

# How to Configure a Subledger Accounting Method for Cash Basis in Accounts Payable and Accounts Receivable

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Oracle Fusion Cloud Financials

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## Purpose statement

This document discusses how subledger accounting can be used to configure a subledger accounting method for cash basis accounting. In some instances, organizations have a need to report on a cash basis accounting method, even though cash basis is not a generally accepted accounting practice.

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## Definition of Cash Basis of Accounting

The term “basis of accounting” is used to describe the timing of recognition, that is, when the effects of transactions or events should be recognized (Government Finance Officers Association, GFOA, 2023).

The Governmental Accounting Standards Board (GASB), in statement 34, defines the cash basis of accounting as:

- Revenues are recognized only when cash is received.
- Expenses are recognized only when cash is disbursed (GASB34, 2023).

This White Paper uses the above definition of cash basis accounting. Because cash basis accounting is not a generally accepted accounting principle, each organization’s version of cash basis might differ. The intent is to provide general guidance on how to achieve cash basis entries utilizing the Subledger Accounting Rules within Oracle Cloud. Each organization will have to tailor the rules to meet their accounting requirements based on their configuration options and the types of transactions or features utilized.

## Understanding When a Cash Basis Ledger Should be Used

Typically, organizations do not use Cash Basis as their main basis of accounting because it is not recognized as a Generally Accepted Accounting Principle (GAAP). Commercial entities governed by the Financial Accounting Standards Board (FASB), use the Accrual method of accounting. US Public Sector Entities use Modified Accrual and Accrual Accounting for their basis of accounting. International Public Sector countries have adopted International Public Sector Accounting Standards (IPSAS), which is based on accrual accounting and encourages countries to move away from cash basis. International commercial entities follow International Financial Reporting Standards (IFRS) that were developed and maintained by the International Accounting Standards Board (IASB).

However, in the US, Public Sector, organizations may be permitted to elect a budgetary basis other than GAAP. US Governments are required to present a Budgetary Comparison Report in their annual report which must include actuals on the same basis as their budgetary basis. When governments elect to use a Cash Basis or Modified Cash Basis for their Budgetary Basis, a need to maintain a cash basis ledger arises.

Private Business can occasionally require the need for a cash basis ledger to support internal reporting requirements.

Following is an illustration of accounting methods used for Commercial and Public Sector Entities, the governing bodies of the accounting method, and organizations who use those methods.

Accounting Method	Accrual	Modified Accrual	IFRS	Cash
Governing Body	FASB GASB IPSAS	GASB	IASB	GASB (Budgetary Basis)
Used By	Commercial Public Sector	Public Sector	International	Public Sector Private Business

Figure 1. Illustration of Accounting Methods

It's recommended to use a Cash Basis accounting method when the organization requires a balanced set of books on a cash basis, to meet legal reporting requirements.

It's not recommended to implement a Cash Basis accounting method when only some specific transaction types need to have revenue recognized on a cash basis. In those cases, look at utilizing Revenue Contingency rules to facilitate the recording of revenue when the receipt is entered.

Another alternative to setting up a secondary ledger for cash basis, with a custom Cash Basis accounting method, would be to set up a secondary ledger with a data conversion level of adjustments only, instead of created from subledger accounting. This type of ledger provides an incomplete accounting representation holding only adjustments, which can be manual journal adjustment entries. The chart of accounts, accounting calendar, and currency must be the same as the primary ledger. Adjustments to cash basis can be made in this secondary ledger to eliminate any accrual entries in the primary ledger. Typical entries would be to reverse any impact from outstanding Accounts Payable Liabilities and outstanding Receivables at year end. Reports can be created combining the primary and secondary ledger.

### **A Cash Basis Ledger as a Secondary Ledger**

A secondary ledger is an optional ledger linked to a primary ledger for the purpose of tracking alternate accounting, in this case, cash basis. The secondary ledger should be defined with a data conversion level of Subledger. When you run the Create Accounting process in the primary ledger, the process will create accounting entries for both the primary and secondary ledgers.

It's important to note that a secondary ledger can support a different chart of accounts structure than a primary ledger. For purposes of this White Paper, it is assumed the chart of accounts structure is the same. Using a different chart of accounts structure in a cash secondary ledger might require different modeling of Subledger Account (SLA) rules, which is not covered in this document.

When an organization requires a cash basis ledger, we recommend the ledger should be set up as a secondary ledger to minimize any effects of the primary business flows.

For example, the delivered integration from Accounts Payable Invoices to Fixed Assets requires the invoice to be accounted in the primary ledger before the invoice can be sent to Fixed Assets in the Create Mass Additions process. For cash basis accounting, the entries are not recorded until payment, preventing invoices from being selected in the Create Mass Additions process if cash basis accounting was set up as the primary ledger. Therefore, it's recommended that Cash Basis is set up as a secondary ledger, so it's not necessary to analyze all business flows within the application.

**vision**

Create Secondary Ledger ⓘ

Save and Close Cancel

**Primary Ledger**

Name Progress US Primary Ledger

Description Progress US Primary Ledger (USD)

Chart of Accounts Public Sector US Chart of Accounts

Accounting Calendar GOV Calendar

Currency USD

Accounting Method Progress US Encumbrance Accrual

**Secondary Ledger**

\* Name Progress Cash with Encumbrance

Description Progress Cash with Encumbrance

\* Chart of Accounts Public Sector US Chart of Accounts

\* Accounting Calendar GOV Calendar

\* Currency USD - US Dollar

Accounting Method PS US Cash Basis with Encumbrances

\* Data Conversion Level Subledger

Figure 2. Creation of Secondary Ledger

## Understanding Accounting Methods

Accounting methods, SLA Methods, are a group of rules that are used by the subledger accounting engine to determine how to create journal entries from transaction and set up data. A SLAM is a group of subledger journal entry rule sets. Subledger journal entry rule sets provide the definition for generating a complete journal entry for an accounting event. This facilitates the definition of consistent accounting treatment for each accounting event class, and accounting event type, for all subledger applications. The accounting method grouping enables a set of subledger journal entry rule sets to be assigned collectively to a ledger.

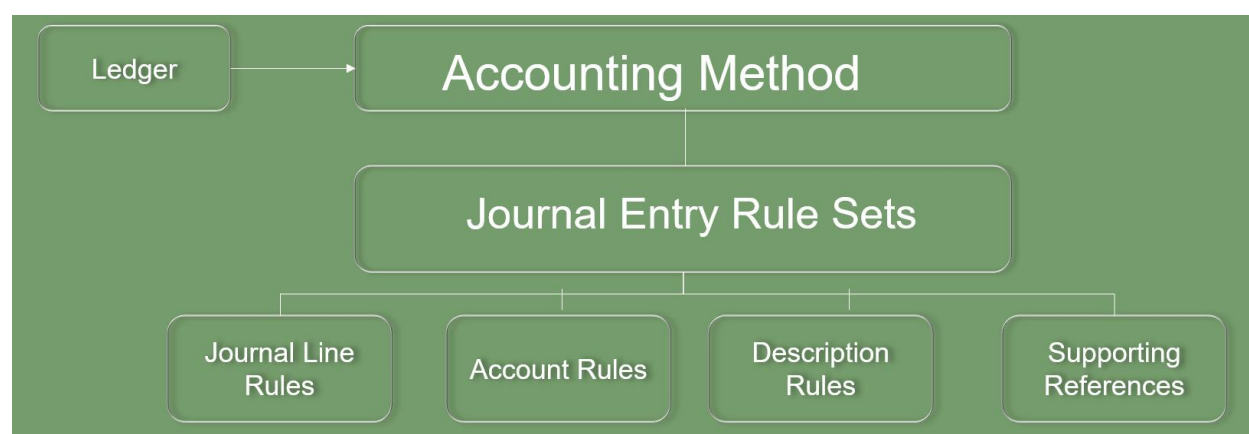


Figure 3. Illustration of Subledger Accounting

Oracle Cloud delivers these accounting methods:

- Standard Accrual
- Standard Accrual with Encumbrances

For Cash Basis accounting either the Standard Accrual or the Standard Accrual with Encumbrances journal entry rules set can be used as a starting point for cash basis accounting. The rule sets can be duplicated and modified to meet your organizations specific requirements.

## Configuring Cash Basis Accounting by Business Flow

This section covers how to configure Cash Basis Accounting for Accounts Payable and Accounts Receivable.

### Accounts Payable

The Standard Accrual with Encumbrances and Standard Accrual accounting methods for Accounts Payable is made up of the following 9 event classes and rule sets:

Event Class	Journal Entry Rule Sets	
	Standard Accrual with Encumbrances	Standard Accrual
Credit Memos	Credit Memo Encumbrance Accrual Basis	Credit Memo Accrual Basis
Debit Memos	Debit Memo Encumbrance Accrual Basis	Debit Memo Accrual Basis
Future Dated Payments	Bill Payable Accrual Basis	Bill Payable Accrual Basis
Invoices	Invoice Encumbrance Accrual Basis	Invoice Accrual Basis
Payments	Payments Accrual Basis	Payments Accrual Basis
Prepayment Application	Prepayment Application Accrual Basis	Prepayment Application Accrual Basis
Prepayments	Prepayments Accrual Basis	Prepayments Accrual Basis
Reconciled Payments	Reconciled Payments Accrual Basis	Reconciled Payments Accrual Basis
Refunds	Refund Accrual Basis	Refund Accrual Basis

Each rule set represents a transaction type and needs to be analyzed for the proper impact on a cash basis.

In Accounts Payable, the main difference between accrual and cash is the event that recognizes the expense. Accrual Basis of accounting records the expense upon invoice entry, whereas in Cash Basis the entry would be recorded upon payment of the invoice to the supplier or party.

There are two ways to achieve cash basis in Accounts Payable. You can do either or both of the following:

- Create no accounting impact for the invoice by using a clearing account
- Create invoice encumbrance journal entries instead of actuals for the invoice.

### AP Accrual Accounting

Let's take an example of \$1,000 invoice that has a partial payment of \$ 600 as a first installment and a second installment of \$400. On an Accrual Basis the following entries would be made:

Transaction	Type	Debit (DR)/ Credit (CR)	Account	Amount
Invoice	Actuals	DR	Account on Invoice Distribution	\$ 1,000
		CR	AP Liability	\$ 1,000
Payment – Installment 1	Actuals	DR	AP Liability	\$ 600
		CR	Cash/Cash Clearing	\$ 600
Payment – Installment 2	Actuals	DR	AP Liability	\$ 400
		CR	Cash/Cash Clearing	\$ 400

### AP Cash Basis Accounting

On a Cash Basis, the following entries would be made:

Transaction	Type	Debit (DR)/ Credit (CR)	Account	Amount
Invoice	Actuals	No Entry		
Payment Installment 1	Actuals	DR	Account on Invoice Distribution	\$ 600
		CR	Cash/Cash Clearing	\$ 600
Payment Installment 2	Actuals	DR	Account on Invoice Distribution	\$ 400
		CR	Cash/Cash Clearing	\$ 400

### AP Cash Basis Accounting with Invoice Encumbrance

Some public sector organizations, that have elected to use encumbrance accounting and budgetary control, want to see an invoice encumbrance created upon invoice entry. The invoice encumbrance entry is created instead of the actuals and is an additional entry. It does not replace the obligation and commitments that are generated with purchase order and requisitions. The accounting entries for Cash Basis with Invoice Encumbrances for a nonmatched invoice would be created as follows:



Transaction	Type	Debit (DR)/ Credit (CR)	Account	Amount
Invoice	Actuals	No Entry		
	Invoice Encumbrance	DR	Account on Invoice Distribution	\$ 600
		CR	Reserve for Encumbrance	\$ 600
Payment Installment 1	Actuals	DR	Account on Invoice Distribution	\$ 600
		CR	Cash/ Cash Clearing	\$ 600
	Invoice Encumbrance	DR	Reserve for Encumbrance	\$ 600
		CR	Account on Invoice Distribution	\$ 600
Payment Installment 2	Actuals	DR	Account on Invoice Distribution	\$ 400
		CR	Cash/ Cash Clearing	\$ 400
	Invoice Encumbrance	DR	Reserve for Encumbrance	\$ 400
		CR	Account on Invoice Distribution	\$ 400

The accounting entries for Cash Basis with Invoice Encumbrances for a matched invoice would be created as follows. The PO encumbrance will be liquidated and the invoice encumbrance created.

Transaction	Type	Debit (DR)/ Credit (CR)	Account	Amount
Invoice	Actuals	No Entry		
	Invoice Encumbrance	DR	Account on Invoice Distribution	\$ 600
		CR	Reserve for Encumbrance	\$ 600
	Obligation	DR	Reserve for Encumbrance	\$600
		CR	PO Distribution	\$600
Payment Installment 1	Actuals	DR	Account on Invoice Distribution	\$ 600
		CR	Cash/ Cash Clearing	\$ 600
	Invoice Encumbrance	DR	Reserve for Encumbrance	\$ 600
		CR	Account on Invoice Distribution	\$ 600
Payment Installment 2	Actuals	DR	Account on Invoice Distribution	\$ 400
		CR	Cash/ Cash Clearing	\$ 400
	Invoice Encumbrance	DR	Reserve for Encumbrance	\$ 400
		CR	Account on Invoice Distribution	\$ 400

This document assumes that encumbrance accounting is being utilized and will use the rule sets tied to the Standard Accrual with Encumbrances accounting method as the basis for changes.

For those organizations that do not want to use encumbrance accounting, use the journal entry rule sets tied to the Standard Accrual accounting method. Changes to the delivered rule sets aren't allowed but the rule sets can be duplicated and then changes can be made as required.

## Invoice Event Class

Since the payment entry will be configured to record the expense, the invoice entry should not have a financial impact when Cash basis is desired. If Cash Basis with Invoice Encumbrances is desired an invoice encumbrance can be created to record the encumbrance when the invoice is created and liquidate the invoice obligation upon payment. The following table shows an illustration of those accounting entries:

Basis	Transaction	Type	Debit (DR)/ Credit (CR)	Account	Amount
Cash	Invoice	Actuals	DR	Clearing Account	\$ 600
			CR	Clearing Account	\$ 600
Cash with Encumbrances	Invoice	Actuals	DR	Clearing Account	\$ 600
			CR	Clearing Account	\$ 600
		Invoice Encumbrance	DR	Account on Invoice Distribution	\$ 600
			CR	Reserve for Encumbrance	\$ 600

For an invoice to not have a financial impact, an account rule can be created that uses a clearing account for both the debit and credit of the accounting entry. Using a clearing account on the invoice minimizes the number of changes required for Cash Basis accounting. It's recommended to use a specific clearing account that is only used for the purposes of Cash Basis accounting and is not comingled with other transactions that might need to utilize a clearing account.

To configure the clearing account for the invoice accounting entries, the following steps need to occur,

1. Add a new account rule with a rule type of Account Combination and set a constant value to the account combination of your choice.

**vision**  
Edit Account Rule

Subledger Application: Payables  
Status: Active  
Created By: FIN\_IMPL  
Creation Date: 2/16/23 6:59 PM  
Last Updated By: FIN\_IMPL  
Last Update Date: 2/16/23 7:01 PM

Name: PS Invoice Expense to Clearing Account for Ca  
Short Name: AP\_ITEM\_EXPENSE\_INV\_CA\_CB  
Description:   
Chart of Accounts: Public Sector US Chart of Ac  
Rule Type: Account combination

**Rules**  
Reorder rules to change priority  
View:

Prio	Value Type	Value
1	Constant	1001-0000-00000-21410-0000-0000-000

**Rule 1: Conditions**  
Enter a constant value and source directly, or select a source.  
Insert:

Figure 4. Account Rule for Invoice Clearing Account

2. Duplicate the Invoice Encumbrance Accrual Basis journal entry rule set.
3. Update the account combination rule to the new account rule created in the step above for the liability account and item expense account rows.

There are several liability rows in the invoice journal entry rule set. In this environment, the automatic offset option of Primary balancing segment was selected, which results in the liability with automatic offset balancing segment journal line rule being used.

If you are unsure which rule is being used in your environment, see Appendix A on how to use the analyzing journal entry feature.



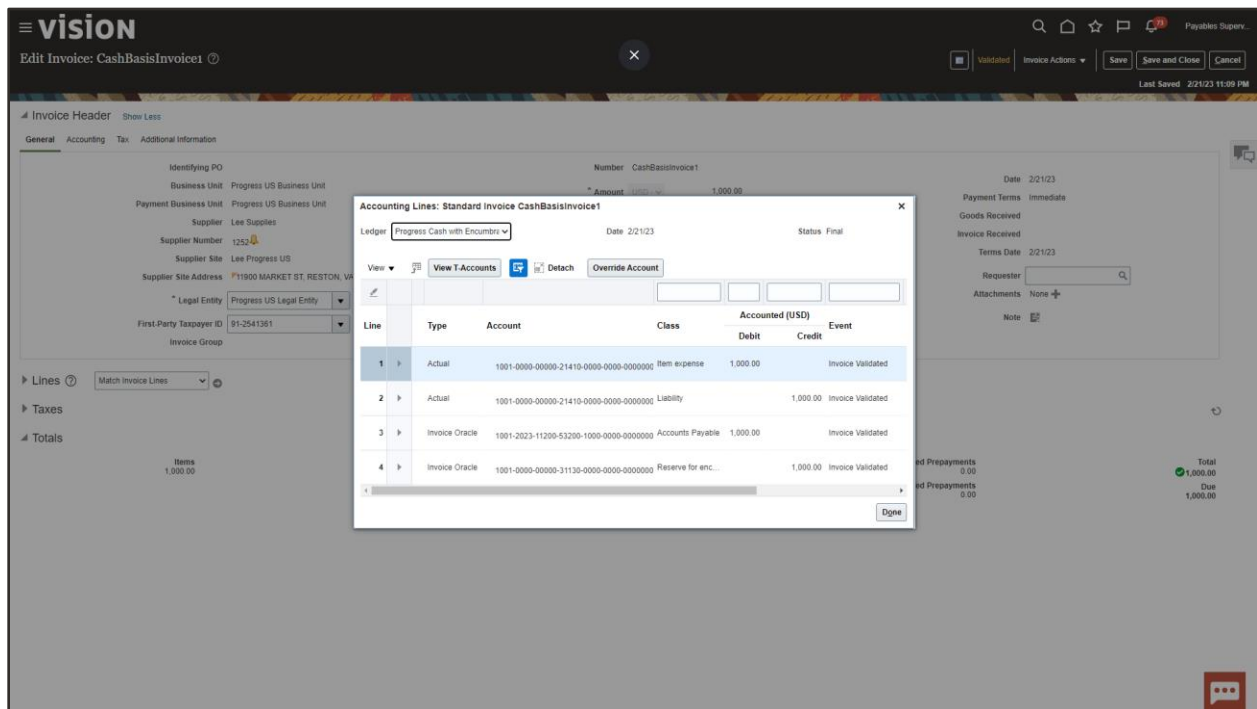


Figure 6. Invoice Entry Accounting Lines to Clearing Account for Cash Basis

### Credit Memo, Debit Memo, and Prepayments Event Class

When credit memos, debit memos, and prepayments are entered into the application just like invoices, these transaction types should not have a financial impact. The credit memo, debit memo, and prepayment transactions also need to post to a clearing account. In the example, the same clearing account defined for the invoice transactions is used.

First, duplicate the following Journal Entry Rule Sets

- Credit Memo Encumbrance Accrual Basis
- Debit Memo Encumbrance Accrual Basis
- Prepayments Accrual Basis

Then, update the Account Combination Rule for the Liability and Item expense rules to the clearing account desired.



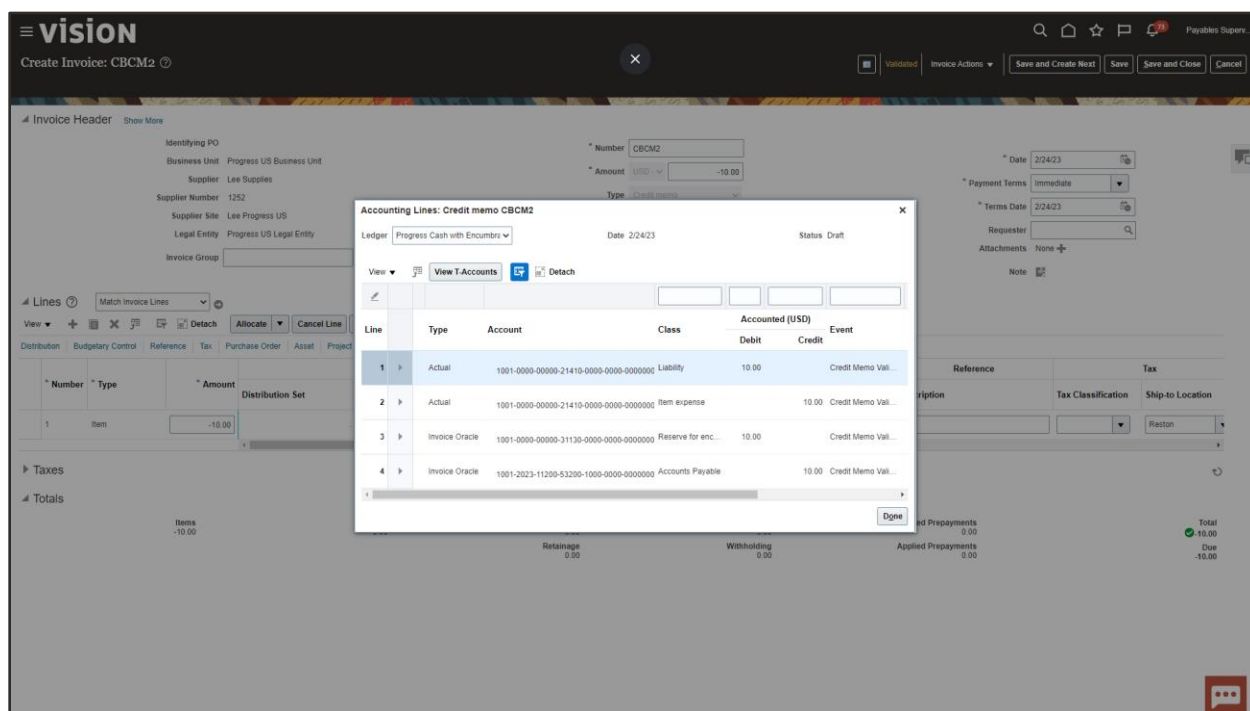


Figure 8. Credit Memo Accounting Lines to Clearing Account for Cash Basis

## Payment Event Class

To achieve the debit to the invoice item distribution and credit to cash or cash clearing upon payment, the Payables Journal Entry Rule Set for Payments, Payments Accrual Basis, needs to be duplicated and then updated to have the debit side of the entry go to the invoice Distribution account instead of the Liability account.

vision

Subledger Journal Entry Rule Set

FIN\_IMPL

Actions

Done

Name

Payments Accrual Basis

Subledger Application

Payables

Short Name

ACCRUAL\_PAYMENTS\_ALL\_1004

Event Class

Payments

Description

Payment journal entry for all event types

Event Type

All

Status

Active

Created By

Oracle

Accounting Date

Accounting Event Date

Description Rule

Payment Header Description

Journal Lines

View

+

×

Freeze

Detach

* Line Type	* Journal Line Rule	Accounting Class	Account Combination Rule	Primary Balancing Segment	Co Ce Segn	Mane Natural Account Segn Segment	Second Balancing Segment	Third Balancing Segment	Intercompany Segment	GSE Intercompa Segment
Loss	Secondary Ledger Gain or Loss	Exchange gain or loss	Realized Loss Account	Invoice Distribution Bal...		Realized Loss Nat...				
Gain	Secondary Ledger Gain or Loss	Exchange gain or loss	Realized Gain Account	Invoice Distribution Bal...		Realized Gain Nat...				
Debit	Deferred Tax Loss	Loss	Realized Loss Account	Invoice Distribution Bal...		Realized Loss Nat...				
Debit	Liability	Liability								
Debit	Interest Expense	Interest expense	Interest Account			Interest Natural Ac...				
Debit	Deferred Recoverable Tax at Payment	Tax Recoverable	Recoverable Tax Account							
Debit	Deferred Tax Gain	Gain	Realized Gain Account	Invoice Distribution Bal...		Realized Gain Nat...				
Debit	Final Cash Rounding	Rounding	Rounding Account	Rounding Balancing Se...		Rounding Natural ...				

Figure 9. Payment Accrual Basis, Journal Entry Rule Set as Delivered

To configure the Cash Basis entries upon Payment, complete the following steps:

1. Duplicate the Payments Accrual Basis Journal Entry Rule Set, and name it Payments Cash Basis.
2. In the Payments Cash Basis (JERS), delete the debit line to the Liability account.
3. Add a new Journal Line Rule for the debit as follows:
  - Journal Line Type = Item Expense
  - Account Combination Rule = Invoice Distribution Account
4. Assign the Payments Cash Basis Journal Entry Rule Set to your SLAM.



**VISION**  
Edit Subledger Journal Entry Rule Set

Actions: Save, Save and Close, Save and Create Another, Cancel

Name: Payments Cash Basis  
Short Name: PAYMENTS\_CASH\_BASIS  
Description: Payment journal entry for all event types on a cash basis

Subledger Application: Payables  
Event Class: Payments  
Event Type: All  
Chart of Accounts: Public Sector US Chart of Accounts  
Status: Active

Details  
Created By: FIN\_IMPL  
Creation Date: 8/19/21 10:20 PM  
Last Updated By: gia.roberts  
Last Update Date: 7/11/22 7:40 PM

Journal Entry  
Accounting Date: Accounting Event Date  
Description Rule: Payment Header Description

Journal Lines  
View: Freeze, Detach

* Line Type	* Journal Line Rule	Accounting Class	Account Combination Rule	Fund	Bu Re	Depa Account	Program	Funding Source	Project	Line Description
Credit	Gain	Gain	Realized Gain Account	Invoice Distribut		Realized Gai				Payment Di
Debit	Interest Expense	Interest expense	Interest Account			Interest Natu				Payment Di
Debit	Item Expense	Item expense	Invoice Distribution Act							
Debit	Liability for Withholding at Payment	Liability								Payment Di

Figure 10. Payment Accrual Basis Journal Entry Rule Set as Modified for Cash Basis

The accounting entries for the first and second installment will generate the following entries upon payment of invoices:

**Accounting Lines: Payment 7359**

Ledger: Progress Cash with Encumbrance Date: 2/21/23 Status: Draft

View: View T-Accounts Detach

Line	Type	Account	Class	Account (USD)		Event
				Debit	Credit	
1	Actual	1001-2023-11200-53200-1000-0000-0000000	Item expense	600.00		Payment Created
2	Actual	1001-0000-00000-11130-0000-0000-0000000	Cash clearing		600.00	Payment Created
3	Invoice Oracle	1001-0000-00000-31130-0000-0000-0000000	Reserve for enc...	600.00		Payment Created
4	Invoice Oracle	1001-2023-11200-53200-1000-0000-0000000	Accounts Payable		600.00	Payment Created

Done

Figure 11. Payment Accounting Lines for Installment 1 with Cash Basis with Encumbrances

Accounting Lines: Payment 7360							
Ledger		Progress Cash with Encumbr		Date 2/21/23		Status Draft	
View		View T-Accounts		Detach			
Line	Type	Account	Class	Account (USD)		Event	
				Debit	Credit		
1	Actual	1001-2023-11200-53200-1000-0000-0000000	Item expense	400.00		Payment Created	
2	Actual	1001-0000-00000-11130-0000-0000-0000000	Cash clearing		400.00	Payment Created	
3	Invoice Oracle	1001-0000-00000-31130-0000-0000-0000000	Reserve for enc...	400.00		Payment Created	
4	Invoice Oracle	1001-2023-11200-53200-1000-0000-0000000	Accounts Payable		400.00	Payment Created	

Figure 12. Payment Accounting Lines for Installment 2 with Cash Basis with Encumbrances

## Invoice Encumbrances

There can be a significant time delay between invoice entry and payment. To provide visibility into the invoices pending payment, an encumbrance can be created when the invoice is entered and liquidated upon payment.

Once the decision has been made to use invoice encumbrances, the following journal entry rule sets need to be configured for encumbrance entries:

- Credit Memo Encumbrance Accrual Basis
- Invoice Encumbrance Accrual Basis
- Prepayments Accrual Basis
- Debit Memo Encumbrance Accrual Basis

Failure to set up encumbrance entries for all the invoice types might result in payment accounting entry errors upon accounting generation.

See the Setting Up Invoice Encumbrance Accounting topic in the Using Financials for the Public Sector guide on the Oracle Help Center for step-by-step instructions on how to define the journal line rule.

A journal line rule will need to be created for each journal entry rule set since the event classes are different. Since the Invoice Encumbrance is documented, the following images will focus on the credit memo encumbrance, however the setup is the same beyond the different event classes.

**vision**  
Edit Journal Line Rule

Actions: Save, Save and Close, Save and Create Another, Cancel

Name: PSE Credit Memo Encumbrance for C1  
Short Name: AP\_CM\_ENC  
Description: CREDIT MEMO ENCUMBRANCE FOI  
Event Class: Credit Memos  
Side: Debit

Accounting Class: Accounts Payable  
Switch Debit and Credit: ☒  
Merge Matching Lines: No  
Subledger Application: Payables  
Status: Active

Conditions | Advanced Options | Accounting Attributes Assignments

Enter a constant value and source directly, or select a source.

Insert: Source (1) AND OR Operator

"Encumbrance Accounting Option" = Y And "Invoice Distribution Type" In Recoverable tax

Validate

Figure 13. Credit Memo Encumbrance - Conditions

**vision**  
Edit Journal Line Rule

Actions: Save, Save and Close, Save and Create Another, Cancel

Name: PSE Credit Memo Encumbrance for C1  
Short Name: AP\_CM\_ENC  
Description: CREDIT MEMO ENCUMBRANCE FOI  
Event Class: Credit Memos  
Side: Debit

Accounting Class: Accounts Payable  
Switch Debit and Credit: ☒  
Merge Matching Lines: No  
Subledger Application: Payables  
Status: Active

Conditions | **Advanced Options** | Accounting Attributes Assignments

Balance Type: Encumbrance  
Rounding Class: Accounts Payable  
Subledger Gain or Loss: ☐  
Link Journal Lines: ☒ None  
Copy from corresponding line: ☐  
Business flow: ☐  
Business Flow Class: Accounts payable invoice encumbrance  
Multiperiod Class: Multiperiod

Created By: FIN\_IMPL  
Creation Date: 2/17/23 7:43 PM  
Last Updated By: FIN\_IMPL  
Last Update Date: 2/17/23 7:45 PM

Figure 14. Credit Memo Encumbrance - Advanced Options

**vision**  
Edit Journal Line Rule

Name: PSE Credit Memo Encumbrance for C1  
Short Name: AP\_CM\_ENC  
Description: CREDIT MEMO ENCUMBRANCE FOR  
Event Class: Credit Memos  
Side: Debit

Accounting Class: Accounts Payable  
Switch Debit and Credit: ☒  
Merge Matching Lines: No  
Subledger Application: Payables  
Status: Active

Conditions | Advanced Options | Accounting Attributes Assignments

Accounting Attribute Group: Encumbrance  
Encumbrance: Accounting Attribute Assignments

Accounting Attribute	Source
Encumbrance Type Identifier	Invoice Encumbrance Type Identifier

Figure 15. Credit Memo Encumbrance - Accounting Attribute Assignment

Add the encumbrance journal line rule to the configured cash basis journal entry rule set for each transaction type and set the account combination rule to Invoice Distribution Account.

**vision**  
Edit Subledger Journal Entry Rule Set

Name: PSE Credit Memo Encumbrance to C1  
Short Name: PSE\_ENC\_CREDIT\_ENC  
Description: Credit Memo Encumbrance to Clearing Account with

Subledger Application: Payables  
Event Class: Credit Memos  
Event Type: All  
Chart of Accounts: Public Sector US Chart of Accounts  
Status: Active

Created By: FIN\_IMPL  
Creation Date: 2/17/23 8:21 PM  
Last Updated By: FIN\_IMPL  
Last Update Date: 2/21/23 5:50 PM

Accounting Date: Accounting Event Date  
Description Rule: Invoice Header Description

* Line Type	* Journal Line Rule	Accounting Class	Account Combination Rule	Fund	Bu Re	Depts Account	Program	Funding Source	Project	Line Description Rule
Loss	Secondary Ledger Conversion Rate Variance	Exchange rate variance	Conversion Rate and	Related Distribut		Conversion				Invoice Distribution Descr
Debit	Retainage in Accrual Basis for Credit Memos	Retainage	Retainage Account	Retainage Relat		Retainage N				Invoice Distribution Descr
Debit	Recoverable Tax	Tax Recoverable	Invoice Distribution Ac							Invoice Distribution Descr
Debit	PSE Credit Memo Encumbrance for Cash Basis	Accounts Payable	Invoice Distribution Ac							
Debit	Nonrecoverable Tax Accrual	Nonrecoverable tax	Invoice Distribution Ac							Invoice Distribution Descr
Debit	Nonrecoverable Tax	Nonrecoverable tax	Invoice Distribution Ac							Invoice Distribution Descr
Debit	Multiperiod Self-Assessed Nonrecoverable Tax Recognition	Self-assessed Nonrecovers	Self-Assessed Tax Ac							Invoice Distribution Descr
Debit	Multiperiod Self-Assessed Nonrecoverable Tax Accrual	Deferred self-assessed nonr...	Multiperiod Accrual Ac							Invoice Distribution Descr
Debit	Multiperiod Nonrecoverable Tax Recognition	Nonrecoverable tax	Invoice Distribution Ac							Invoice Distribution Descr
Debit	Multiperiod Nonrecoverable Tax Accrual	Deferred nonrecoverable tax	Multiperiod Accrual Ac							Invoice Distribution Descr

Figure 16. Credit Memo Configured Journal Entry Rule Set

When a credit memo is accounted, the invoice encumbrance will be created with a debit to the invoice distribution account and a credit to the defined encumbrance account with a type of Invoice Oracle. The credit memo will still post to actuals using the clearing account for both the debit and credit entries.

**Accounting Lines: Credit memo CreditMemo1** ✕

Ledger Progress Cash with Encumbr Date 2/22/23 Status Draft

View ▼ View T-Accounts Detach

Line	Type	Event	Account	Class	Accounted (USD)	
					Debit	Credit
1	Actual	Credit Memo Vali...	1001-0000-00000-21410-0000-00000000	Liability	10.00	
2	Actual	Credit Memo Vali...	1001-0000-00000-21410-0000-00000000	Item expense		10.00
3	Invoice Oracle	Credit Memo Vali...	1001-0000-00000-31130-0000-00000000	Reserve for enc...	10.00	
4	Invoice Oracle	Credit Memo Vali...	1001-2023-11200-53400-1000-0000-00000000	Accounts Payable		10.00

Done

Figure 17. Credit Memo Accounting Entries with Encumbrance

The payment journal rule set needs to liquidate the encumbrance entry for any associated invoices, credit, or debit memos.

A journal line rule needs to be created to liquidate the invoice encumbrance.

Note: Only a single liquidation rule needs to be created for all the invoice types.

**vision**  
Edit Journal Line Rule ⓘ

Actions Save Save and Close Save and Create Another Cancel

Name PSE Invoice Encumbrance Liquidation  
Short Name AP\_INV\_ENC\_LIQUID  
Description  
Event Class Payments  
Side Credit

Accounting Class Accounts Payable  
Switch Debit and Credit  
Merge Matching Lines No  
Subledger Application Payables  
Status Active

Conditions Advanced Options Accounting Attributes Assignments

Enter a constant value and source directly, or select a source.

Insert Source {} AND OR Operator ▼

"Encumbrance Accounting Option" = "Y" And "Invoice Distribution Type" != Recoverable tax  
And "Invoice Type Paid" != Prepayment

Validate

Figure 18. Invoice Encumbrance – Conditions

**vision**  
Edit Journal Line Rule ⓘ

Actions Save Save and Close Save and Create Another Cancel

Name PSE Invoice Encumbrance Liquidation  
Short Name AP\_INV\_ENC\_LIQUID  
Description  
Event Class Payments  
Side Credit

Accounting Class Accounts Payable  
Switch Debit and Credit  
Merge Matching Lines No  
Subledger Application Payables  
Status Active

Conditions **Advanced Options** Accounting Attributes Assignments

Balance Type Encumbrance  
Rounding Class Accounts Payable  
Subledger Gain or Loss  
Link Journal Lines None  
Copy from corresponding line  
Business flow  
Business Flow Class Accounts payable invoice encumbrance  
Multiperiod Class

Created By FIN\_MPL  
Creation Date 2/17/23 7:14 PM  
Last Updated By FIN\_MPL  
Last Update Date 2/17/23 9:28 PM

Figure 19. Invoice Encumbrance – Advanced Options

Figure 20. Invoice Encumbrance – Accounting Attribute Assignments

A payment is generated for the following two invoices:

Invoice Number	Invoice Type	Accounting Distribution	Amount
Feb21	Standard	1001.2023.11200.53200.0000.0000.000000000	100
CreditMemo1	Credit Memo	1001.2023.11200.53400.0000.0000.000000000	-10

The accounting entries for the payment will record the expense as an actual cost and will create encumbrance liquidation entries to liquidate the invoice encumbrance.

Accounting Lines: Payment 7361

Ledger

Progress Cash with Encumbrs

Date 2/22/23

Status Draft

View

View T-Accounts

Detach

Line		Type	Account	Class	Accounted (USD)		Event
					Debit	Credit	
1		Actual	1001-2023-11200-53200-1000-0000-0000000	Item expense	100.00		Payment Created
2		Actual	1001-0000-00000-11130-0000-0000-0000000	Cash clearing		90.00	Payment Created
3		Actual	1001-2023-11200-53400-1000-0000-0000000	Item expense		10.00	Payment Created
4		Invoice Oracle	1001-0000-00000-31130-0000-0000-0000000	Reserve for enc...	90.00		Payment Created
5		Invoice Oracle	1001-2023-11200-53400-1000-0000-0000000	Accounts Payable	10.00		Payment Created
6		Invoice Oracle	1001-2023-11200-53200-1000-0000-0000000	Accounts Payable		100.00	Payment Created

Done

Figure 21. Payment Accounting Entries – with Invoice Encumbrance Liquidation

## Reconciled Payments Event Class

When the Account for Payment option is set to **At payment issue and clearing**, the application will create the following accounting entries using either the Standard Accrual or Standard Accrual with Encumbrances accounting method when a payment is reconciled:

Basis	Transaction	Type	Debit (DR)/ Credit (CR)	Account	Amount
Accrual	Payment, Reconciled	Actuals	Debit	Cash Clearing	\$ 600
			Credit	Cash	\$ 600

For Cash Basis or Cash Basis with Encumbrances, the entries should not change and no changes to the reconciled payments rule set should be needed.

## The Remaining Event Classes

Now that the Payment and Invoice rule sets have been modified for cash basis, the remaining Journal Line Rule sets in the Payable Module need to be analyzed.

- Bill Payable Accrual Basis



- Prepayment Application Accrual Basis
- Refund Accrual Basis

Each organization must decide based on their accounting requirements whether the following rule sets should create an accounting entry for Actuals or Encumbrances or be suppressed based on their definition of cash basis accounting.

Refunds shouldn't require any changes, as they have an invoice type of payment request which is included in the invoice class.

Typically, Public Sector organizations don't utilize the prepaid functionality since all transactions on a modified accrual basis are normally expensed. If there is a need to utilize the prepaid functionality, then consider using an expense distribution on the invoice designated as a prepayment, instead of the default prepaid account. Then, when the prepayment is paid to the supplier, the prepayment will be expensed appropriately and when the prepayment is applied, the prepayment applied will post to the clearing account that was defined, which results in no financial impact upon application.

Note: If there's a full accrual ledger also defined, SLA rules might need to be adjusted so the accrual ledger uses the prepaid account.

Future dated payments haven't been analyzed for cash basis accounting since most Public Sector organizations don't utilize the future dated payment functionality. If that functionality will be utilized, analyze the entries and adjust the journal line rules to achieve the desired cash basis result.

## **Accounts Receivable**

To achieve Cash Basis accounting in Accounts Receivable, the Multifund Accounting feature must be utilized to reference the invoice distribution for the revenue account on the receipt. The Multifund Accounting feature within Receivables supports creation of detailed distributions using the Balancing Method, per the balancing segment values, wherever the transactions are accounted as consolidated entries. See the Multifund Accounting topic in the Implementing Receivables Credit to Cash guide on the Oracle Help Center for more details on Multifund accounting.

The Multifund Accounting Feature includes the following 6 journal rule sets:

- Adjustments – Multifund Accounting Balancing Method
- Credit Memos – Multifund Accounting Balancing Method
- Debit Memos – Multifund Accounting Balancing Method
- Invoices – Multifund Accounting Balancing Method
- Miscellaneous Receipts – Multifund Accounting Balancing Method
- Receipts – Multifund Accounting Balancing Method

Each rule set needs to be analyzed for the proper impact on a cash basis.

In Accounts Receivable, the Accrual Basis of accounting records the income upon invoice entry, whereas in Cash Basis the entry would be recorded upon receipt of the invoice from the customer.

Let's take an example of \$1,000 invoice that has a partial receipt of \$ 600 and a second receipt of \$400, with a single primary balancing segment value.

On an Accrual basis the following entries would be made:

Transaction	Type	Debit (DR)/ Credit (CR)	Account	Amount
Customer Invoice	Actuals	DR	Accounts Receivable	\$ 1,000
		CR	Revenue	\$ 1,000
Receipt - 1	Actuals	DR	Cash/ Cash Clearing	\$ 600
		CR	Accounts Receivable	\$ 600
Receipt - 2	Actuals	DR	Cash/ Cash Clearing	\$ 400
		CR	Accounts Receivable	\$ 400

On a Cash Basis the following entries would be made:

Transaction	Type	Debit (DR)/ Credit (CR)	Account	Amount
Customer Invoice	Actuals	No Entry		
Receipt -1	Actuals	DR	Cash/ Cash Clearing	\$ 600
		CR	Revenue	\$ 600
Receipt - 2	Actuals	DR	Cash/ Cash Clearing	\$ 400
		CR	Revenue	\$ 400

## Receipts Journal Entry Rule Set

To achieve the credit to the Revenue account upon receipt application:

1. Create a new journal line rule, “Receipt Application MFAR Cash”, by duplicating the Receipt Application to Multifund Transaction Receivable line account. The Accounting Class on the journal line rule can also be changed to revenue for clarity.

**vision**  
Edit Journal Line Rule

Actions: Save, Save and Close, Save and Create Another, Cancel

\* Name: PRGUS Cash Mod Receipt App Multifund  
Short Name: PRGUS\_CASH\_MOD\_REC\_APP\_MF\_REV  
Description: PROGRESS CR TO INVOICE DISTRIB  
Event Class: Receipt  
Side: Credit

\* Accounting Class: Revenue  
☒ Switch Debit and Credit  
Merge Matching Lines: All  
Subledger Application: Receivables  
Status: Active

Conditions | Advanced Options | Accounting Attributes Assignments

Enter a constant value and source directly, or select a source.

Insert: Source, {}, AND, OR, Operator

(\*Transaction Distribution Account Class" = REV "Or "Transaction Distribution Account Class" = FREIGHT "Or "Transaction Distribution Account Class" = ROUND "Or "Transaction Distribution Account Class" = CHARGES "Or "Transaction Distribution Account Class" = SUSPENSE "Or "Transaction Distribution Account Class" = LINEARLY "Or "Transaction Distribution Account Class" = UNBILL ) And "Distribution Source Type" = REC "And "Distribution Multifund Additional Entry" = N "And "Multifund Upgraded Transaction" = Y

Validate

Figure 22. Duplicated Receipt Application to Multifund Transaction Journal Line Rule for Cash Basis

2. Create a new journal line rule set “Receipts – Cash MFAR”, by duplicating the Receipts – Multifund Accounting Balancing Method journal line rule set.

3. Delete the Receipt Application to Multifund Transaction Receivable line from the “Receipts – Cash MFAR”.

The screenshot shows the 'vision' interface for a 'Subledger Journal Entry Rule Set'. The main details section includes:

- Name:** Receipts - Multifund Accounting Balancing Method
- Short Name:** AR\_RCPT\_MFAR\_BAL\_METH
- Description:** Journal line definition for receipts using multifund
- Subledger Application:** Receivables
- Event Class:** Receipt
- Event Type:** All
- Status:** Active

The 'Journal Entry' section shows 'Accounting Date' and 'Accounting Event Date' fields, and a 'Description Rule' dropdown set to 'Standard Receipts'.

The 'Journal Lines' section is expanded, showing a table with columns: Line Type, Journal Line Rule, Accounting Class, Account Combination Rule, and various segment rules (Primary Balancing Segment, Co Ce Segn, Main Natural Account Segment, Second Balancing Segment, Third Balancing Segment, Intercompany Segment, GSE Intercompa Segment).

* Line Type	* Journal Line Rule	Accounting Class	Account Combination Rule
Credit	Receipt Remitted Cash	Remitted cash	Distribution GL Account
Debit	Multifund Remitted Cash Reversal	Remitted cash	Multifund Receipt Default Re...
Credit	Receipt Remitted Bills Receivable	Remitted bills receivable	Distribution GL Account
Credit	Receipt Refund Application	Refund	Distribution GL Account
Credit	Receipt Application to Multifund Transaction Receivable	Receivable	
Debit	Multifund Receipt Receivable for Unearned Discount	Receivable	
Debit	Multifund Receipt Receivable for Earned Discount	Receivable	

Figure 23. Delivered Receipts Multifund Accounting Balancing Method Journal Entry Rule Set

4. Add the Receipt Application MFAR Cash line created in step 1 and select the Account Combination Rule of Transaction Distribution GL. The Transaction Distribution GL account will derive the accounting distribution from the associated invoice.

The screenshot shows the 'Edit Subledger Journal Entry Rule Set' interface. The main details section includes:

- Name:** PRGUS CASH BASIS Modified: Receipts
- Short Name:** PRGUS\_CASH\_BASIS\_MOD\_REC
- Description:** CASH BASIS RULE SET FOR RECEIPT APPLICATION
- Subledger Application:** Receivables
- Event Class:** Receipt
- Event Type:** All
- Chart of Accounts:** Public Sector US Chart of Accounts
- Status:** Incomplete

The 'Journal Entry' section shows 'Accounting Date' and 'Accounting Event Date' fields, and a 'Description Rule' dropdown set to 'Standard Receipts'.

The 'Journal Lines' section is expanded, showing a table with columns: Line Type, Journal Line Rule, Accounting Class, Account Combination Rule, and various segment rules (Fund, Bu Re, Depa Account, Program, Funding Source, Project, Line Descr).

* Line Type	* Journal Line Rule	Accounting Class	Account Combination Rule
Credit	Credit Tax Accounts for Advance Receipt Unapply	Tax	Distribution GL Account
Debit	Debit Tax Accounts for Advance Receipt Apply	Tax	Distribution GL Account
Credit	Receipt Short Term Debt	Short term debt	Distribution GL Account
Credit	Receipt Currency Rounding	Rounding	Distribution GL Account
Credit	PRGUS Cash Mod Receipt App Multifund Transaction Rev	Revenue	Transaction Distribution

Figure 24. Cash Basis Receipts Multifund Accounting Balancing Method Journal Entry Rule Set

Once the new custom Receipts – Cash MFAR journal entry rule set has been set up on the accounting method for cash basis, the receipt entry will debit Cash and credit the Revenue account from the invoice distribution.

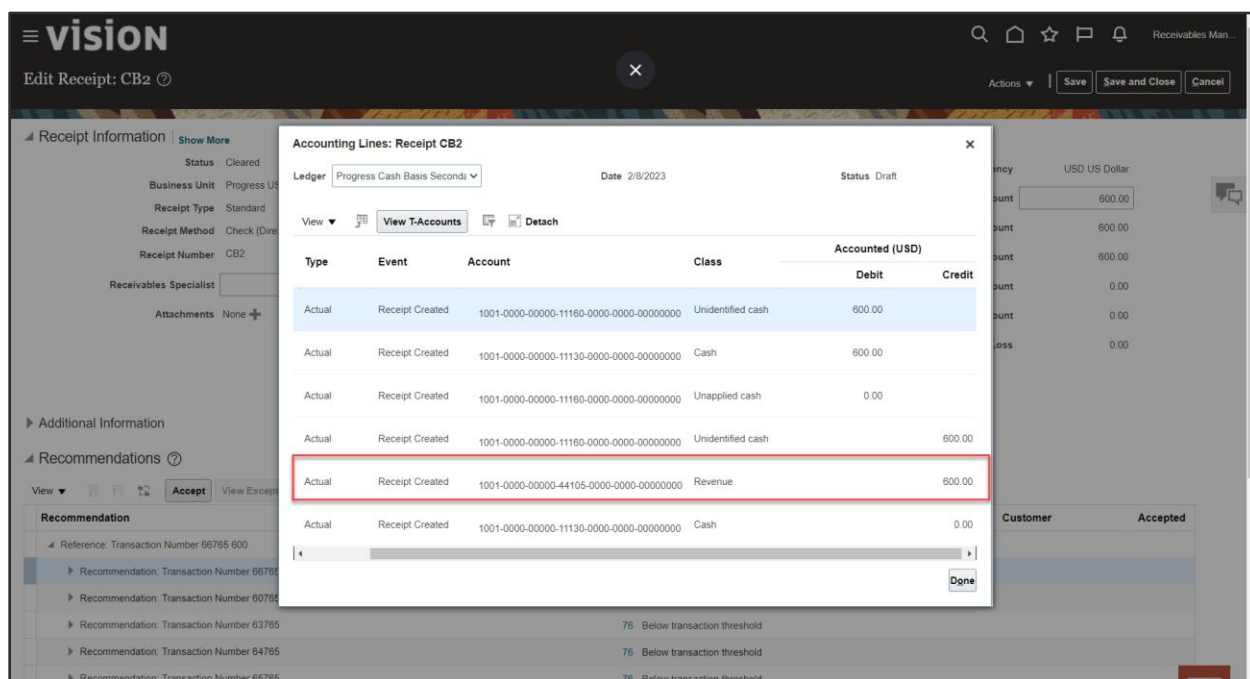


Figure 25. Cash Basis Accounting Entries on Receipt

It's important to note that receipt application must occur to generate the proper cash basis accounting entries.

If your organization charges tax and freight on customer invoices, then those rules might also need to change for cash basis accounting depending on your requirements.

If you've chosen to update the accounting class to revenue for your "Receipt Application MFAR Cash" journal line rule and your organization charges tax and freight, then the tax and freight entries will also be categorized with an accounting class of Revenue which might not be ideal. If you prefer that tax and freight are reflected with an accounting class of freight and tax respectively, then instead of creating one journal line rule with conditions that include all the transaction distribution classes, create multiple journal line rules for each distribution class. In the following table, the conditions for the original Receipt Application to Multifund Transaction Receivable line account are broken out into three distinct journal line rules, to have freight and tax classified with the correct accounting class. All three rules would be attached to the "Receipts – Cash MFAR" journal entry rule set with the Account Combination Rule of Transaction Distribution GL.

Rule Name	Conditions	Accounting Class
<b>"Receipts – Cash MFAR"</b>	( "Transaction Distribution Account Class" = REV 'Or' "Transaction Distribution Account Class" = ROUND 'Or' "Transaction Distribution Account Class" = CHARGES 'Or' "Transaction Distribution Account Class" = SUSPENSE 'Or' "Transaction Distribution	Revenue

	Account Class" = UNEARN 'Or' "Transaction Distribution Account Class" = UNBILL ) 'And' "Distribution Source Type" = REC 'And' "Distribution Multifund Additional Entry" = N 'And' "Multifund Upgraded Transaction" != Y	
<b>"Receipts – Cash MFAR Freight"</b>	( "Transaction Distribution Account Class" = Freight) 'And' "Distribution Source Type" = REC 'And' "Distribution Multifund Additional Entry" = N 'And' "Multifund Upgraded Transaction" != Y	Freight
<b>"Receipts – Cash MFAR Tax"</b>	( "Transaction Distribution Account Class" = Tax) 'And' "Distribution Source Type" = REC 'And' "Distribution Multifund Additional Entry" = N 'And' "Multifund Upgraded Transaction" != Y	Tax

The remaining journal line rules should be evaluated for cash basis accounting and updated as needed.

### Miscellaneous Receipts Journal Entry Rule Set

Miscellaneous receipts are used to record cash received that isn't related to a receivable. The distribution tied to the receivables activity code on the transaction is used for the credit side of the accounting entry. The entries for miscellaneous cash receipts are as follows:

Transaction	Type	Debit (DR)/ Credit (CR)	Account	Amount
Miscellaneous Receipt	Actuals	DR	Cash/ Cash Clearing	\$ 600
		CR	Receivables Activity distribution/distribution set	\$ 600

For Cash Basis accounting no changes should be required for the miscellaneous receipts journal set.

### Invoice Journal Entry Rule Set

Since the receipt transaction will now record the revenue upon receipt, the invoice entry should not record any financial entries. In this case, a journal entry line rule needs to be created that will always evaluate to false, which will result in no accounting to be generated for the invoice transaction. Optionally, the invoice accounting could also be configured to use a clearing account like the payables invoice class example.

When opting to eliminate the invoice entry, create a condition rule that will always evaluate as false for the invoice to prevent accounting entries at the invoice level. In the example, the Invoice Revenue journal line rule was duplicated, and the condition was updated to add the Bill-to-Customer-Site equal to SUPPRESSLINE. Each customer should use a condition that will always render as false in their environment based on their transaction types and setup data. If the rule condition renders as true, an accounting entry would be generated and that is not wanted for cash basis accounting.

The screenshot shows the 'Journal Line Rule' configuration page in the Vision application. The header includes the 'vision' logo, a search icon, and a 'FIN\_IMPL' label. The main form is titled 'Journal Line Rule' and contains the following fields:

- Name:** Invoice Revenue
- Short Name:** INV\_REV
- Description:** Revenue for invoices
- Event Class:** Invoice
- Side:** Credit
- Accounting Class:** Revenue
- Switch Debit and Credit:** ☒
- Merge Matching Lines:** All
- Subledger Application:** Receivables
- Status:** Active

Below the form, there are tabs for 'Conditions', 'Advanced Options', and 'Accounting Attributes Assignments'. The 'Conditions' tab is selected, showing a single condition: "Transaction Distribution Account Class" = REV And "Rounding Correction Indicator" Is null.

Figure 26. Delivered Invoice Revenue Journal Line Rule

The screenshot shows the 'Edit Journal Line Rule' configuration page in the Vision application. The header includes the 'vision' logo, a search icon, and a 'FIN\_IMPL' label. The main form is titled 'Edit Journal Line Rule' and contains the following fields:

- Name:** Invoice Cash Basis Suppress Line
- Short Name:** AR\_INV\_CASH\_SUPPRESS
- Description:** (empty)
- Event Class:** Invoice
- Side:** Credit
- Accounting Class:** Revenue
- Switch Debit and Credit:** ☒
- Merge Matching Lines:** All
- Subledger Application:** Receivables
- Status:** Active

Below the form, there are tabs for 'Conditions', 'Advanced Options', and 'Accounting Attributes Assignments'. The 'Conditions' tab is selected, showing a single condition: "Transaction Distribution Account Class" = REV And "Rounding Correction Indicator" Is null And "Bill-To Customer Site" = SUPPRESSLINE. The condition is highlighted with a red box.

Figure 27. Cash Basis Suppress Line for Invoices on Cash Basis

Once the new journal entry rule set is active in the Cash Basis accounting method, the accounting entries for the invoice will not be generated in the cash basis ledger. When viewing the accounting entries from the invoice transaction, the cash ledger will not be visible.

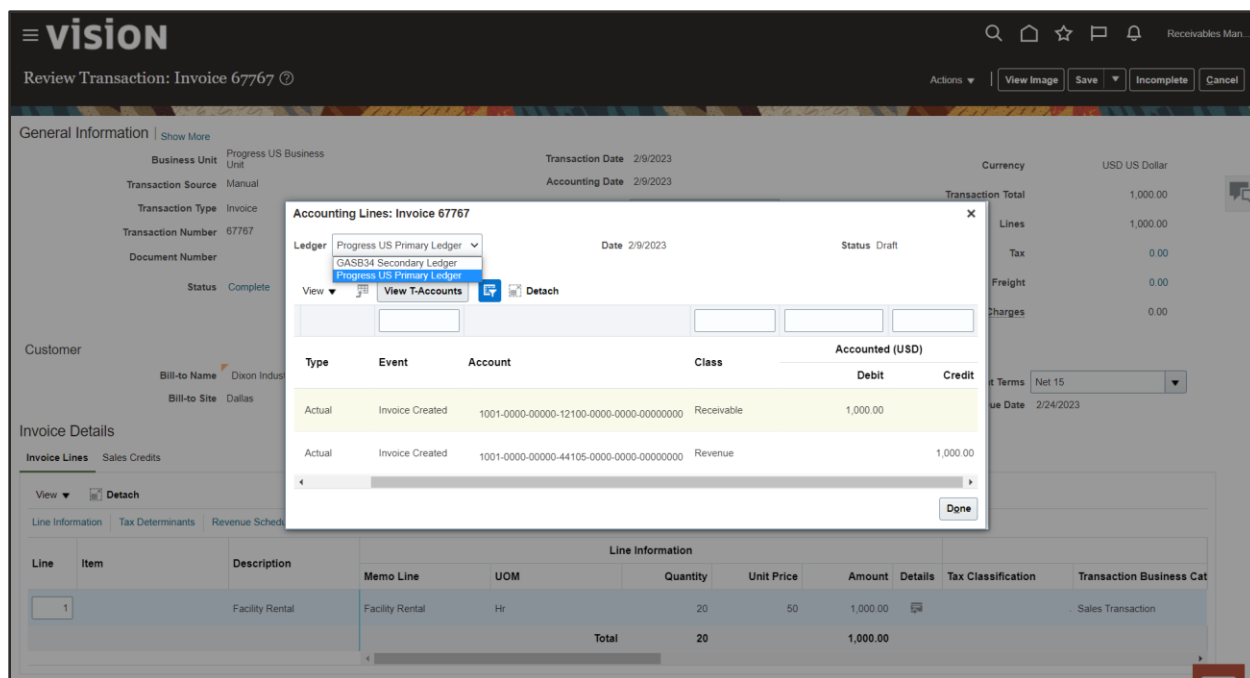


Figure 28. Invoice Entry Does Not Generate Entries for Cash Basis Ledger

## Remaining Journal Set Rules

Now that we've discussed how to achieve cash basis by modifying the Receipt and Invoice Journal Line Rule set, the remaining Journal Line Rule sets in the Accounts Receivable Module need to be analyzed.

Each organization must decide based on their accounting requirements whether the following rule sets should create an accounting entry or be suppressed, based on their definition of cash basis accounting.

- Adjustments – Multifund Accounting Balancing Method
- Credit Memos – Multifund Accounting Balancing Method
- Debit Memos – Multifund Accounting Balancing Method

To suppress a rule set, duplicate the delivered rule set and create a condition that will always render as false, therefore not creating an entry.



**vision**

Edit Journal Line Rule

\* Name: Debit Memo - Suppress  
Short Name: PRG\_DM\_CB  
Description: Suppress Debit Memo for Cash Basis A  
Event Class: Debit Memo  
Side: Credit

\* Accounting Class: Charges  
☒ Switch Debit and Credit  
\* Merge Matching Lines: All  
Subledger Application: Receivables  
Status: Active

Conditions | Advanced Options | Accounting Attributes Assignments

Enter a constant value and source directly, or select a source.

Insert Source () AND OR Operator

"Transaction Distribution Account Class" = CHARGES' And "Bill-to Customer Account Type" = SUPPRESSLINE

Validate

Actions: Save Save and Close Save and Create Another Cancel

Figure 29. Credit Memo Journal Line Rule with a False Condition

Add it to a Journal Entry Rule Set as the only journal line rule in that rule set.

**vision**

Edit Subledger Journal Entry Rule Set

\* Name: Credit Memo - Suppress  
Short Name: AR\_CM\_MFAR\_CB  
Description:

Subledger Application: Receivables  
Event Class: Credit Memo  
Event Type: All  
Chart of Accounts:  
Status: Active

Details

Created By: FIN\_IMPL  
Creation Date: 8/19/21 10:20 PM  
Last Updated By: FIN\_IMPL  
Last Update Date: 2/17/23 10:01 PM

Journal Entry

Accounting Date: Accounting Event Date  
Description Rule: Credit Memo

Journal Lines

View: + - X F Freeze Detach

* Line Type	* Journal Line Rule	Accounting Class	Account Combination Rule	Primary Balancing Segment	Cost Center Segment	Natural Account Segment	Second Balancing Segment	Third Balancing Segment	Local Use Segment	Future Segment	Fund Segment	Analysis Segment	Year of Budget Authority Segment	Cohort Year Segment
Credit	Progress Credit Memo Charges Cash Basis	Charges	Credit Memo Distribution											

Columns Hidden: 18 Columns Frozen: 4

Credit, Progress Credit Memo Charges Cash Basis: Supporting References

View: + - X Detach

Supporting Reference

No supporting reference to display.

Actions: Save Save and Close Save and Create Another Cancel

Figure 30. Credit Memo Journal Entry Rule Set



Once the new rule set is added to the Cash Basis accounting method, in this example a credit memo will not create accounting entries for the Credit Memo.

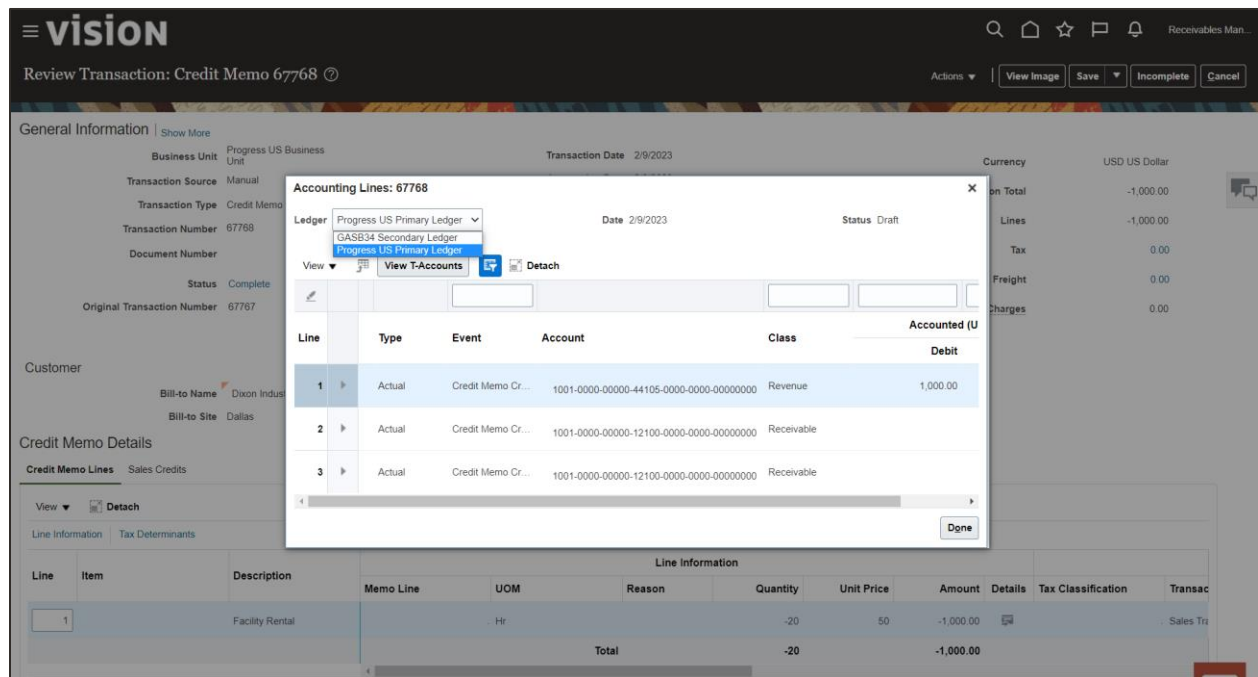


Figure 31. Credit Transaction Does Not Create Accounting Entries For Cash Basis Ledger

## Use Case for Cash Basis

The Subledger Accounting Rules were prototyped based on the following configurations:

- The cash basis secondary ledger shared the same currency, chart of accounts, calendar as the primary ledger and had a data conversion level of subledger.
- A single currency of USD was utilized in payables and receivables.
- Both payables and receivables business units were tax-exempt
- In Accounts Payable Period End Accruals were used and advanced features as Multi-period accounting, Complex Purchase Orders were not utilized.
- In Accounts Receivable the business unit enabled multifund accounting, invoices were applied against receipts in a cleared status and advanced features as chargeback invoices, earned/unearned discounts, revenue recognition across multiple periods were not utilized.

Any configuration outside the scope of the use case requires analysis and modification to the accounting rules.

## Testing Transactions for Cash Basis Accounting

Thorough testing of transactions in a cash basis ledger is required to ensure that the correct accounting results are rendered based on your organizations requirements. Make sure to test not only a single transaction, like an invoice and receipt, but also include combinations of transactions, like payments that include standard invoices with debit and credit memos, to ensure the correct accounting result is generated. Also test for taxes, discount terms, freight, automatic withholding, revenue contingencies, deferred revenues, and refunds as additional changes might also be required.

## Appendix A: How to use the Analyze Journal Entry Feature

To troubleshoot issues or find out which journal line rule a transaction is using in Subledger Accounting, utilize the analyze journal entry feature. The analyze journal entry feature allows you to understand how the accounting engine evaluates the different rules, conditions, and accounting attribute assignments to derive the journal header and lines in an accounting entry. The source values can be viewed allowing you to understand how a particular condition or formula got evaluated successfully between others or why a particular rule priority was evaluated successfully. This can help you diagnose any rule setup-related accounting errors or explain why the accounting entries were generated in a specific manner. It can also help you determine which journal line rule is being used for transactions that have multiple choices in a journal entry set like cash, or liability accounts.

To use the analyze journal entry feature, you must create a job role with the “Review Accounting Diagnostic” function security policy and assign it to users. See the Analyze Journal Entry topic in the Using Subledger Accounting guide on the Oracle Help Center for detailed setup steps.

To use the analyze journal entry feature, navigate to Review Journal Entries from the Journals work area. When trying to understand which journal line rules are being utilized for a particular transaction, search for the transaction in the primary ledger and select Analyze Journal Entry.





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