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ACE Blueprint – Enterprise Structures

Record to Report

ERP Advanced Cloud Experts (ACE)
Oracle Development

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Program agenda

1. Chart of Accounts
2. Account Hierarchies and Reporting
3. Legal Entities
4. Primary, Secondary and Reporting Currency Ledger
5. Data Security in General Ledger
6. Journal Sequences, Allocations and Consolidations
7. Use Cases
8. Summary

Program agenda

1. **Chart of Accounts**
2. Account Hierarchies Account Hierarchies and Reporting
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4. Primary, Secondary and Reporting Currency Ledger
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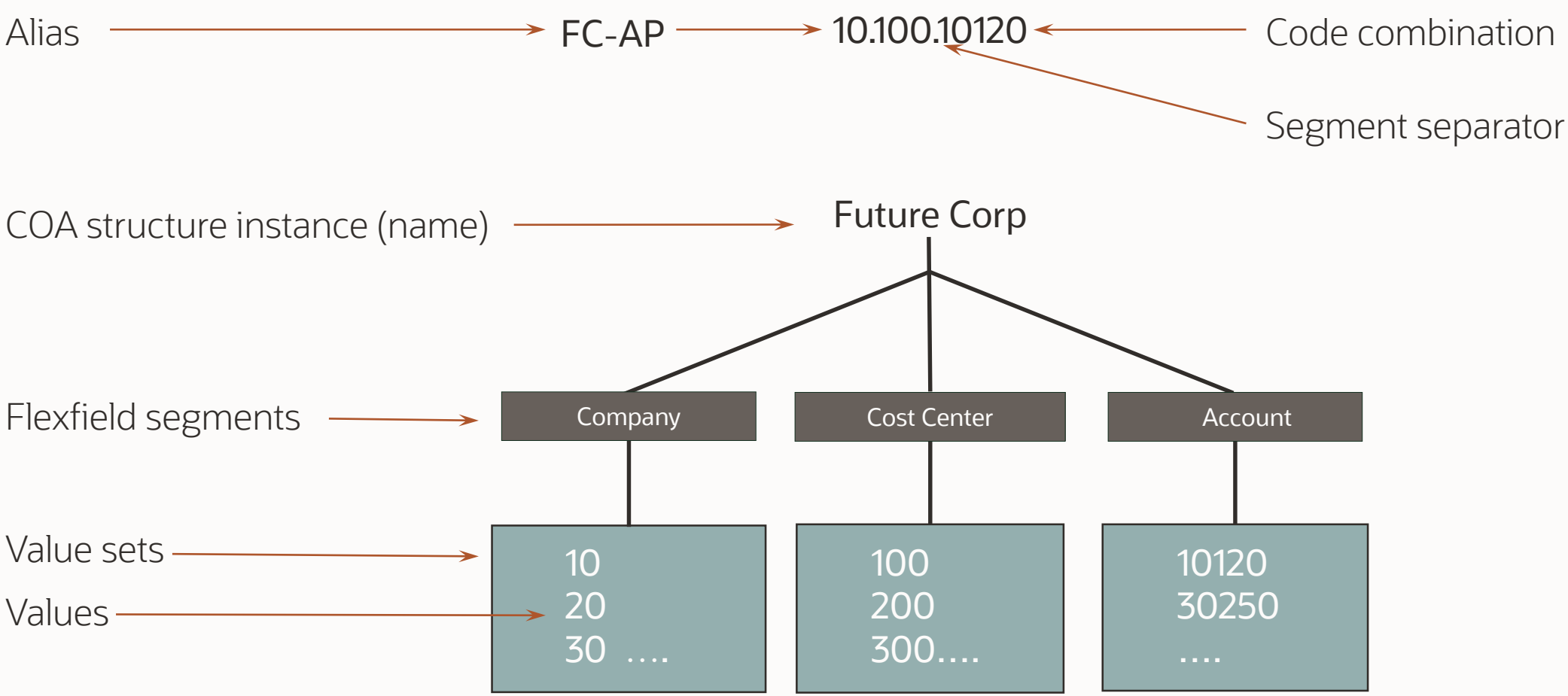
Key Considerations: Chart of Accounts (COA)



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Key Considerations: Segment Labels (1 of 3)

Primary Balancing-, Second Balancing-, and Third Balancing Segment Value

- The Primary balancing segment value (BSV) label is mandatory. It usually represents the first party legal entity. No other segment can be assigned the primary BSV label.
- Second and Third Balancing BSV labels are optional. They usually represent management entities.
- Journals unbalanced by each BSV value cannot be posted unless Intercompany Balancing is enabled.

Intercompany

- The Intercompany segment label is optional. It represents the counterparty to the primary BSV.
- The Primary BSV and Intercompany segments can share the same value set unless the Primary BSV is secured (i.e. so that not all its values are displayed to users).
- If enabled, Intercompany can generate 'Due To, Due From' intercompany accounting based on rules defined between the legal entities represented by the primary BSV and Intercompany segment values.
- Intercompany creates additional balancing lines for each unique value of the Second and Third Balancing Segments. There is no counterparty for Second and Third Balancing Segments and hence, no 'Due To, Due From' balancing.

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Key Considerations: Segment Labels (2 of 3)

Account

- The Account segment label is mandatory and represents the natural account. No other segment can be assigned the Account label.
- Each natural account segment value must be assigned an Account Type (asset, liability, expense, revenue, or equity).
- Account Type determines if an account balance is transferred to retained earnings at the beginning of a fiscal year.
- If multiple BSVs are used within a ledger, Cloud GL populates the retained earnings for each balancing segment value.

Cost Center

- The Cost Center label is technically optional however, several key features in Assets, Expenses, Approvals and others may not work as expected if it is not assigned to a segment.
  - For example, the default Cost Center for expense reports is captured on the Employee Assignment; identifies the Cost Center Manager; and can be used to route supplier invoices to the correct manager for approval.

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Key Considerations: Segment Labels (3 of 3)

Revaluation Gain / Loss Tracking

- The Revaluation Gain / Loss Tracking label is optional and can be assigned to multiple segments. It enables revaluation gain / loss to be tracked by up to 5 distinct segments.
  - Note, that BSV labels count towards the 5 tracking segments.

Management and Local Use

- These segment labels are not used.

Custom

- Implementers can define custom labels. They can be referenced in Oracle Transactional Business Intelligence (OTBI)

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COA Best Practices: Guiding Principles

Standardize

- Minimize the number of segments and field length of individual child values.
- Include some summary level management reporting dimensions that will usually vary by industry.
- Design a global COA assuming an eventual enterprise wide implementation.
- Include a 'spare' segment to support future business expansion. The implementer can specify a default value so that users need not manually populate it each time.

Simplify

- Examine current consolidation practices and simplify the reporting process.
- Utilize standard application functionality (reporting currency, ledger sets, allocation, account monitor).

Centralize and Automate

- Centralize maintenance and establish governance for the both centrally owned segments (e.g. Company, Account) and locally owned segments (e.g. Local, Sub-Account).
- Enable Dynamic Creation of combinations with Cross Validation Rules.

Refer to Cloud documentation chapter on Chart of Accounts on Implementing Enterprise Structures and General Ledger for further details.

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COA Best Practices: Identifying Segments

Determine which segments to define in the Chart of Accounts

Recognizable	Segment names should be easy to understand by end users. Segments should avoid inconsistent use of existing terminology where possible. Length should be only as large as is absolutely necessary.
Unique	Segments should be unique (e.g. different segments broadly containing the same data promotes data redundancy). This will simplify hierarchy maintenance.
Relevant	Segments should help end users in managing their business processes. The value added by each segment must be articulated. Each dimension should be important for managing the business - both now and in the future.
Viable	Segments must be able to be populated, now or in the near future. Performance constraints must be considered. System modifications must be reviewed relative to changes to sub-ledgers and benefits must outweigh efforts.
Manageable	Values of this segments must be easy to maintain and accurately populated to reduce misstatements (e.g., cross validation rules can easily be maintained).
Reliable	Segment values should have high accuracy and reliability to be recorded in the General Ledger.

Selection criteria provides a consistent methodology to the design of the chart of accounts structure.

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COA Best Practices: Segment Values

- Choose the delimiter value of your Accounting Key Flexfield carefully so that it doesn't conflict with the segment values.
  - For example, if your segment values frequently contain periods (full stops), don't use a period as your segment separator.
- If you store Project in the COA (which is in itself not best practice), choose the delimiter value of your Accounting Key Flexfield that is different from the Project descriptive flexfield separator.
- Take care to avoid conflicts with restricted characters and words in segment names and values.
  - For more details, see My Oracle Support article: What Are Essbase Restricted Characters/Keywords Within COA Segment/Values and What Will Be Impacted Areas? (Doc ID 1666824.1)

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COA Best Practices: Prioritize Compliance, Financial and Reconciliation Dimensions

The chart of accounts is suited to storing stable or slowly changing dimensions that facilitate compliance, financial reporting and reconciliation.

- Chart of accounts best practices
  - Record financial reporting dimensions such as legal entity, cost center and natural account.
  - Track management reporting dimensions that can be used to reconcile with management reporting at a summary level. The appropriate dimensions will vary depending by industry, region, size and company culture of the deploying entity but could include branch, product line, trading desk, etc.
  - Avoid using short-lived or rapidly changing operational management dimensions such as customer or project. Segment value sets, code combinations and General Ledger balances are stored indefinitely irrespective of whether segment values are currently active hence, highly detailed / short lived dimensions result in rapidly increasing data volumes that can provoke usability and performance issues over time.
  - Avoid addressing operational management reporting requirements based on GL balances. Storing detailed management dimensions in the chart of accounts increases the burden of management adjustments and slows the period close (since management adjustments are often made on a different timetable from financial adjustments)
    - For example, if your segment values frequently contain periods (full stops), don't use a period as your segment separator.

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COA Best Practices: Adopt a Global Corporate Chart of Accounts (1 of 2)

There are significant advantages to adopting a single corporate wide chart of accounts:

- Account balances for ledgers that share the same chart of accounts and accounting calendar are stored in the same Essbase cube thus facilitating enterprise wide legal and management entity reporting.
- Ledgers that share the same chart of accounts and calendar can be grouped into a single data access set which facilitates recording journals and inquiring on balances across multiple entities.
- Within a chart of accounts and segment, values are unique and have a standardized meaning thereby eliminating potential confusion for shared service center users that record and review transactions across multiple entities.
- Accounting flexfield segment hierarchies and values displayed on end user orientated reports and analytics are commonly understood.
- Multiple charts of accounts inevitably involve some duplication across value sets increasing maintenance and risk of discrepancies.

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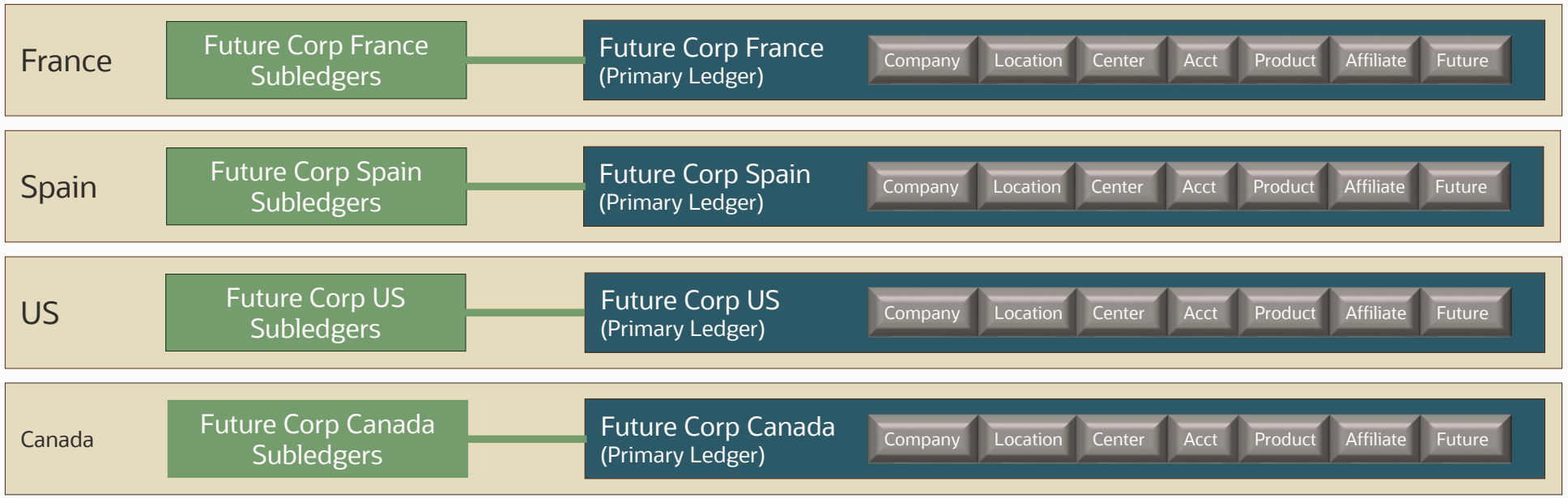
COA Best Practices: Adopt a Global Corporate Chart of Accounts (2 of 2)

Illustration of an enterprise adopting a single corporate wide chart of accounts globally



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Key Considerations: Account Hierarchies and Reporting (1 of 2)

Reporting, Inquiry and Allocations

- Used for Reporting (FR Studio, Smart View), Inquiry (Detailed Balances, Account Inspector) and Allocations.
- Create multiple hierarchies and use each hierarchy for a specific purpose or multiple purposes.
- Create at least 2 versions of each hierarchy to force fully qualified member path to be generated before using a version to build reports with reporting tools (FR Studio and Smart View) and define Allocations.
- Hierarchies must be published before they can be used by Reporting, Inquiry and Allocations. Therefore, no duplicate members are allowed in the hierarchy.

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Key Considerations: Account Hierarchies and Reporting (2 of 2)

Revaluation, Cross-Validation Rules, COA Mapping and Segment Value Security

- Revaluation, Cross-Validation Rules and Chart of Accounts (COA) Mapping Rules can only recognize the Tree Code (hierarchy) associated with the segment of the Chart of Accounts structure instance.
- Configuration of COA, Ledger and Business Unit by using the Rapid Implementation spreadsheet will automatically associate each COA segment of the structure instance with the Tree Code of the hierarchies in the spreadsheet.
- With only one hierarchy used by both Revaluation, Cross Validation Rules and COA Mapping, you may require duplicate members in the hierarchy. Hence, it may be necessary to use an unpublished hierarchy as the Tree Code.
- Segment Value Security allows you to select a version from either a published or unpublished hierarchy.
- Design a hierarchy with the purpose in mind. For e.g. a parent value for ALLCASH could be used for Revaluation of all bank accounts in foreign currency denominations.

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Best Practices: Account Hierarchies and Reporting

- Create at least 2 versions of a hierarchy before using the hierarchy in reports and allocations. Keep both versions in sync when maintaining the hierarchy. Read white paper for details.
- Use meaningful names for hierarchies so that users know the purpose of the hierarchies.
- Use hierarchy versions to maintain audit history if desired.
- Create multiple hierarchies for different purposes. For example, the hierarchy for Reporting does not necessarily align with the hierarchy for Revaluation.
- Use unpublished hierarchies to be associated with chart of accounts structure instance, if duplicate members are necessary for Revaluation and Cross-Validation Rules where the same child values roll up to different parent values for multiple purposes.
- Reference: MOS Doc ID 1520970.1 General Ledger Hierarchies Recommendations and Best Practices.

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Key Considerations: Legal Entities

- A legal entity is a real-world enterprise structure that has property rights and obligations that can be enforced through courts of law.
- In ledger processing and reporting (i.e., journals and balances), the primary balancing segment value usually represents the legal entity.
- In Southern and Eastern Europe; Latin America and some Asian countries, journal entries must be partitioned (i.e. sequenced and reported separately) by legal entity. Journal lines can impact only one legal entity.
- In the United States regulation is directed at a group of companies under common ownership or control. Within the group of companies, journals may contain lines that impact multiple legal entities subject to the constraint that accounting must always be balanced by legal entity.
- Legal entity time zone can be used to default transaction date onto journals, invoices etc. entered through the user interface. This is useful when the Cloud server is located in a different country than the legal entity registration.

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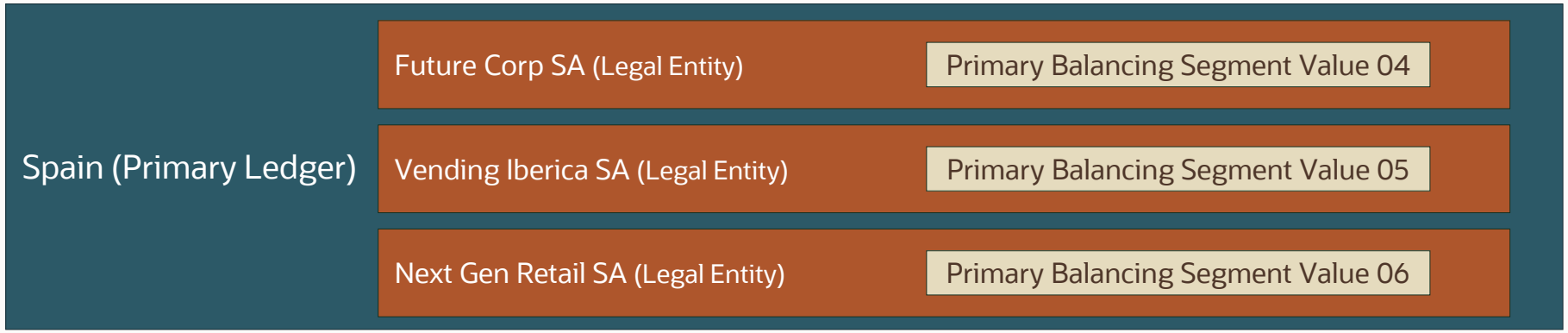
Best Practices: Legal Entities (1 of 2)

Primary balancing segment value (BSV) should reflect real-world legal entities

- Ideally, there should be a direct relationship between the real-world legal entity and the primary BSV. Oracle ERP Cloud supports up to three balancing segments so there are few reasons for overloading the primary balancing segment with management dimensions such as business unit, division, etc.
  - Exception – consolidation and eliminations: primary BSVs that are used for supra-legal entity processing such as consolidation or eliminations should be assigned directly to ledgers.



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Best Practices: Legal Entities (2 of 2)

Cloud ERP legal entities should reflect real-world legal entities

- Cloud ERP features including local regulatory reports assume that Cloud ERP legal entities reflect real-world legal entities.
  - Exception - Foreign Branches: if an enterprise must submit any type of fiscal reporting or external facing financial statements for a foreign branch (i.e. in the foreign currency), then it should be treated as a separate legal entity (and hence ledger). If, on the other hand, there are no external reporting requirements (i.e. in the foreign currency) implying that there are no regulatory reasons for why the configuration must vary by country, then it can be a separate BSV within the principal legal entity / ledger.
- In the Accounting Configuration Manager, assign primary balancing segment values (BSVs) to legal entities and ledgers
  - The assignment is optional but, is highly recommended because it is used by intercompany, sequencing, tax, and country specific Cloud ERP features to default or derive the legal entity. If primary BSVs are assigned to a legal entity in any one ledger, then primary balancing segment values must be assigned to all legal entities.

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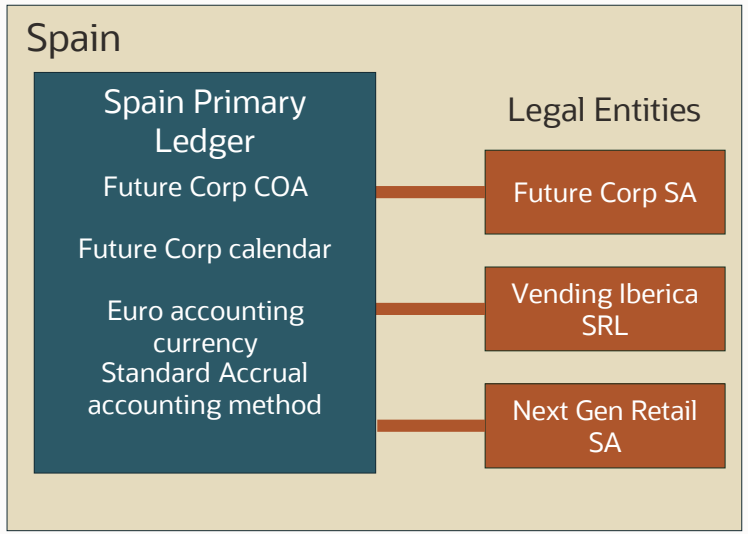
Key Considerations: Primary Ledgers

Primary ledgers are defined by the '5 Cs'

- COA: best practice is to define a single corporate chart of accounts.
- Calendar: the corporate accounting calendar is usually shared across the enterprise.
- Currency: the accounting currency of the primary ledger is usually the local currency.
- aCounting method: the accounting method determines how subledger transactions are accounted.
- Country: primary ledgers should not span countries due to possible regulatory conflicts.



Other factors to consider

- Setup and maintenance: in the absence of other factors, fewer primary ledger minimizes setup and maintenance.
- Security: balances and journals can be secured by ledger.
- Period close schedule: GL and subledger periods are closed by primary ledger.
- Sequencing: Cloud ERP offers gapless sequencing by legal entity within ledger.

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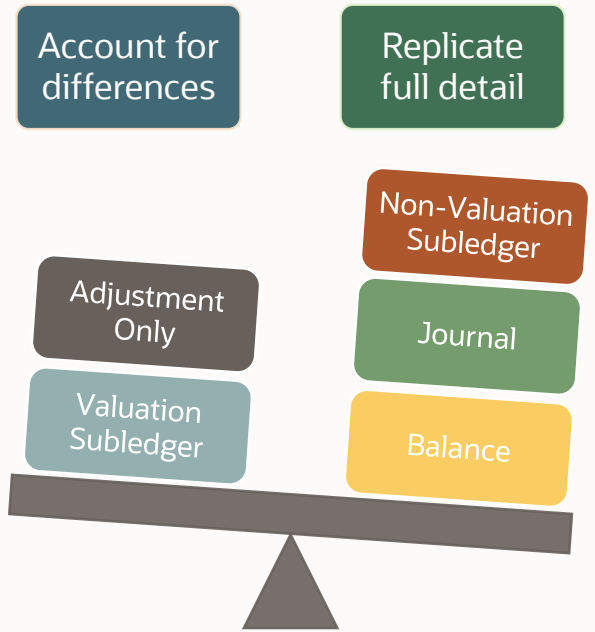
Key Considerations: Multiple accounting representations

- Business Requirement: generate different financial statements depending on the accounting standard, e.g. corporate (US GAAP) vs local statutory (IFRS).
- Oracle ERP Cloud offers a range of solutions that address different requirements:
  - Balance: convert GL balances: appropriate when COA or calendar differs but journal level detail is not required
  - Journal: convert GL journals: appropriate when COA differs but accounting rules are broadly the same and subledger detail is not needed
  - Adjustment Only: enter GL journals for adjustments: appropriate when COA, calendar and currency are the same but accounting rules differ and subledger detail is not needed
  - Valuation Subledger: account certain subledger transactions independently: appropriate when transaction amounts are valued differently and subledger detail is required
  - Non-Valuation Subledger: re-account all subledger transactions in parallel: appropriate when COA or calendar differs and subledger detail is required or when accounting rules differ



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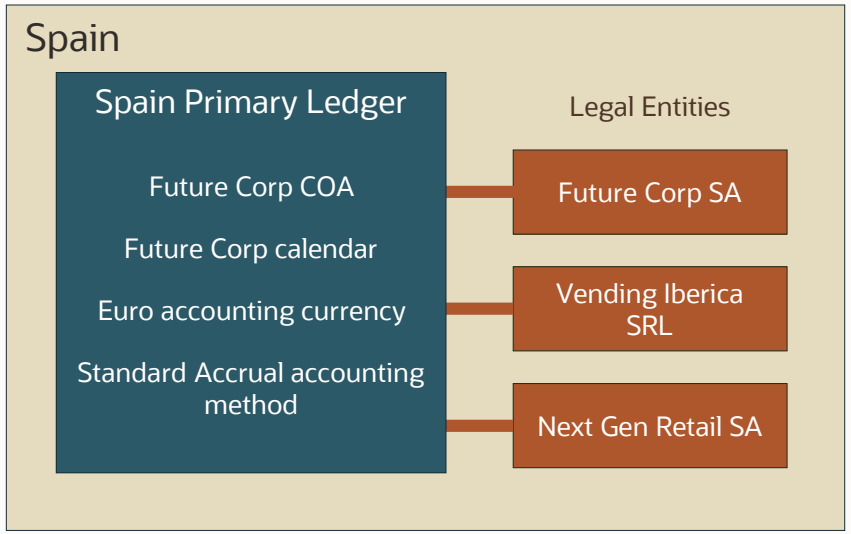
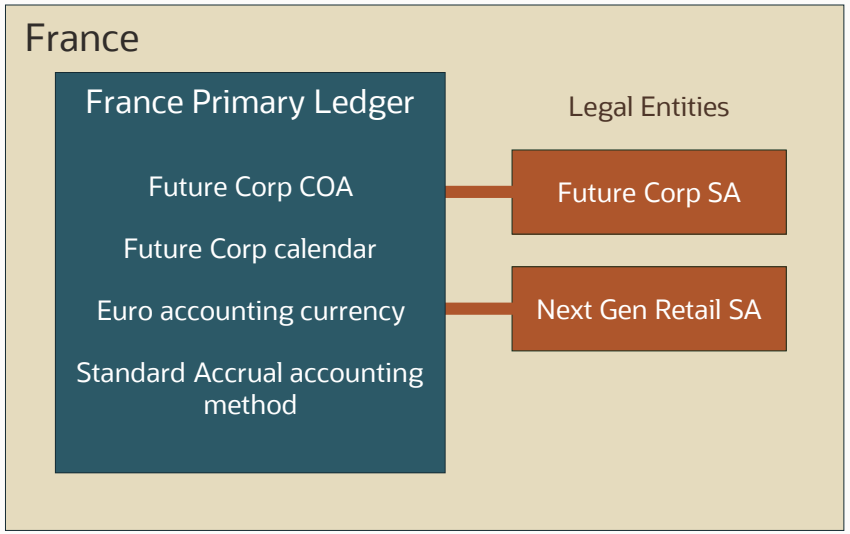
Best Practices: Facilitate Local Compliance with One Primary Ledger per Country

Even though several countries subsidiaries are managed as a single management entity, best practice dictates that each primary ledger should ‘host’ accounting and hence, subledger transactions for no more than one country.

Even within currency unions such as the Eurozone, there are material differences between country level regulations that can give rise to conflict between ledger level configurations.





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Best Practices: Use Primary Ledgers for the Corporate Accounting Representation (1 of 2)

Implementors must determine whether the corporate or local chart of accounts should be hosted in the primary or secondary ledgers. The debate is often referred to as “corporate first vs. local first”. Arguments in favor of corporate first include:

- The same chart of accounts is always entered and displayed on subledger transactions across the global enterprise. This could be an important factor for multinational shared service centers where a single user is responsible for working with multiple countries.
- A common chart of accounts facilitates supranational subledger transaction reporting. This could be a factor for companies where multiple countries are administered as a single management entity.
- Many corporate oversight laws designed to protect shareholders require that company officers are responsible for compliance with relevant laws and regulations across the entire enterprise. Execution of processes in non-standard manners renders that impossible. Corporate first ensures that compliance with corporate policy is executed first; local compliance is then subsequently executed by local staff.

Exception

- Verify that no partner localizations for countries with strict / detailed regulatory reporting introduce a dependency between the chart of accounts of the primary ledger and a local statutory report.
- If there is a one-to-many relationship between a corporate natural account value and its corresponding local natural account values, implementors may need to add additional values to the corporate natural account value set.

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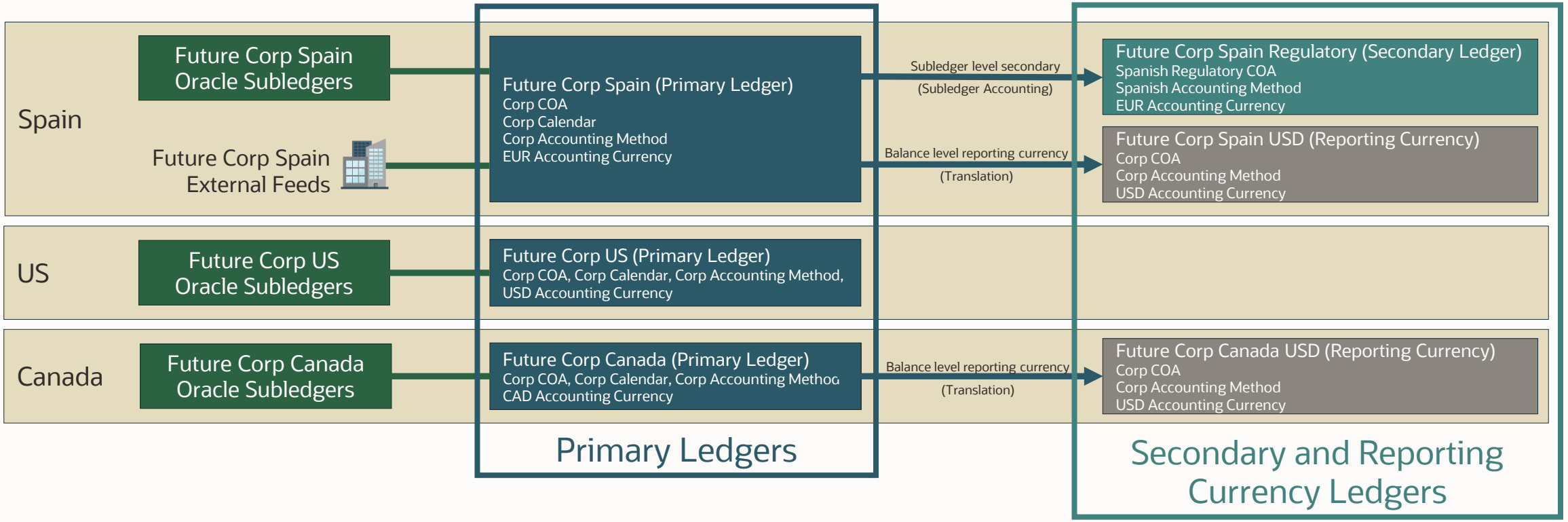
Best Practices: Use Primary Ledgers for the Corporate Accounting Representation (2 of 2)



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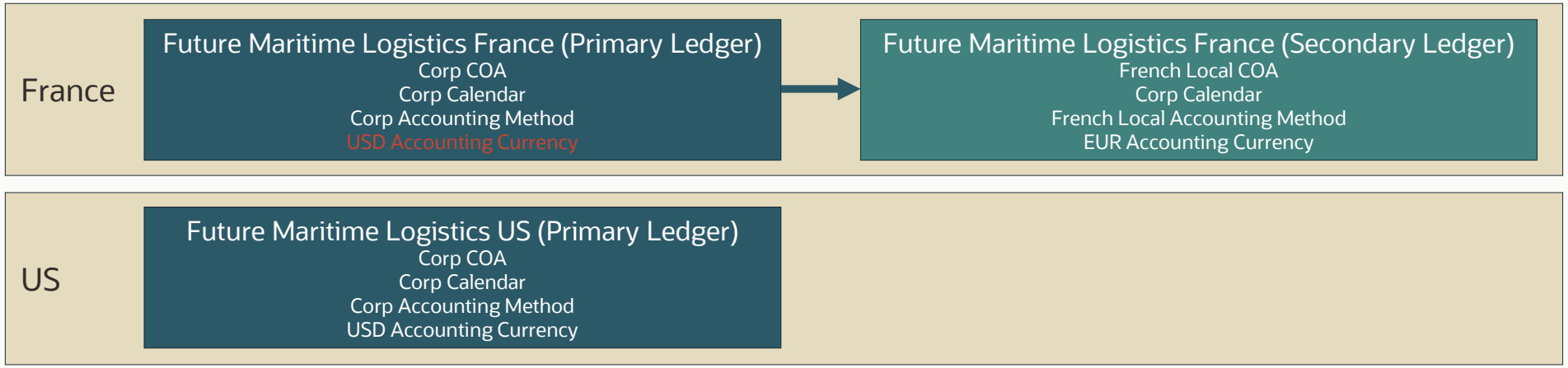
Best Practices: the Primary Ledger Accounting Currency should be the Deploying Entity's Functional Currency

The functional currency is the principal currency that the deploying entity uses for its day to day operations (for example, invoices, price lists, management reporting, etc.)

- Usually, the functional currency of a subsidiary is the local country currency and this would be the primary ledger accounting currency. The primary ledger accounting currency is displayed on most Cloud ERP screens and reports.

Example

- Future Maritime Logistics is a French multinational shipping company. Since shipping rates, customer invoicing etc. are all conducted in US Dollars, Future Shipping has adopted US Dollars as its functional currency globally – irrespective of the country of its operations.



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Best Practices: Consider Partial Secondary Accounting Representations (1 of 2)

Account for adjustments only rather than re-account every transaction even when accounting treatment is the same:

- Adjustment Only secondary: for GL journal adjustments
- Valuation Subledger secondary: for subledger level adjustments
- Use a ledger set to obtain a complete secondary accounting representation with the adjustments reflected.

Optimize consumption of resources, improve performance and maximize agility:

- Meet the requirement just as well as with a full secondary representation.
- Create less journals and hence improve performance.
- Less journals – much easier to reconcile, review, and modify.

Exception:

- Partial accounting representations are not appropriate for countries with gapless sequencing requirements (common in Southern and Eastern Europe). Accounting and reporting sequences work within a ledger. To be numbered correctly, adjustments need to be in the same ledger with the primary accounting entries.

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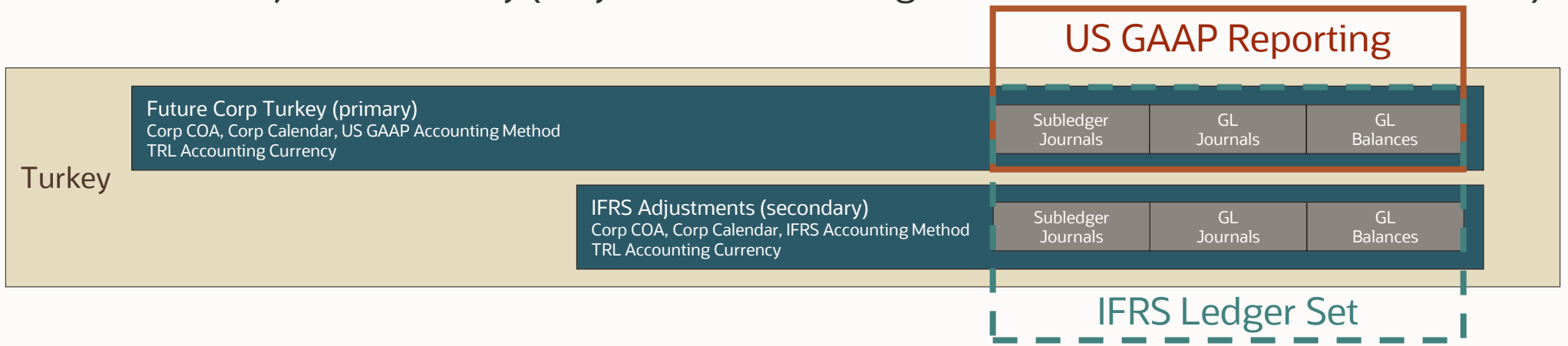
Best Practices: Consider Partial Secondary Accounting Representations (2 of 2)

Partial: Create adjustments only (only where accounting treatment differs between standards):



Full: Re-account every single transaction (even if no different treatment):

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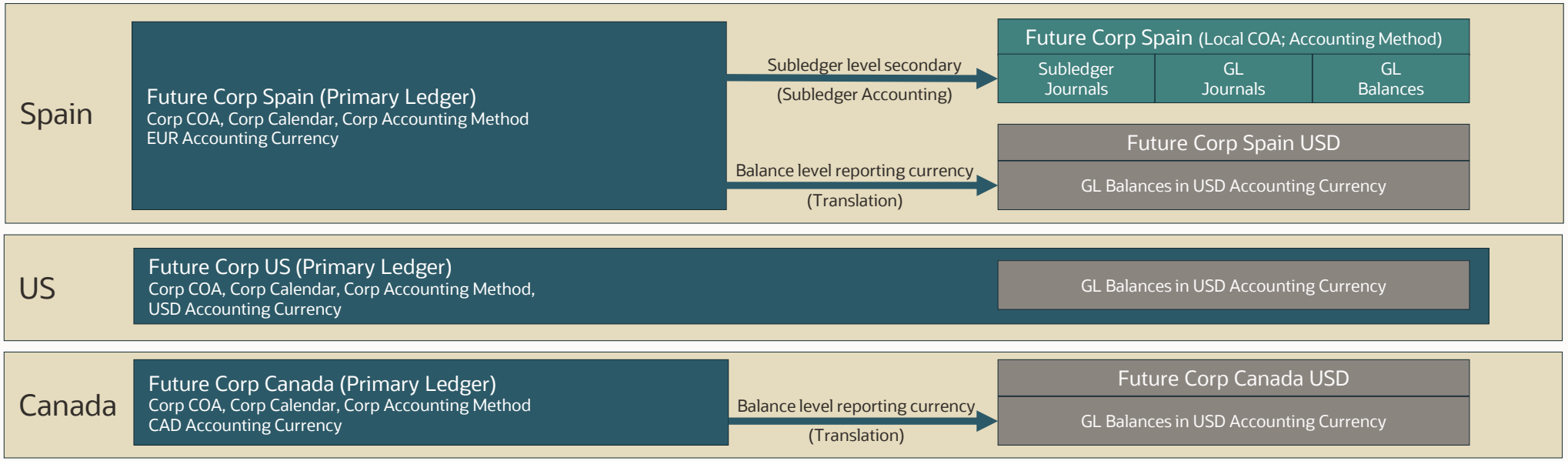
Best Practices: Use the Appropriate Secondary or Reporting Currency Level to Address Regulatory Requirements

Selecting the appropriate secondary or reporting currency ledger level will optimize consumption of resources, improve performance and maximize agility:

- Subledger level secondary and reporting currency ledgers should be used to meet requirements for subledger transaction level regulatory reporting using local charts of accounts or accounting currencies.
- Requirements for financial statement generation using a different chart of accounts or accounting currency may be met using balance level secondary or reporting currency ledgers.



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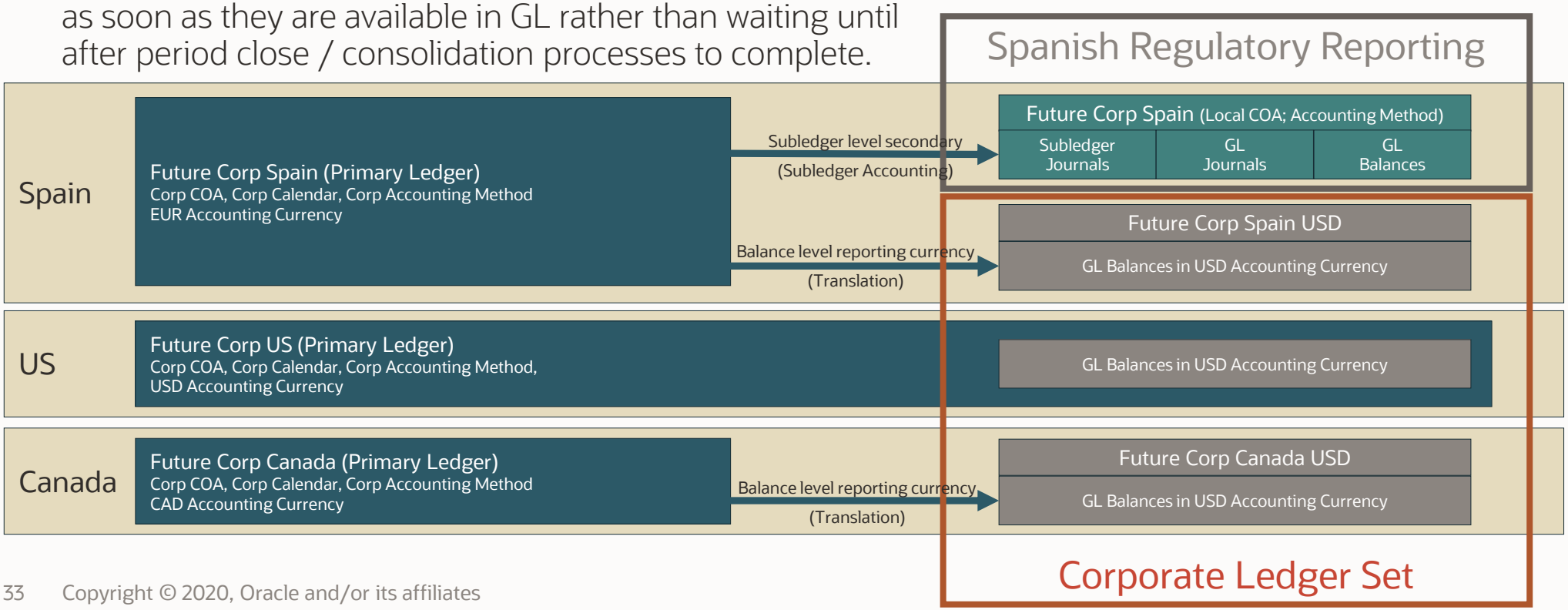
Best Practices: Use Ledger Set to Generate Near Real-time Financial Consolidation

A corporate ledger set that contains GL balances standardized with the corporate COA, Calendar, Accounting Method and Accounting Currency facilitates an immediate global financial view of the business.

- Global financial metrics can be made available to finance executives as soon as they are available in GL rather than waiting until after period close / consolidation processes to complete.



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Key Considerations: Data Security in General Ledger (1 of 2)

Data Access Sets (DAS)

- DAS allows administrators to control security for General Ledger only.
- DAS grant access to a Ledger or a Ledger Set and optionally, “read-only” or “read and write” access to one or more primary BSVs.
- A DAS with full “read and write” access is automatically created for each Ledger and Ledger Set (with the same name).
- Users explicitly select a DAS when navigating through the UI. Scheduled Jobs and Journals ADFdi inherit it.
- DAS access privileges are aggregated across roles for features directly based on Essbase (Inquire on Detail Balances, Account Monitor, Account Inspector, Financial Reporting, Smart View, Allocations) and OTBI.

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Key Considerations: Data Security in General Ledger (2 of 2)

Segment Value Security (SVS)

- SVS allows administrators to control access to parent and detail segment values of the chart of accounts (COA).
- SVS policies restrict access to segment values for data entry, inquiry and reporting (i.e. full “read and write).
- Once activated for a value set, SVS prevents access to all values unless positively granted access via a role.
- SVS rules are assigned to roles that are, in turn, assigned to users.
- SVS access privileges are aggregated across roles. If a user has been granted access to a segment value by virtue of one role, they will have access to it across all applications and features.

Example

- If the French General Accountant role is granted access to cost centers 100-300 and the Spanish General Accountant role to cost centers 400-500, a user assigned both roles will have access to cost centers 100-500 regardless of which DAS is currently selected.

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Best Practices: Data Security in General Ledger (1 of 2)

Data Access Sets (DAS)

- Assign the automatically created DAS with full “read and write” access to users with no restriction to any primary balancing segment value.
- Create additional DASs with the appropriate access level only when necessary to meet specific business requirements.
- Minimize the number of DAS by using Ledger Sets to grant access to multiple ledgers (that share a COA and Calendar).
- Where applicable, use parent BSVs in a DAS so that new child values will be automatically available to the users of the DAS.

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Best Practices: Data Security in General Ledger (2 of 2)

Segment Value Security (SVS)

- Define common roles with no business functions to represent security policies with conditions. For each common role, define a security policy with conditions to access specific segment values. The security policy is then assigned to the appropriate common role.
- Assign the common roles, in addition to job roles to each user. This approach separates security policies from job roles and provides maximum flexibility in assigning job roles to users. Avoid aligning a security policy with a job role because it will require a custom job role for each security policy. A common role without any function can be easily defined.
- Use a hierarchy where a parent value represents the list of accessible detail values. When requirements change, maintain the hierarchy as opposed to maintaining the security policies.
- Use spreadsheet upload to create security policies assigned to external roles.

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Key Considerations and Best Practices: Journal Sequences

Key Considerations

- Gapless sequencing of journal entries by legal entity is a legal requirement in Southern and Eastern Europe; Latin America and some Asian countries. Cloud General Ledger offers two journal sequencing features:
  - Accounting Sequences
    - General Ledger journals are gaplessly sequenced by journal category and / or journal source within legal entity or ledger. The sequencing level (legal entity or ledger) is a ledger level option.
    - Sequences are assigned when the GL journals are posted / subledger journals are completed.
  - Reporting Sequences
    - Subledger journals and General Ledger journals that don't originate in Subledger Accounting are gaplessly sequenced by legal entity in GL date order.
    - Sequences are assigned when the accounting period is closed.
    - Reference Date options are specific to the Italian Libro Giornale report. The Reference Date is not used by other reports.

Best Practices

- Gapless accounting sequences may introduce functional limitations and impact the performance of high volume journal creation processes. Implement it only for countries where it is a regulatory requirement.

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Best Practices: Allocations

Avoid allocations that refer to very high volume chart of accounts (COA) segment values.

- The allocations feature currently has a limitation of 2^{32} tuples* (the combination of all possible segment values) referred to by an allocation calculation.
- The limitation can be avoided by defining allocations that do not ”loop” through very high volume COA segments.
- For more details, see White Paper on Allocations In Fusion General Ledger (Doc ID 1368787.1) available on My Oracle Support (MOS).

*4,294,967,296 is a very large number but it can easily be surpassed in a COA with many high volume segments

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Best Practices: Consolidation in General Ledger (1 of 2)

Same Chart of Accounts Structure and Calendar

- Use Reporting only Consolidation.
- Revalue balance sheet account balances in subsidiary local currency primary ledger.
- If a Balance level reporting currency ledger meets requirements, translate subsidiary local currency to corporate (reporting) currency. Otherwise, define a Journal level or Subledger level reporting currency ledger for subsidiary primary ledger.
- Use Allocations to create eliminating entries in corporate Adjustment only secondary ledger.
- Create financial reports combining subsidiary's reporting currency balances, corporate ledger balances and Adjustment only secondary ledger balances.

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Best Practices: Consolidation in General Ledger (2 of 2)

Different Chart of Accounts and / or Calendar

- Define mapping of local chart of accounts (COA) to corporate COA.
- Revalue balance sheet account balances in subsidiary books local currency.
- If Balance level reporting currency ledger meets requirement, translate subsidiary local currency to corporate (reporting) currency. Otherwise, define Journal level or Subledger level reporting currency ledger for subsidiary primary ledger.
- Transfer subsidiary reporting currency balances and corporate primary ledger balances to consolidation ledger.
- Use Allocations to create eliminating entries in consolidation ledger.

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Financial Consolidation & Close Cloud Service (FCCS)

FCCS is a product within the Enterprise Performance Management (EPM) Family.

- FCCS is the recommended solution when Consolidation within Cloud ERP General Ledger is inadequate, mainly for requirements such as
  - Managing period close process, assigning tasks, scheduling and workflow monitoring.
  - Capturing supplementary and non-financial data from 3rd party sources.
  - Advanced consolidations with complex or partial ownership arrangements, partnerships, mergers and acquisitions, constant currency analysis often across multiple Financial or ERP systems.

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1. Chart of Accounts
2. Account Hierarchies and Reporting
3. Legal Entities
4. Primary, Secondary and Reporting Currency Ledger
5. Data Security in General Ledger
6. Journal Sequences, Allocations and Consolidations
7. **Use Cases**
8. Summary

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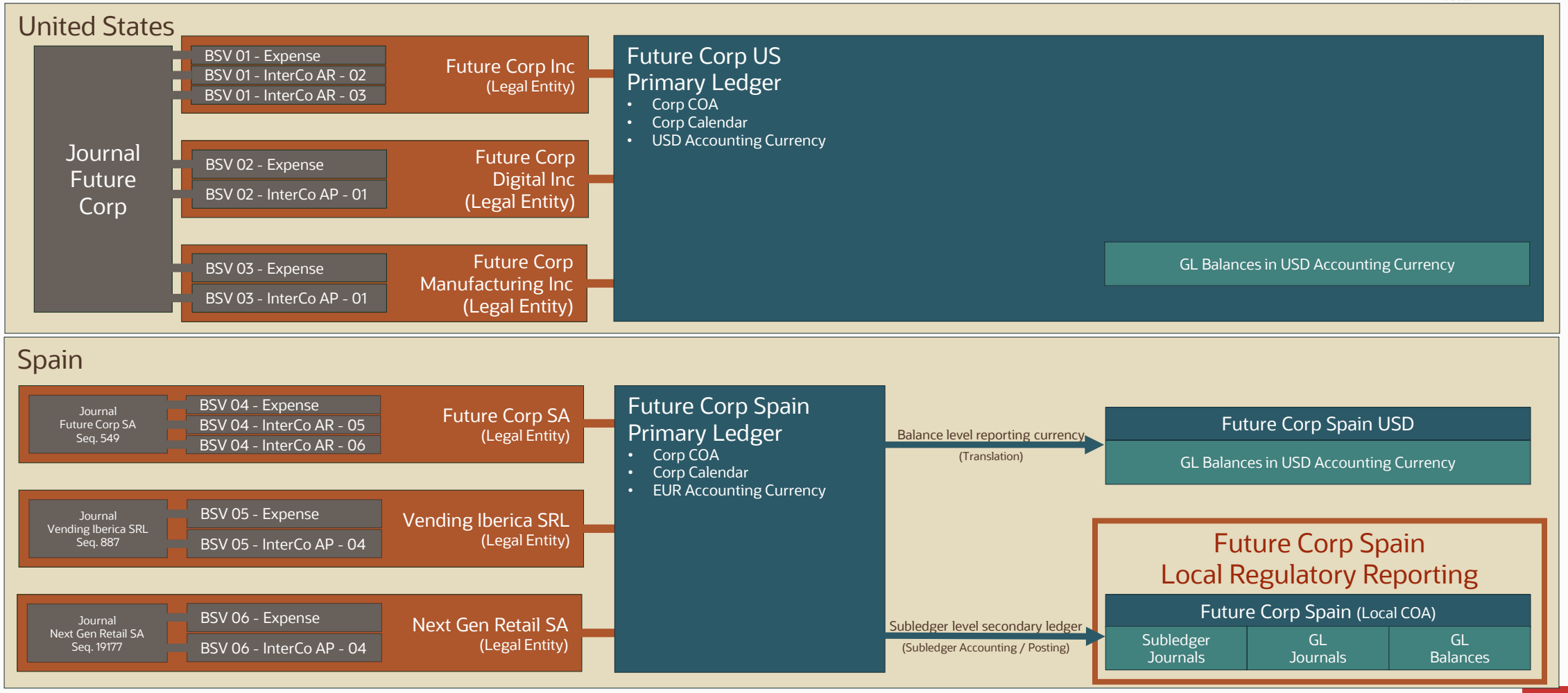
Use Case 1: US Based Multinational



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Use Case 2: Full versus Partial Secondary Accounting Representation

EXAMPLE

Contract Start: Sep-19

Term: 24 Months

Deferred Expense 12,000

- ***Long-term (next year)*** *6,000*

US GAAP Report full amount of deferred expenses over contract life

Year 1	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Expense	500	500	500	500	500	500	500	500	500	500	500	500
Deferred	12,000	11,500	11,000	10,500	10,000	9,500	9,000	8,500	8,000	7,500	7,000	6,500

Year 2	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
Expense	500	500	500	500	500	500	500	500	500	500	500	500
Deferred	6,000	5,500	5,000	4,500	4,000	3,500	3,000	2,500	2,000	1,500	1,000	500

IFRS Report current year deferred expenses separately from expenses deferred throughout the rest of contract life

Year 1	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Expense	500	500	500	500	500	500	500	500	500	500	500	500
Deferred	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Long-term	6,000	5,500	5,000	4,500	4,000	3,500	3,000	2,500	2,000	1,500	1,000	500

Year 2	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
Expense	500	500	500	500	500	500	500	500	500	500	500	500
Deferred	6,000	5,500	5,000	4,500	4,000	3,500	3,000	2,500	2,000	1,500	1,000	500
Long-term	0	0	0	0	0	0	0	0	0	0	0	0

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Use Case 2: Full Secondary Accounting Representation IFRS Long-term Deferred Expenses

Turkey Primary Ledger US GAAP

Turkey Secondary Ledger (non-valuation)* IFRS

- **Sep-19**

Expense	Deferred
	12,000
500	(500)

Expense	Deferred	Long-term
	12,000	
500	(500)	
	(6,000)	6,000

- **Oct-19**

Expense	Deferred
500	(500)

Expense	Deferred	Long-term
500	(500)	
	500	(500)

* For more information refer to My Oracle Support article: Oracle Subledger Accounting Cloud Service: Multiperiod Accounting for Long Term Deferred Expenses (Doc ID 2349651.1)

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Use Case 2: Partial Secondary Accounting Representation Adjustments Only - IFRS Long-term Deferred Expenses

Turkey Primary Ledger US GAAP + **Turkey Secondary Ledger (valuation) IFRS Adjustments** = **Turkey (Ledger Set) IFRS Complete**

- **Sep-19**

Expense	Deferred
	12,000
500	(500)

Deferred	Long-term
(6,000)	6,000

Expense	Deferred	Long-term
	12,000	
500	(500)	
	(6,000)	6,000

- **Oct-19**

Expense	Deferred
500	(500)

Deferred	Long-term
500	(500)

Expense	Deferred	Long-term
500	(500)	
	500	(500)

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Summary

Less is More

- The general recommendation is to favor fewer, simpler Oracle Cloud Applications enterprise structures since this minimizes setup and future maintenance.
- Best practice is usually to define no more than one primary ledger per country rather than separate primary ledgers per legal entity.
- Nevertheless, if the deploying enterprise operates in separate markets with segregated management entities, business processes and performance measures, then separate charts of accounts and ledgers may be appropriate.
- Complexity, testing and future maintenance burden are factors that implementors should bear in mind when evaluating enterprise structure implementation options.

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Additional Resources

- Cloud ERP Enterprise Structures White Paper (Doc ID 2415848.1)
- ERP Cloud - Record to Report Enterprise Structures Best Implementation Practices Blueprint (Doc ID 2660940.1)

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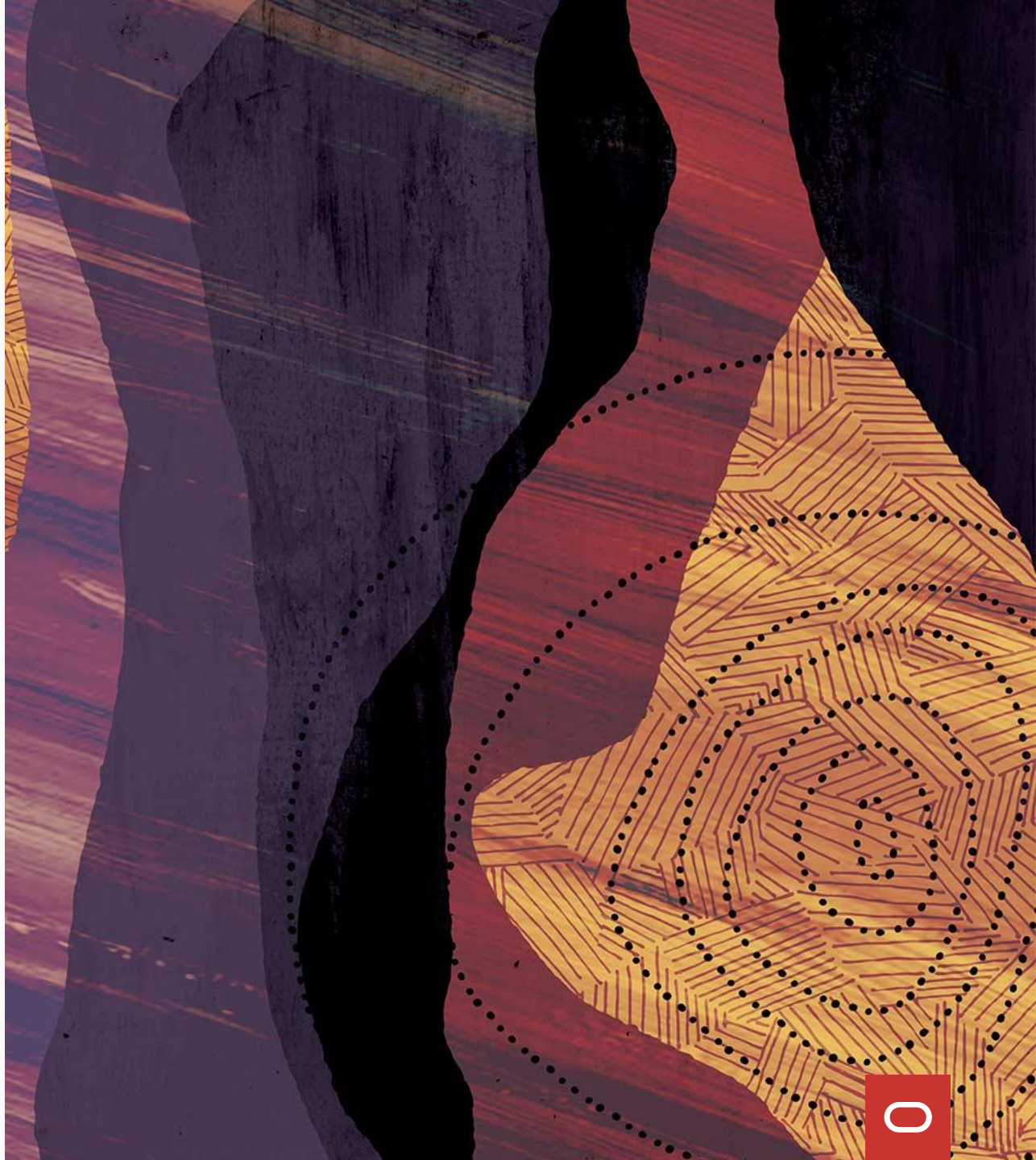
Thank you



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