line	Due Date	Invoice Amount	Currency	Hold Reason	Releasable	Hold Date	Held By	Assigned To	Business Unit
2	10061111		4/23/2012	2,240,277.12	USD	Total of invoice lines does not equal invoice amount.	FALSE	4/25/2012	System		Vision Operations
3	10061112		10/22/2013	2,240,277.12	USD	Invoice amount exceeded limit.	TRUE	10/22/2013	System		Vision Operations
4	10061112		10/22/2013	2,240,277.12	USD	Total of invoice lines does not equal invoice amount.	FALSE	10/22/2013	System		Vision Operations
5	10061114	1	6/2/2012	789,654.12	USD	One or more distribution lines fall into a closed period.	FALSE	5/3/2012	System		Vision Operations
6	10061115	1		760,395.10	USD	Total of invoice distributions does not equal invoice amount	FALSE	1/25/2010	System		Vision Operations
7	10061115	2		760,395.10	USD	Total of invoice distributions does not equal invoice amount	FALSE	1/25/2010	System		Vision Operations
8	10061115	3		760,395.10	USD	Total of invoice distributions does not equal invoice amount	FALSE	1/25/2010	System		Vision Operations
9	10061115	4		760,395.10	USD	Total of invoice distributions does not equal invoice amount	FALSE	1/25/2010	System		Vision Operations
10	10061115	5		760,395.10	USD	Total of invoice distributions does not equal invoice amount	FALSE	1/25/2010	System		Vision Operations
11	10061115	6		760,395.10	USD	Total of invoice distributions does not equal invoice amount	FALSE	1/25/2010	System		Vision Operations
12	10061115	7		760,395.10	USD	Total of invoice distributions does not equal invoice amount	FALSE	1/25/2010	System		Vision Operations
13	10061115	8		760,395.10	USD	Total of invoice distributions does not equal invoice amount	FALSE	1/25/2010	System		Vision Operations
14	10061115	9		760,395.10	USD	Total of invoice distributions does not equal invoice amount	FALSE	1/25/2010	System		Vision Operations
15	10061115	10		760,395.10	USD	Total of invoice distributions does not equal invoice amount	FALSE	1/25/2010	System		Vision Operations

Embedded Intelligence

Work areas include data tabulations designed specifically to provide users with what they need to know when they need to know it on a daily basis.

Invoices Requiring Attention						
Requiring My Approval (3)		Pending Approval from Others (8)		Rejected (2)		Invoices on Hold (200)
View ▾	Format ▾		Force Approve		Detach	
Invoice Number	Due Date	Amount	Current Approver	Unresolved Holds	Supplier	
Lav_0517_4	5/17/13	6,120.00 USD	Michael Taylor	0	Advanced Network Devices	
Lav_0517_6	5/17/13	6,120.00 USD	Michael Taylor	0	Advanced Network Devices	
Lav_0517_3	5/17/13	3,060.00 USD	Margaret Taylor	0	Advanced Network Devices	
mukesing 180602	6/17/13	2,132.00 USD	Michael Taylor	0	Advanced Network Devices	
Lav_0517_1	5/16/13	2,040.00 USD	Alicia Daniels	0	Advanced Network Devices	
GK Test 1713 Inv1	7/1/13	2,000.00 USD	Michael Taylor	0	Advanced Network Devices	
sheenlac.01	7/31/13	123.56 USD	Rosalinda Fillion	0	CV_SuppA00	
OATS-07-01-2013-1	8/15/13	108.88 USD	Rosalinda Fillion	0	CV_SuppA01	

General Ledger users also have the Account Monitor at their disposal, expressly for monitoring activity and balances that are of interest to them.

Inquire and Analyze Balances							
Account Monitor ▾							
Account: 89980							
View ▾			Ledger: InFusion Core US Comparison Option: Prior year YTD Period: Sep-13				
Company	Cost Center	Account	Account Description	Sep-13 (USD)	Sep-12 (USD)	Change (USD)	Change (%)
090AW	9999	89010	89010-Total Employee Remuneration	28,395,338.40	28,253,254.72	142,083.68	0.5
090AW	9999	89020	89020-Total Rent and Occupancy Expenses	7,191,854.12	7,166,176.61	25,677.51	0.4
090AW	9999	89030	89030-Total Utility Expenses	7,195,488.78	7,180,112.30	15,376.48	0.2
090AW	9999	89040	89040-Total Asset Usage Expenses	7,199,123.42	7,287,906.29	-88,782.87	-1.2
090AW	9999	89050	89050-Cost Center Direct Expenses	7,206,392.71	7,316,646.99	-110,254.28	-1.5
090AW	9999	89060	89060-Total Communication Charges	7,202,758.05	7,334,327.68	-131,569.63	-1.8
090AW	9999	89070	89070-Total Travel and Entertainment Expense	7,210,027.36	7,338,064.73	-128,037.37	-1.7
090AW	9999	89080	89080-Customer Oriented Expense	7,213,661.97	7,360,217.78	-146,555.81	-2.0
090AW	9999	89090	89090-Total Office & Sundry Expenses	7,231,835.19	7,397,260.57	-165,425.38	-2.2
Total				86,046,480.00	86,633,967.67	-587,487.67	-0.7
Columns Hidden: 8							

Online Transaction Inquiries

The Core team creates online transaction inquiries that are durable and can be reused as reports. They can also inquire directly of the transactional tables, use direct drag and drop functionality to a report layout, and run the report right then for real time results.

For more Information, see [Oracle Fusion Transactional Business Intelligence User's Guide](#).

Management Reporting

Core publishes a management book of standardized reports, consistent from month to month, to all vice-presidents, each month. This management package includes balance sheets and income statements for the businesses and companies each vice-president manages, and selected set of overview reports. Cost center spend reports are also published monthly. Finance also provides reports on management issues and concerns as appropriate.

Financial Reporting Center
Data Access Set: InFusion Core Group [Change]

Tasks

Balance Inquiry

- Inquire and Analyze Balances
- Inquire and Analyze Average Balances
- Inquire on Journal Lines
- Inquire on Detail Balances

Financial Reports

- Open Workspace for Financial Reports

Overview

Financial Reports

Folder Path: Root > shared > Financial Reports > InFusion Core > Monthly Reports > Sep-13 > 022QL-Infusion Quark LLC (Total Co.)

Live Reports and Books Published Snapshot Reports and Books

View Format Freeze Detach Wrap

View Report	Report or Book	Owner	Created On	Last Modified
	Balance Sheet - Sep-13 - 022QL-Infusion Quark LLC (Total Co.)		7/5/13 1:53 PM	7/5/13 1:53 PM
	Balance Sheet - Sep-13 - 130QS-Surgical Business at Quark LLC	FINUSER1	7/5/13 1:53 PM	7/5/13 1:53 PM
	Balance Sheet - Sep-13 - 140QT-Technical Business at Quark LLC	FINUSER1	7/5/13 1:53 PM	7/5/13 1:53 PM
	Income Statement - Sep-13 - 022QL-Infusion Quark LLC (Total Co.)	FINUSER1	7/5/13 1:52 PM	7/5/13 1:52 PM
	Income Statement - Sep-13 - 130QS-Surgical Business at Quark LLC	FINUSER1	7/5/13 1:52 PM	7/5/13 1:52 PM
	Income Statement - Sep-13 - 140QT-Technical Business at Quark LLC	FINUSER1	7/5/13 1:52 PM	7/5/13 1:52 PM

The reports are published in Core's Financial Reporting Center. The standardized reports are Excel templates updated automatically from General Ledger and released through an approval process. Financial Reporting reports are authored once, but are run many times and for many users. Users only see the reports for which they have security access. The reports can be interactive, and provide drill down to ledger and transactions. The reports can also be formatted and embellished with graphs and text, so that they are boardroom-ready.

Financial Reporting Center
Data Access Set: InFusion Core Group [Change]

Tasks

Balance Inquiry

- Inquire and Analyze Balances
- Inquire and Analyze Average Balances
- Inquire on Journal Lines
- Inquire on Detail Balances

Financial Reports

- Open Workspace for Financial Reports

Report: Operating Expenses by Cost Center

Company: [Company] [Company InFusion CoreUS-Company InFusion CoreUS Current] [090AW] Location: Location Intercompany: Intercompany Future: Future

INFUSION InFusion Core Group
Operating Expenses by Cost Center
For Period Sep-13

Accounting Period: Sep-13 Ledger: InFusion Core Group Scenario: Actual Balance Amount: Ending Balance Amount Type: Amount Type Currency: USD Currency Type: Currency Type

	9900-Operating Expenses	3000-Research & Development	5000-Selling Expense	6000-Marketing Expense	7000-General and Administrative
89010-Total Employee Remuneration	28,395,338	4,843,281	5,618,356	2,235,648	15,698,054
89020-Total Rent and Occupancy Expenses	7,191,854	1,226,686	1,422,994	566,236	3,975,938
89030-Total Utility Expenses	7,195,489	1,227,306	1,423,713	566,522	3,977,948
89040-Total Asset Usage Expenses	7,199,123	1,227,926	1,424,432	566,808	3,979,957
89050-Total Cost Center Direct Expenses	7,206,393	1,229,166	1,425,871	567,380	3,983,976
89060-Total Communication Charges	7,202,758	1,228,546	1,425,151	567,094	3,981,966
89070-Total Travel and Entertainment Expense	7,210,027	1,229,736	1,426,590	567,666	3,985,995
89080-Total Customer Oriented Expense	7,213,652	1,230,406	1,427,309	567,953	3,987,995
89090-Total Office & Sundry Expenses	7,231,835	1,233,506	1,430,905	569,383	3,988,041
89980-Gross Cost Center Expense	86,046,480	14,676,610	17,025,320	6,774,690	47,569,860

Export In Query Ready Mode

Operating Expenses by Cost Center

Legend:

- 3000-Research & Development
- 5000-Selling Expense
- 6000-Marketing Expense
- 7000-General and Administrative

Smart View spreadsheets are used by Core's analysts to perform one-time or occasional financial investigation, and can be saved and rerun later to automatically view current information.

For more information, see the *Smart View and Financial Reporting Center* topics in the [Oracle Fusion Accounting Hub Implementation Guide](#).

Enterprise Planning

The InFusion Core Group will also use Oracle Hyperion Disclosure Management to prepare their MD&A disclosure reports and to apply XBRL to their Financial Statements before filing. They are considering creating Oracle Essbase cubes in respect of data outside the realm of the traditional financials.

Chapter 6: Security

Security Overview

In Oracle Financials Cloud, roles provide access to functions and data. The roles assigned to a user determine what the user can see and do. Access is not granted to users on an individual basis, but rather by roles. This makes adding or changing access rights for multiple users quick and easy.

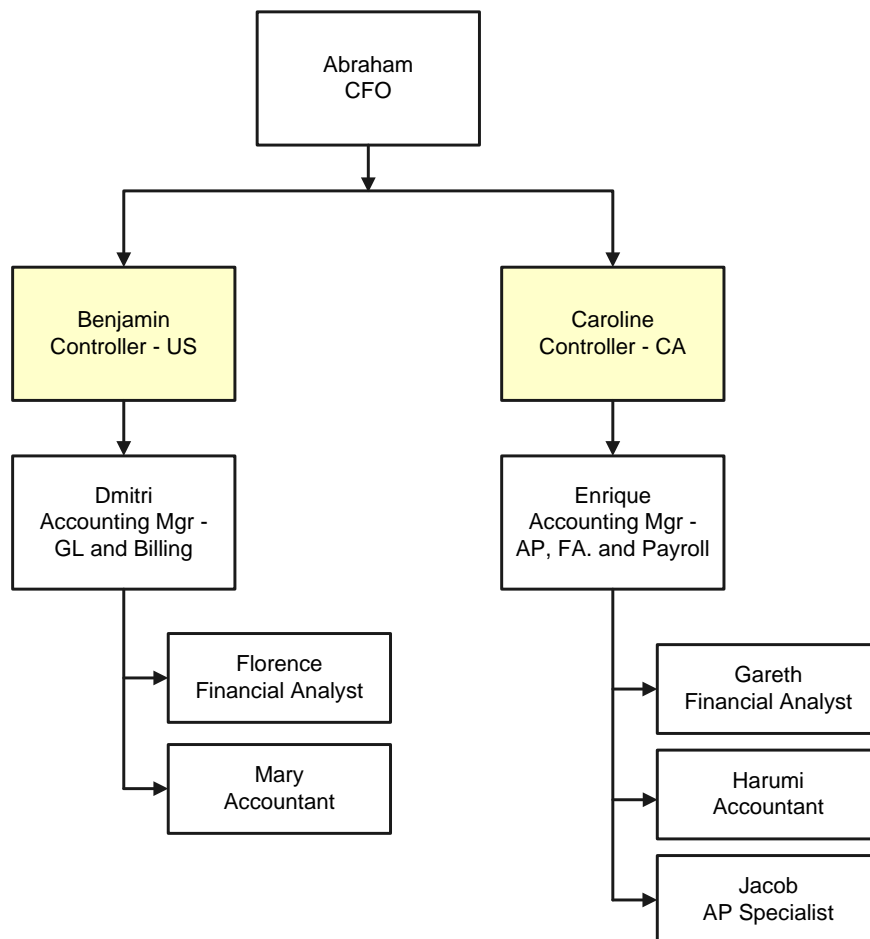
Oracle Financials Cloud predefines common job roles such as Accounts Payable Manager and General Accounting Manager. Implementers can use these roles, modify them, or create new job roles as needed. The InFusion Core Group (Core) implementation leverages predefined job roles with minor modifications. A user can be assigned more than one role, so there is no need to define a role that includes all the accesses needed for every user.

Implementation Overview

Core has several key departments that are involved in the implementation of Oracle Financials Cloud. Their security implementation provides the staff in those departments the necessary system capabilities to fulfill their job duties.

Accounting and Finance Department

Core's accounting and finance department is led by Abraham, the chief financial officer, and includes a staff of nine that handles all aspects of accounting, financial planning, and analysis for the entire group.



Users and Roles

The following table summarizes the key job responsibilities for each of the users mentioned above and the roles assigned in Oracle Financials Cloud to provide the necessary system capabilities to fulfill their job duties.

Employee	Key Duties	Roles Assigned
Abraham	<ul style="list-style-type: none"> Chief financial officer 	<ul style="list-style-type: none"> General Accounting Manager - All Access Line Manager
Benjamin	<ul style="list-style-type: none"> Controller for US operations 	<ul style="list-style-type: none"> General Accounting Manager - US Tax Manager - US Cash Manager Line Manager
Employee	Key Duties	Roles Assigned
Caroline	<ul style="list-style-type: none"> Controller for Canadian operations 	<ul style="list-style-type: none"> General Accounting Manager - Canada Cash Manager Tax Manager - Canada
Dmitri	<ul style="list-style-type: none"> Manages the general accounting functions for the entire group, including: <ul style="list-style-type: none"> Journal entry review and approval Reconciliation Account balance analysis Financial reporting Manages billing and collections Maintains setup and reference data on an ongoing basis 	<ul style="list-style-type: none"> General Accounting Manager - US General Accounting Manager - Canada Financial Application Administrator - US Financial Application Administrator - Canada Line Manager
Enrique	<ul style="list-style-type: none"> Oversees accounts payable operations in both the US and Canadian operations and is responsible for: <ul style="list-style-type: none"> Creating payments Managing override exceptions Monitoring and analyzing accounts payable balances Submitting tax and withholding reports to meet both the US and Canadian regulatory requirements Ensuring that company payment policies are followed Monitors and manages assets for the entire group Manages payroll Reconciles bank statements Maintains setup and reference data on an 	<ul style="list-style-type: none"> Accounts Payable Manager - US Accounts Payable Manager - Canada Asset Accounting Manager - US Asset Accounting Manager - Canada Cash Manager Financial Application Administrator - US Financial Application Administrator - Canada Line Manager

	ongoing basis	
Florence	<ul style="list-style-type: none"> Financial reporting 	<ul style="list-style-type: none"> Financial Analyst - Read Only
Gareth	<ul style="list-style-type: none"> Financial reporting 	<ul style="list-style-type: none"> Financial Analyst - Read Only
Harumi	<ul style="list-style-type: none"> General accounting and journal entries 	<ul style="list-style-type: none"> General Accountant - US General Accountant - Canada Asset Accountant - US Asset Accountant - Canada
Employee	Key Duties	Roles Assigned
Mary	<ul style="list-style-type: none"> General accounting and journal entries 	<ul style="list-style-type: none"> General Accountant - US General Accountant - Canada
Jacob	<ul style="list-style-type: none"> Processes inbound invoices Matches invoices to purchase orders and receipts 	<ul style="list-style-type: none"> Accounts Payable Specialist - US Accounts Payable Specialist - Canada
IT Staff	<ul style="list-style-type: none"> Configures the Oracle Financials Cloud system Configures and performs ongoing maintenance of their system security Integrates existing systems 	<ul style="list-style-type: none"> System Administrator IT Security Manager Financial Application Administrator - US Financial Application Administrator - Canada Procurement Application Administrator
Business Managers	<ul style="list-style-type: none"> Responsible for profit and loss in their respective businesses 	<ul style="list-style-type: none"> Financial Analyst - Read Only: Access further restricted to their respective business areas using data access security based on the chart of accounts structure
Implementation Team	<ul style="list-style-type: none"> Performs initial implementation 	<ul style="list-style-type: none"> Application Implementation Manager (as needed) Application Implementation Consultant

As billing, collections, and payroll are not included in the initial implementation of Oracle Financials Cloud, staff members with the related duties access Core's current systems to perform these duties. They only

need access to Oracle Financials Cloud to import the corresponding journal entries into the proper ledgers.

Creating Users and Assigning Roles

Since Core has not yet implemented Oracle Fusion Human Capital Management (HCM), the employee records stored in the legacy PeopleSoft Human Resource (HR) continue as the source of truth. During initial implementation, the employee records and attributes necessary for approvals as well as transaction references, such as expense reports, requisitions, and fixed asset assignments, are migrated from PeopleSoft HR, with a periodic process that synchronizes additions and changes from the source system to Oracle Financials Cloud.

Once user accounts have been created and synced up with the employee records by performing the **Run User and Roles Synchronization Process** task, the implementation team proceeds to assign the appropriate roles to users. Role provisioning rules are used to automatically assign commonly used roles such as Employee and Line Manager. Roles that are assigned only to a limited number of users are manually assigned.

Special Considerations for General Ledger Security

Oracle Fusion General Ledger includes the following predefined roles:

- General Accounting Manager
- General Accountant
- Financial Analyst

For each of these predefined roles, the included duties grant access to application functions and data that correspond to the responsibilities of Core staff. Core does not need to modify any of the predefined job roles. Since the General Accounting Manager role is already granting comprehensive access to all general ledger functions, both the Chief Financial Officer and the 2 Controllers are granted this role.

Oracle Fusion General Ledger uses data roles to provide access to specific ledgers. Access can be granted for individual ledgers or for a set of ledgers. A deploying company can also decide whether each role provides read-only access, or read and write access, for example, the ability to create journal entries and modify existing journal entries.

The following to ledger assesses are created to meet Core's requirements:

Ledgers	Level of Access	Roles Needed
US	Read + Write	<ul style="list-style-type: none">• General Accounting Manager• General Accountant
Canada	Read + Write	<ul style="list-style-type: none">• General Accounting Manager• General Accountant
US + Canada	Read + Write	<ul style="list-style-type: none">• General Accounting Manager
US + Canada	Read Only	<ul style="list-style-type: none">• Financial Analyst

Oracle Fusion General Ledger automatically creates the data roles that provide single ledger access. The implementation team then manually sets up the consolidated accesses to both the US and Canadian ledgers.

Special Considerations for Accounts Payable Security

Oracle Fusion Payables includes the following predefined roles:

- Accounts Payable Manager
- Accounts Payable Specialist

Core uses both the Accounts Payable Manager and Accounts Payable Specialist job roles out of box.

The predefined Accounts Payable Manager role includes the privileges Force Approve Invoices and Create Payments. Core's management considers this a segregation of duty concern so the Force Approve Invoice privilege has been removed from the Accounts Payable Manager role. This removal is done using the Manage Duties task.

Access to image repository is predefined for the Accounts Payable Manager, Accounts Payable Specialist, and Financial Application Administrator roles. Since Core uses the predefined job roles instead of creating custom job roles, they are not modifying the security setup in the image repository.

Special Considerations for Procurement Security

In the Procurement area, in addition to predefined professional job roles such as Procurement Manager and Buyer, there are also predefined roles for various functional needs, such as roles for maintaining suppliers and managing procurement contracts. Michelle is assigned these roles in addition to the Procurement Manager role since she is responsible for those duties.

Oracle Fusion Procurement includes optional, more granular data security by procurement agent. Access to procurement documents can be restricted by business unit, by document type, and so on, for each agent. However, due to the limited size of the procurement department at Core, the more granular data security has not been implemented, and as such Michelle, Ning, and Oscar can access all procurement documents in Core.

Reporting Considerations

Staff outside of the Accounting and Finance Department and Procurement Department, such as the business managers for the Surgical and Technical businesses, need access to business analytics such as profit and loss to help them manage their respective businesses. They are granted the Financial Analyst role to get the reporting access. Also, while they are granted access to data in both US and Canadian operations, access is restricted to data corresponding to their respective businesses based on the chart of accounts structure.

Other Security Considerations

Common functionality that is not job specific, such as creating expense reports and purchase requisitions, is granted to abstract roles like Employee, Line Manager, and Purchase Requestor. These abstract roles are assigned to Core users as appropriate.

Oracle Financials Cloud also includes roles that are designed for initial implementation and the ongoing management of setup and reference data. Application Implementation Manager and Application Implementation Consultant are designed for initial implementation. Application Implementation Manager is used to manage implementation projects and assign implementation tasks, while Application Implementation Consultant provides accesses to all setup tasks. For ongoing management of setup and reference data, a predefined administrator role for each family, such as Financial Application Administrator, provides access to all setup tasks in the corresponding family.

Segregation of Duties Considerations

Segregation of duties (SOD) separates activities such as approving, recording, processing, and reconciling results so an enterprise can more easily prevent or detect unintentional errors and willful fraud.

Oracle Financials Cloud includes a set of predefined SOD policies. For example, the privilege Create Payments is incompatible with the privilege Approve Invoice. The predefined Accounts Payable Manager

role does have the privileges of Force Approve Invoices and Create Payments. After assessing and balancing the cost of duty segregation against reduction of risk, Core management has determined that the Accounts Payable Manager role is not allowed to force approve invoices, and so this privilege has been removed from the Accounts Payable Manager role during initial implementation.

Growth Considerations

The security implementation at Core is flexible enough to adapt to future growth of the company⁸. Currently, with the exception of Benjamin and Caroline, who are the controllers for United States and Canada respectively, all other users in the accounting and finance department can access data for both the US and Canadian operations. This is achieved by assigning both the corresponding US and Canadian data roles to a user. As the business grows, there may be a need in the future to have a dedicated staff that handles each operation separately. This can easily be achieved by assigning only the data roles corresponding to the operations a user is authorized to access.

Also, a few staff members are playing multiple roles at the same time. For example, Enrique manages accounts payable, fixed assets, and payroll at the same time. His access is authorized by a combination of roles, each corresponding to an area of responsibility. As business grows, there may be a need in the future to have different managers dedicated to one area of responsibility, at which time; the corresponding roles will be assigned to each manager based on the more granular responsibilities.

Data security can also be used to restrict access to journal entries and balances based on certain values in the chart of accounts, such as specific companies and cost center values, to individual roles. This may become crucial when business grows and additional staff members are needed, each responsible for only a portion of the business activities.

Similarly, procurement agent security can be implemented once the procurement department grows and there is a need to limit each agent access to only certain procurement documents.

For more information, see:

- [Oracle Enterprise Repository](#)
- [Oracle Fusion Applications Security Guide](#)
- [Oracle Fusion Applications Financials Security Reference Manual](#)

⁸ Refer to Core's organizational chart at the beginning of Chapter 6.

Chapter 7: Integration with External Systems

Overview

InFusion Core Group is now well setup to run the majority of its key business processes on Oracle Financials Cloud. However, Core also uses a number of external systems for several purposes, including:

- Tax and conversion rates
- Employee data
- Payroll processing
- Bank statement reconciliation
- Direct purchasing
- Budget preparation

Core deals with each of these in a slightly different way. In some cases, Core decided to leverage additional Oracle Fusion capabilities which will replace the external system, but this will take time. In these cases, Core integrated the external system in the near-term, and will obsolete this approach in the longer term.

In other cases, Core plans to continue using the external system.

Tax and Conversion Rates

Tax rates may vary depending on the geographical location of the customer or supplier, the type of product, and other factors.

As discussed earlier, Oracle Financials Cloud provides many spreadsheets as an easy method of entering and loading key setup data into the system. Core leverages the spreadsheet loader for tax rates. Whenever Core receives a tax rate feed, it copies the new or updated tax rates into the spreadsheet loader. Tax rates do not change frequently, so this approach works well for Core. If their tax rates changed more frequently, they would consider a more automated approach, such as contracting with their tax rate provider to transmit rates directly to the Oracle Financials Cloud open interface.

If Core's growth plans materialize, they will likely opt to outsource tax calculation and reporting compliance for the multi-jurisdiction scenario in the United States. At this time, they will consider integrating Oracle Financials Cloud directly with a tax calculation partner solution.

Core follows a similar process for foreign exchange conversion rates. The rates change daily, more frequently than tax rates, but Core currently only transacts in a small number of foreign currencies. Their bank provides a daily rate feed, and one of Core's financial analysts loads the rates using the spreadsheet loader. If, over time, they begin to transact across a broader array of rates, they will likely contract with a rates supplier for a more direct load through the rates open interface, bypassing the spreadsheet loader.

Employee Data

Core manages its employee and other Human Resources data using Oracle PeopleSoft Applications, installed locally within its offices. Over time, they will consider migrating their HR functions to Oracle Financials Cloud for this use, but this is a longer-term initiative.

In the meantime, Core needs to load employee data from Oracle PeopleSoft into Oracle Financials Cloud for use in several areas:

- **User security:** All employees must be registered as Oracle Financials Cloud users, along with their respective job roles. Even non-finance employees use Oracle Financials Cloud for expense report processing.
- **Approval processing:** Core decided to take advantage of Oracle Financials Cloud's sophisticated approvals processing to ensure effective controls. They setup approval rules which ensure, for example, that any manually-entered journal entry is routed for approval to the supervisor of the person who entered it.

- **Collaboration:** Oracle Financials Cloud provides rich capabilities for collaboration around core business processes, one of the key benefits that led Core to Oracle Fusion Applications in the first place. For example, during the close process, Core uses Oracle Fusion's Financial Close Collaboration capabilities to ensure people are kept apprised of pending close tasks, notified when they are able to complete a key process, and aware of any error situations that require direct intervention.

Core's Oracle PeopleSoft Applications provides a file of new or updated employee data on a weekly basis, which Core then loads into Oracle Financials Cloud using the spreadsheet loader for employees. Over time, they may consider increasing this frequency, but at this point, once a week is sufficient.

Payroll Processing

Core also processes its payroll using the same Oracle PeopleSoft Applications. This is an effective way of paying its employees, but it also needs to reflect the impact of each payroll run in its financial system.

Core runs payroll twice a month. After each payroll run, the Oracle PeopleSoft Human Resources Applications provide a payroll file to the finance department. This file does not include the payment amounts to individual employees, but rather summarizes payments by cost center. This is the level of detail relevant for the financial system.

Core's finance users load the payroll information using a simple excel template. This yields a postable journal entry which Core posts to reflect the payroll expense on its financial statements.

Core needs to manage critical reference data such as cost centers in both Oracle Financials Cloud and its payroll system. They have a clear process for registering new cost centers, including securing approval from all stakeholders. There are cases, however, in which a new cost center must be added immediately in one system and the necessary approvals are bypassed. In these cases, the cost center may be registered in the payroll system before it is registered in Oracle Financials Cloud. Payroll activity is recorded against the cost center, but the load to Oracle Financials Cloud will fail. If such an eventuality occurs, Oracle Financials Cloud marks the spreadsheet with a clear error message on the problematic rows, so it is easy for Core's finance department to understand the cause of the error and which specific cost centers had created the issue.

Bank Statement Reconciliation

Core receives a current statement from its banks every day. They load the statement and then leverage the automatic reconciliation capabilities within Oracle Financials Cloud to ensure accuracy.

Since this is a daily process and the bank statement follows a fixed format, Core elected to automate the loading process. Rather than having a cash manager copy and paste the statement into spreadsheets, they simply have the statement transferred from the bank to the open interface. From there, an automated process loads the file, processes it, and then runs the reconciliation process. If there are any errors in the file, the reconciliation process stops. The load process flags the errors so that the Cash Manager can follow up with the bank and get an updated file.

Direct Purchasing

Core began leveraging Oracle Financials Cloud to centralize indirect purchasing during their initial implementation. This has helped them reduce their overhead costs and, in many cases, negotiate better terms with suppliers.

For direct purchasing, however, Core continues to use the JD Edwards and EnterpriseOne systems in, respectively, its surgical and technical lines of business. Over time, they expect to migrate direct purchasing to Oracle Financials Cloud as well, but this is targeted for a later roll-out.

In the meantime, they continue to process requisitions and purchase orders using these older systems. They interface purchase orders to Oracle Fusion Procurement, and then leverage Oracle Financials Cloud for invoicing and payment processing.

Since the volume of purchase order information is high, they preferred an automated solution to having users manually copy and paste data in spreadsheets. They transfer comma-delimited files from these legacy purchasing systems to Oracle Financials Cloud' open interface. This is a scheduled process that completes without any user intervention.

They have to transform certain data elements during this process, because for example, the legacy system does not have a specific field to capture the Buyer and instead relies on the generic Additional Header Information field.

To facilitate this transformation, Core defined a simple mapping table that is referenced during the transfer process. This mapping table relates attributes from the legacy systems to the corresponding Oracle Fusion Procurement attributes. The following represents a subset of the mapping table:

JD Edwards PO Attribute	Fusion Purchase Order Attribute	Level
Order Number	Order Number	Header
Order Date	Order Date	Header
Supplier	Supplier Number	Header
Currency	Currency	Header
Branch or Plant	Business Unit	Header
Ship To	Ship To	Header
Line Type	Line Type	Line
Quantity	Quantity	Line
UDC 00/UM (Transaction UOM)	UOM	Line
Item Group	Item Category	Line

During the data load to Oracle Fusion Procurement, the mapping table is automatically referenced.

If a supplier number cannot be identified in the mapping table, or does not map to a valid supplier in Oracle Financials Cloud, the user is notified and must correct the error either in the source purchasing system or in the mapping table.

Budget Preparation

Core currently does its budgeting using spreadsheets. They distribute the current actual results and prior budget to the relevant finance professional for each business. A single person then collects the spreadsheets, consolidates them, and loads the updated budgets using Smart View. They can then compare actual results against budgets using all of the Oracle Financials Cloud reporting and analysis tools, including Account Monitor, Account Inspector, Smart View, and Financial Reporting.

In the longer term, they plan to formalize their budgeting process using Oracle Planning and Budgeting Cloud Service. They expect to run Planning on the cloud, alongside Oracle Financials Cloud, and take advantage of the direct flow of data between the two applications. With this approach, they will no longer need to email spreadsheets back and forth.

Chapter 8: Historical Data Conversion

Historical Data Conversion Overview

This chapter details the strategy and process InFusion Core Group adopted for converting historical data.

Business Drivers

Core's aging Enterprise Resource Planning (ERP) system became too rigid to expand for the growing business. Core decided to replace it with a SaaS solution to reduce the costs required to administer the system on premises and focus fully on their core responsibility – growing the business. Core adopted Oracle Financials Cloud for procure to pay, financial control and reporting, and fixed assets functions and converted historical data needed for ongoing business.

Core's primary business drivers for converting historical data were:

- Availability of historical data for reporting and analysis.
- Continuation of open transactions.
- Data retention for legal and audit compliance.

Based on the drivers, Core decided to convert five years of general ledger balances and two years of related subledger transactions for the following business reasons:

- Data deemed sufficient for reporting and analysis.
- Continuity of business accomplished by converting all open transactions.
- Minimum data loaded to maximize the new ERP system's performance and scalability.
- Cost reduction associated with additional resources to convert and reconcile all the historical data.
- Archived data deemed sufficient for compliance with legal and audit requirements.

Strategy

Core's strategy was to convert historical data for all legal entities and business units in a short window, and switch over to Oracle Financials Cloud with minimal business interruption or downtime.

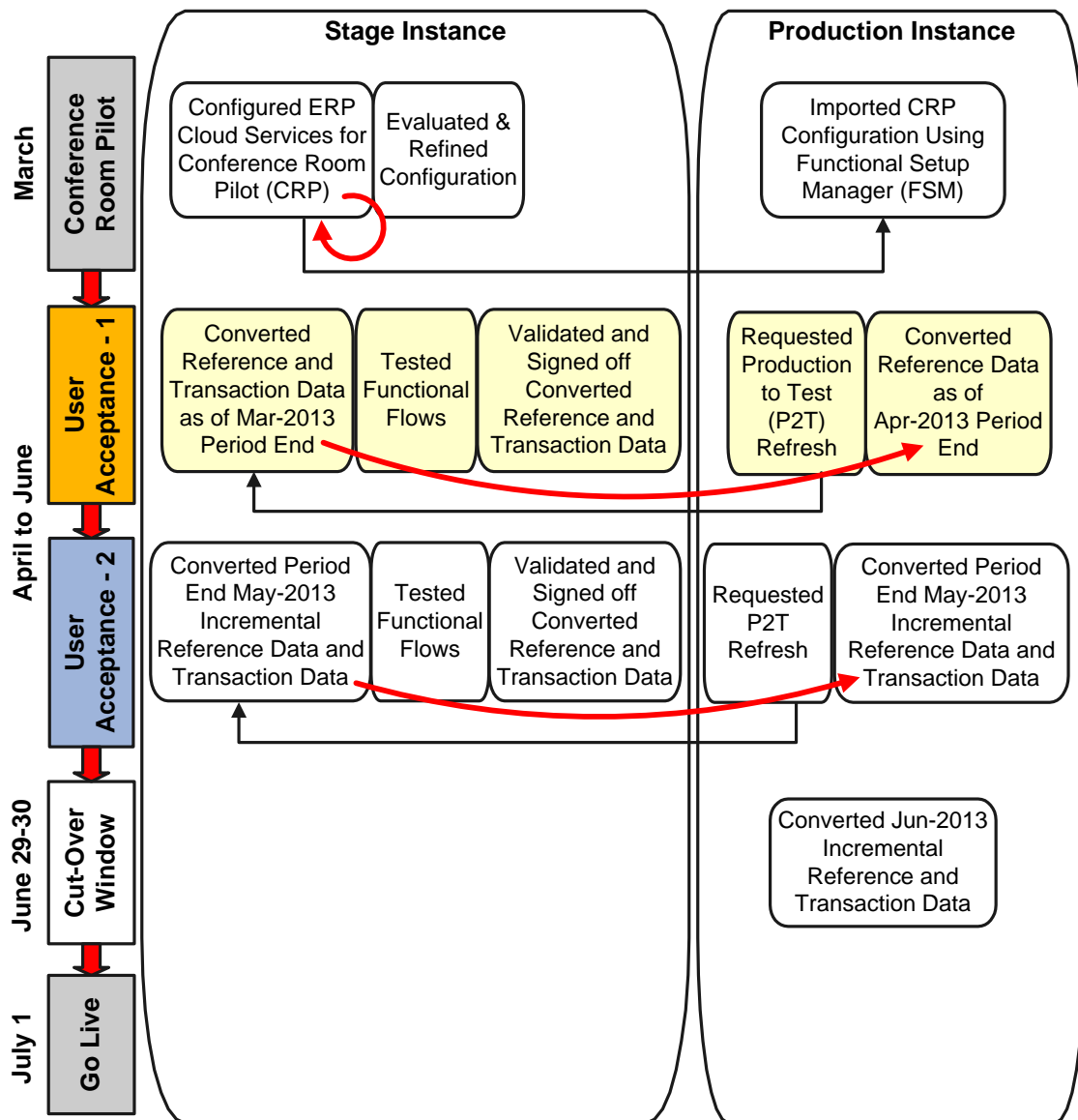
Choosing Cut-Over Date

Core wanted a clear logical point and chose the start of the third fiscal quarter, July 1, 2013 to cut-over to the Oracle Financials Cloud for the following reasons:

- Close of the second quarter is a logical point to identify balances for reconciliation between old and new systems.
- Quarter end is a logical closure for a large number of open transactions.
- Core did not want to wait until the beginning of the new fiscal year.

Managing Conversion Timeline

The diagram below depicts the strategy adopted by Core to manage the historical data conversion during their implementation timeline while the old ERP system was still in use.



Managing Changing Data in Old ERP

- Core minimized the configuration changes in their old ERP system after the first extract of data as of Mar-2013 period end. This minimized the amount of incremental reference data to be converted.
- Core performed one incremental extract for Apr-2013 and May-2013 periods immediately after closing May-2013.
- Core performed incremental extracts for Jun-2013 after the extract of data as of May 2013 period end. The extracts were prepared on a weekly basis and finally converted to Oracle Financials Cloud during the cut-over window.
- Core closed all past periods except Jun-2013 in Oracle Financials Cloud during data conversion.
- Jun-2013 period was kept open in both the old ERP system as well as in Oracle Financials Cloud for a few days after go-live for period close adjustment entries. The adjustment entries were made in both the old and new system to keep them in sync. This enabled a complete end of June balance reconciliation.

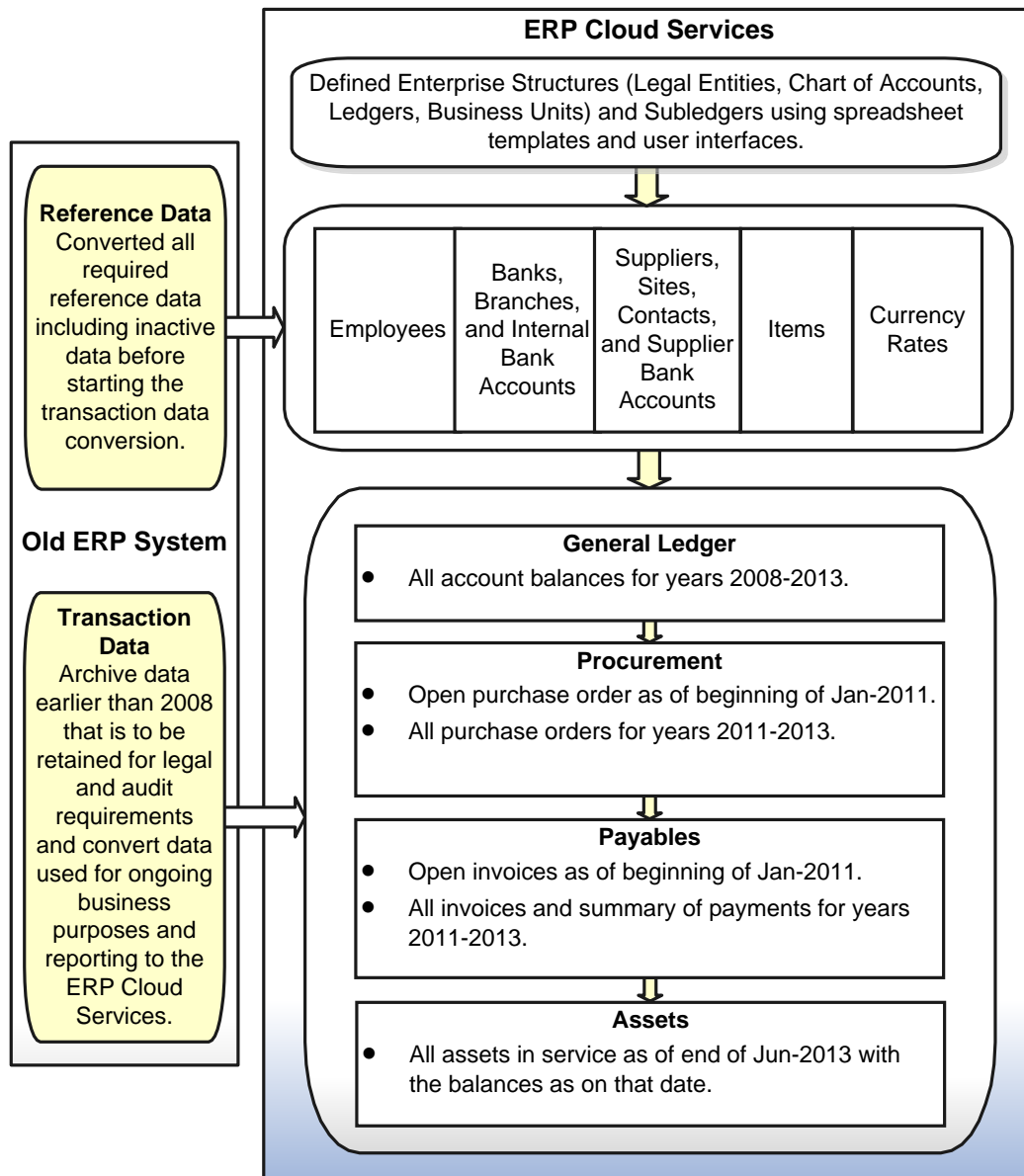
Conversion Order

Core converted general ledger balances and subledger transaction data period by period as stated below:

- Opened one period.
- Loaded period end trial balance in general ledger for each period from Dec-2007 through Jun-2013.
- Converted purchase orders and related receipts for each period from Jan-2011 through Jun-2013.
- Converted invoices with purchase order references for each period from Jan-2011 through Jun-2013. Reconciled and validated the converted data.
- Closed period and opened next period.
- Converted payments in last period of each fiscal year.
- Converted all fixed assets once in Jun-2013 with cost and reserve balances as of end of that period.

Core also considered having multiple periods open to allow both conversion and reconciliation activities in parallel but decided to follow the above approach.

The diagram below depicts the types of data converted and their conversion order.



Reference Data Conversion Process

The following are the prerequisites, tools, and considerations used for conversion of reference data.

Reference Data	Prerequisites	Tools
Banks, Branches, and Internal Bank Accounts		<ul style="list-style-type: none">• Rapid Implementation Spreadsheet for Banks, Branches, and Accounts
Employee		<ul style="list-style-type: none">• HCM's File Based Loader
Suppliers, Sites, Contacts, and Supplier Bank Accounts	Payment Terms, Pay Group, Supplier Classifications, Bank Accounts, and Employee.	<ul style="list-style-type: none">• Suppliers Interface• Supplier Sites Interface• Supplier Site Contacts Interface• Supplier Site Assignments Interface• Import Supplier Bank Accounts Interface
Items (If used in Purchasing)	Inventory Organization, Item Types, and Item Status	<ul style="list-style-type: none">• Product Information Management (PIM) Interface
Currency Rates	Rate Types	<ul style="list-style-type: none">• Create Daily Rates spreadsheet

Core eliminated duplicates and prepared reference data attributes to conform to the new Oracle Financials Cloud system. All reference data including inactive reference data required to convert two years of subledger transactions were converted. Immediately after completing transaction data conversion, all reference data inactive in the old ERP system was inactivated in Oracle Financials Cloud.

Transaction Data Conversion Process

Core used External Data Integration Services to convert transaction data.

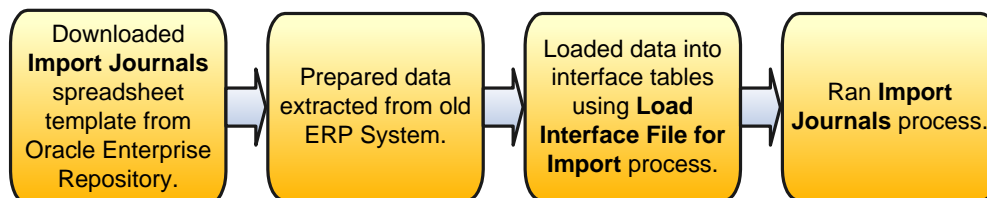
For more information, see the External Data Integration Service for Oracle Cloud help document in [Oracle Enterprise Repository](#).

General Ledger Balances

All account balances for January 2008 through June 2013 were converted.

Conversion Periods	Conversion Details
1. Dec-2007	<ul style="list-style-type: none">Loaded Trial Balance as of the end of Dec-2007 for balances to rollover as opening balance for Jan-2008.Closed Dec-2007 and opened the next period in Oracle Financials Cloud.
2. Jan-2008 to Jun-2013	<p>Balances were converted period by period as stated below:</p> <ul style="list-style-type: none">Reversed prior period trial balance conversion journal to offset the opening balance.Loaded period end Trial Balance.Reversed all journals transferred from the subledgers for the converted historical transaction data.Closed current period and opened next period.

Data Load Process



Reconciliation and Validation

- Account Balances:** Generated the trial balance at the end of each fiscal year (Dec-2008, Dec-2009, Dec-2010, Dec-2011 and Dec-2012), as well as May-2013 and Jun-2013 from Oracle Financials Cloud and matched the balance for each account combination to the balance in each equivalent account in old ERP system to ensure that the account balances are correctly converted.
- Guaranteed Opening Trial Balance as of Cut Over Date:**
 - The trial balance as of the cut over date in the Oracle Financials Cloud must match the old ERP system trial balance as of the end of Jun-2013. Otherwise, Core's historical financial reports from their old ERP system would not match the reports generated by their new Oracle Financials Cloud installation for those historical periods. As this will be the opening balance for all accounts in the new system, reconcile and validate each account balance very carefully.
 - Ensured that all past periods are closed in Oracle Financials Cloud before go live to prevent any changes to the opening trial balance as of the cut over date.

Purchase Orders

All blanket purchase agreements, purchase orders, related requisitions, and receipts for January 2011 through June 2013 were converted.

Core started with conversion of open purchase orders, including those open for receiving, invoicing, or payment, as of the beginning of Jan-2011. The following table illustrates with examples of how Core identified and converted various types of open purchase orders in Jan-2011.

PO Status (beginning of Jan-2011)	PO Qty Converted	Receipt Qty Converted	Example
1. Fully Closed - Fully Received and Fully Invoiced - All invoices are paid	PO Not Converted	PO Not Converted	<ul style="list-style-type: none"> • PO Qty: 100 • Receipt Qty: 100 • Invoiced Qty: 100 • Unpaid Invoice Qty: 0
2. Fully Closed - Fully Received and Fully Invoiced	Qty of Unpaid Invoice	Qty of Unpaid Invoice	<ul style="list-style-type: none"> • PO Qty: 100 • Receipt Qty: 100 • Invoiced Qty: 100 • Unpaid Invoice Qty: 40 • Converted Qty: <ul style="list-style-type: none"> ○ PO: 40 ○ Receipt: 40
3. Fully Open - Not Received and Not Invoiced	Full	None	<ul style="list-style-type: none"> • PO Qty: 100 • Receipt Qty: 0 • Invoiced Qty: 0 • Unpaid Invoice Qty: 0 • Converted Qty: <ul style="list-style-type: none"> ○ PO: 100 ○ Receipt: 0
4. Partly Open - Partly Received and All Receipts are Invoiced	Qty Not Received + Qty of Unpaid Invoice	Qty of Unpaid Invoice	<ul style="list-style-type: none"> • PO Qty: 100 • Receipt Qty: 60 • Invoiced Qty: 60 • Unpaid Invoice Qty: 20 • Converted Qty: <ul style="list-style-type: none"> ○ PO: 40+20=60 ○ Receipt: 20
5. Partly Open - Partly Received and Part of the Receipt Invoiced	Qty Not Received + Qty of Receipt Not Invoiced + Qty of Unpaid Invoice	Receipts Not Invoiced + Qty of Unpaid Invoice	<ul style="list-style-type: none"> • PO Qty: 100 • Receipt Qty: 60 • Invoiced Qty: 40 • Unpaid Invoice Qty: 20 • Converted Qty: <ul style="list-style-type: none"> ○ PO: 40+20+20=80 ○ Receipt: 20+20=40
PO Status (beginning of Jan-2011)	PO Qty Converted	Receipt Qty Converted	Example
6. Partly Open - Partly Received and Not Invoiced	Full	All Receipts	<ul style="list-style-type: none"> • PO Qty: 100 • Receipt Qty: 60 • Invoiced Qty: 0 • Unpaid Invoice Qty: 0 • Converted Qty: <ul style="list-style-type: none"> ○ PO: 100

			<ul style="list-style-type: none"> ○ Receipt: 60
7. Partly Open - Fully Received and Not Invoiced	Full	All Receipts	<ul style="list-style-type: none"> ● PO Qty: 100 ● Receipt Qty: 100 ● Invoiced Qty: 0 ● Unpaid Invoice Qty: 0 ● Converted Qty: <ul style="list-style-type: none"> ○ PO: 100 ○ Receipt: 100
8. Partly Open - Fully Received and Partly Invoiced	Qty Not Invoiced + Qty of Unpaid Invoice	Qty Not Invoiced + Qty of Unpaid Invoice	<ul style="list-style-type: none"> ● PO Qty: 100 ● Receipt Qty: 100 ● Invoiced Qty: 60 ● Unpaid Invoice Qty: 20 ● Converted Qty: <ul style="list-style-type: none"> ○ PO: 40+20=60 ○ Receipt: 40+20=60

Note: In scenarios 2, 4, 5, and 8 above, conversion of closed purchase order quantities (unpaid invoice quantities) was necessary to convert the related open invoices in Payables with purchase order reference.

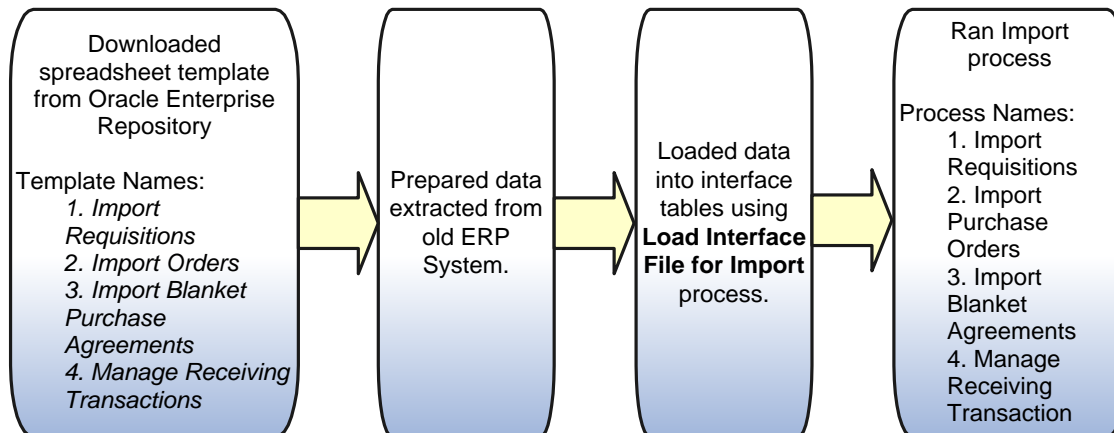
All open blanket purchase agreements with an open amount and quantity were converted as of the beginning of Jan-2011. The open releases for the blanket purchase agreements were converted as standard purchase orders without blanket purchase agreement reference.

Conversion Periods: Jan-2011 to Jun-2013

After open transactions were converted and reconciled to old ERP, Core converted transactions period by period as below:

- All purchase orders, blanket purchase agreements, requisitions, and receipts for each period. The purchase orders and receipts were converted with the actual charge account.
- Blanket purchase agreement releases as standard purchase order with blanket agreement reference in the purchase order lines.
- Reversed accounting entries transferred from subledger for purchase order receipts from Jan-2011 to Jun-2013 in the General Ledger.

Data Load Process



Reconciliation and Validation

- **Counts:** The number of purchase orders extracted for conversion was matched with number of purchase orders imported and confirmed that all orders are converted.
- **Amount and Quantity:** The total purchase order quantity and amount extracted for conversion was matched with total purchase order quantity and amount imported and confirmed that orders are converted with correct quantity and amount.
- **Price and Quantity:**
 - Reconciled price and quantity for each open purchase order as of June-2013 to ensure that receipts and invoices are recorded correctly after go live.
 - Reconciled price and unreleased quantity for each open blanket purchase agreement as of June-2013 to ensure that releases after go live are issued for the correct price and quantity.
- **Guaranteed Opening General Ledger Trial Balance as of Cut Over Date:**
 - Ensured that all accounting entries transferred during Jan-2011 to Jun-2013 from the subledger to the General Ledger for the historical purchase order receipts are reversed in the General Ledger.
 - Ensured that all past periods are closed in Oracle Financials Cloud before go live to prevent any changes to the opening trial balance as of the cut over date.

Payables Invoices

Core converted all payables invoices for years January 2011 through June 2013.

After completing purchase orders, open invoices as of the beginning of Jan-2011 were converted. The following table illustrates how Core converted various types of open invoices with purchase order references in Jan-2011:

Invoice Status (as of the beginning of Jan-11)	Converted Amount	Example
1. Standard Invoice - Fully Paid	Invoice Not Converted	<ul style="list-style-type: none"> • Invoice Amount:\$100 • Payment Amount:\$100 • Closed Invoice Not Converted

Invoice Status as of the beginning of Jan-2011	Converted Amount	Example
2. Standard Invoice - Fully Unpaid	Full Amount	<ul style="list-style-type: none"> • Invoice Amount:\$100 • Payment Amount: \$0 • Invoice Converted with Amount: \$100
3. Standard Invoice - Partly Paid	Unpaid Amount	<ul style="list-style-type: none"> • Invoice Amount:\$100 • Payment Amount: \$50 • Invoice Converted with Amount: \$50
4. Prepayment - Fully Applied	Prepayment Not Converted	<ul style="list-style-type: none"> • Invoice Amount:\$100 • Payment Amount:\$100 • Applied Amount: \$100 • Closed Prepayment Not to be Converted
5. Prepayment - Partly Applied	Unapplied Amount	<ul style="list-style-type: none"> • Invoice Amount:\$100 • Payment Amount:\$100 • Applied Amount: \$50 • Debit Memo Converted with Amount: \$50
6. Prepayment - Unpaid	Full Amount	<ul style="list-style-type: none"> • Invoice Amount:\$100 • Payment Amount: \$0 • Applied Amount: \$0 • Prepayment Converted with Amount:\$100

Note: Other Conversion Decisions

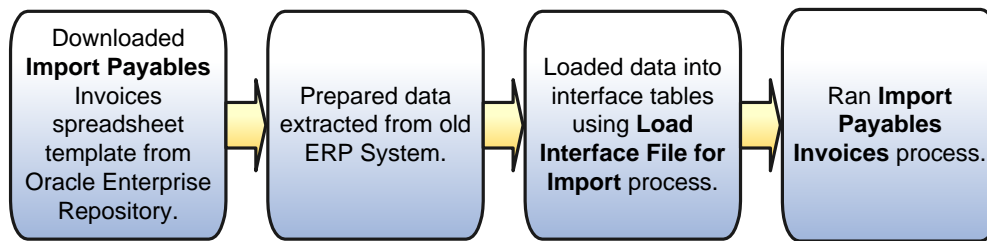
- Debit balances against each vendor were treated as advances and converted as Debit Memos.
- Invoices, prepayments, debit memos, and credit memos were converted with actual charge and supplier liability accounts.
- Reversed journals transferred for open invoices as balances were directly converted in General Ledger.

Conversion Periods: Jan-2011 to Jun-2013

After open transactions were converted and reconciled to old ERP system, Core converted current transactions period by period as stated below:

- All invoices, debit memos, credit memos, and prepayments created for these periods.
- Invoices, credit memos, debit memos and prepayments were charged to actual charge and supplier liability accounts.
- Invoices distributed to fixed asset clearing account were converted with Track As Asset flag of **N** to restrict transfer of these invoices to Assets.
- Reversed journal transferred from Payables for invoice transactions from Jan-2011 to Jun-2013 as balances for these periods were directly converted in General Ledger.

Data Load Process



Reconciliation and Validation

- **Counts:** The number of invoices extracted for conversion was matched with number of invoices imported and confirmed that all are invoices converted.
- **Account Balances:** The supplier liability accounts balances in General Ledger was matched with supplier balance in subledger at the end of each fiscal year and confirmed that invoices are converted with correct amount.
- **Open Invoices:** Reconciled unpaid amount for all open invoices as of end of June-2013 to ensure that the correct amount is paid to the suppliers after go live.
- **Guaranteed Opening General Ledger Trial Balance as of Cut Over Date:**
 - Ensured that all accounting entries transferred during Jan-2011 to Jun-2013 from the subledger to the General Ledger for the historical invoices are reversed in the General Ledger.
 - Ensured that all past periods are closed in the Oracle Financials Cloud before go live to prevent any changes to the opening trial balance as of cut over date.

Payments

Payment Summary for 2011 through June 2013 was converted.

Conversion Periods: Dec-2011, Dec-2012, and Jun-2013

Core recorded payments in the last period of each fiscal year to close converted invoices and establish year end supplier liability balances in the subledger as stated below:

- Core converted invoices that are fully paid in a fiscal year with Pay Group of **Fully Paid - Year of Payment**.
- Created one payment process request per year in the last period of the year with the pay group as selection criteria to record the payment for these invoices.
- Example:
 - Converted invoices fully paid in 2011 with the pay group of **Fully Paid - 2011**.
 - In Dec-2011, created payment process request with the pay group of **Fully Paid - 2011** as selection criteria and recorded the payment.
- Core had a small number of partly paid invoices. One payment per supplier site was entered to record the payments for these invoices.
- Reversed payment journals as balances for these periods were directly converted in General Ledger.

Note: Core also considered the following conversion options but chose the above option to minimize effort:

- Create payments period by period and establish period end supplier liability balances.
- Create payments in last conversion period and establish supplier liability balances on the cut-over date.

Guaranteed Opening General Ledger Trial Balance as of Cut Over Date:

- Ensured that all accounting entries transferred during Jan-2011 to Jun-2013 from the subledger to the General Ledger for the historical payments are reversed in the General Ledger.
- Ensured that all past periods are closed in Oracle Financials Cloud before go live to prevent any changes to the opening trial balance as of cut over date.

Assets

All assets in service at the end of Jun-2013 were converted.

Conversion Periods	Conversion Details
Jun-2013 in Asset Book	<ul style="list-style-type: none">• All assets in service at the end of 30th June 2013 with cost, YTD depreciation, and depreciation reserve balances on that date. The converted YTD depreciation and depreciation reserve balances included Jun-13 depreciation expense amount.• Suspended depreciation for all assets because converted balances includes the current period depreciation.• Transferred accounting entries for the converted assets to General Ledger and reversed the journals after verifying that the balances in subledger for asset cost and depreciation reserve accounts matched with balances in General Ledger.• Closed current period and opened next period.
Jul-2013	<ul style="list-style-type: none">• Resumed depreciation for all assets immediately after opening this period.• Ready for live transactions.

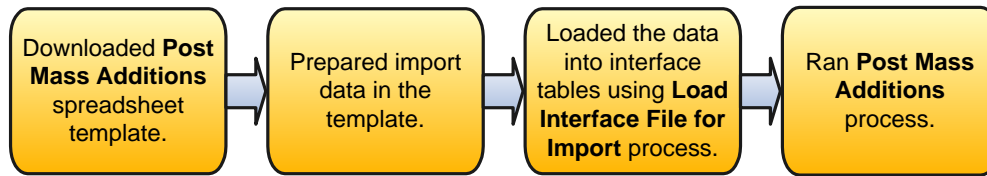
Note: Core also considered below option but chose the above because it was decided to use old ERP system to report for first half of 2013 fiscal year:

- Convert assets in service at the end of 31st December 2012 with cost and depreciation reserve balance on that date with above conversion process and all transactions from Jan-2013 to Jun-2013 period by period.

Core decided to implement tax books in the next fiscal year using the following approach:

- Create a tax book with the first open period as Dec-2013.
- Run Initial Mass Copy process to copy assets from corporate to tax book.
- Convert YTD depreciation and depreciation reserve balances for tax book assets using Mass Depreciation Rules Change spreadsheet. The converted YTD depreciation and depreciation reserve balances included Dec-2013 depreciation expense amount.
- Suspended depreciation for all assets because the converted balances includes current period depreciation.
- Closed current period and opened next period.
- Resumed depreciation for all assets immediately after opening Jan-2014 period.
- Run periodic mass copy for Jan-2014 period to copy asset activities from corporate book to tax book.

Data Load Process



Reconciliation and Validation

- **Counts:** The number of assets extracted for conversion was matched with number of assets imported and confirmed that all assets are converted.
- **Account Balances:** The cost, YTD depreciation, depreciation reserve accounts balances in General Ledger was matched with the balances in the subledger and confirmed that the assets are converted with correct balances.
- **Guaranteed Opening General Ledger Trial Balance as of Cut Over Date:** Ensured that all accounting entries transferred in Jun-2013 from the subledger to General Ledger for the converted assets are reversed in General Ledger.



Oracle Financials Cloud
Introduction for CFOs and System Integrators
May 2014

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