Introduction to Financial Accounting Hub and Advantages Financial Accounting Hub (FAH) Financial Accounting Hub (FAH) is an uptake of SLA. It is basically standalone Subledger Accounting (SLA), it allows to use Oracle SLA and GL to perform the accounting for third party / External applications (Billing/Banking).

Using Accounting Method Builder (AMB) Tool, FAH Efficiently Create Accounting for Multiple Heterogeneous Source Systems Oracle Financials Accounting Hub provides a flexible rules builder for business users to create accounting rules once and deploy them many times across different external and legacy systems.
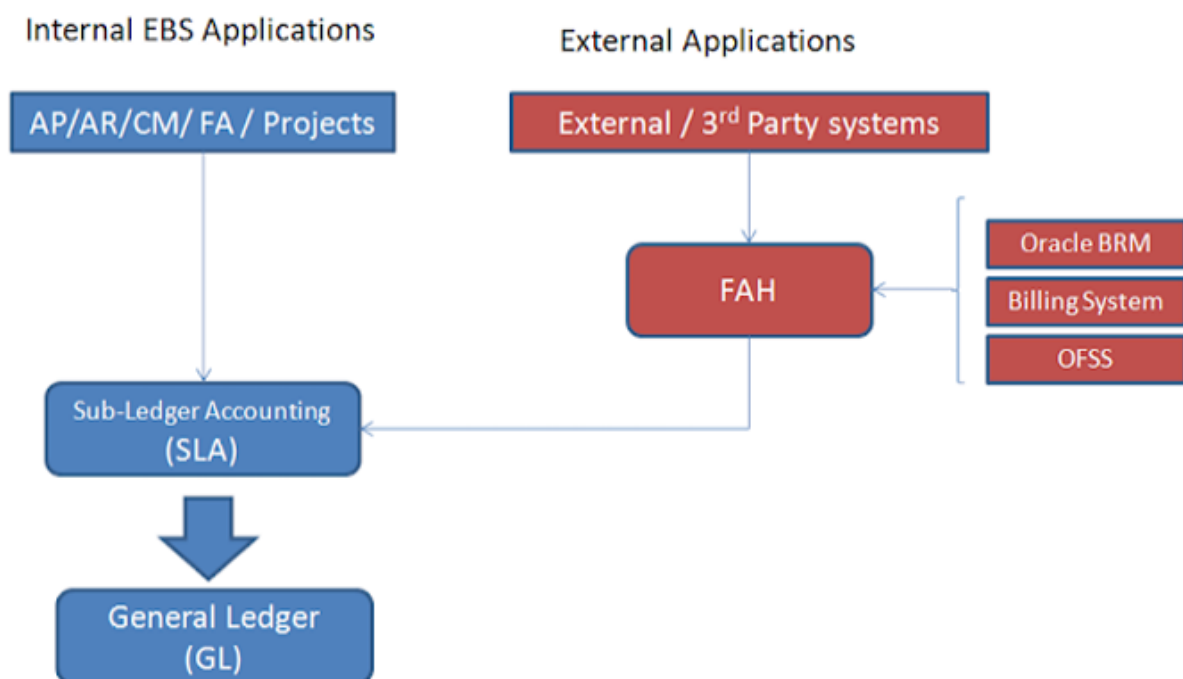


Legacy systems that do pre-accounting can pass journals through the hub to validate and store the accounting in the accounting repository for a single, reliable, enterprise wide view/Reporting. Difference between SLA and FAH From a technology perspective, there is zero difference. XLA is the technical label for the FAH/SLA solution.

XLA is the common framework which handles all accounting feeds into the E-Business Suite General Ledger.

Therefore, technically XLA = SLA = FAH. The technology leveraged by FAH and SLA is exactly the same and the difference is within the way user are allowed to use the technology. SLA offers seeded Event Models (including Event Class Options) and Application Accounting Definitions for E-Business Suite subledger applications.

With SLA users can build customized Subledger Accounting Methods (including customized JLTs, ADRs, JLDs, AADs,) for E-Business Suite subledger applications, while they are not allowed to make any changes to the seeded Event Models / Event Class Options.

 In case you do come across a requirement in this last area (e.g. an additional Source is needed), then Custom Source functionality can be used for that. FAH requires an additional license, and basically FAH is standalone SLA, you get the SLA technology but you don't get any seeded building blocks, because FAH is intended to create accounting based on data which resides in external (non-E-Business Suite) applications.

So with FAH you create the Event Model(s) and AAD(s) for external applications entirely from scratch. SLA deals with the E-Business Suite subledger applications, while FAH deals with external applications(Any External Accounting System).

## Subledger Accounting (SLA):

• Deals with the E-Business Suite subledger applications (AR, AP, etc.).

 • Seeded event models which cannot be changed (extensions can be build using Custom Sources).

• Seeded accounting methods which can be customized (copied and modified) at will.

 • Integral part of E-Business Suite Financials (R12 onwards). Financials Accounting Hub (FAH):

• Deals with external (i.e. non-E-Business Suite) applications.

• No seeded event models – event models need to be built from scratch.

• No seeded accounting rules – accounting rules need to be built from scratch.

• Requires purchasing a separate license. The accounting hub is intended to use the Subledger Accounting (SLA), which is a rules based accounting generation process to create the accounting for transactions from a custom application and then SLA will interface that to the GL Interface table, (or often interface it to a PeopleSoft GL.). You do not build custom logic, you define rules in the SLA UI for the accounting transformations. How Does FAH Works: FAH is an uptake of SLA.

It is basically standalone Subledger Accounting (SLA), it allows you to use Oracle SLA and GL to perform the accounting for third party applications. Using Accounting Method Builder (AMB) Tool, SLA standard application accounting definitions are copied and modified to map SLA application accounting definition with Source Application Accounting Events, Accounting events of source application is mapped and stored in the SLA tables. External/Source Application's

accounting event's for, accounting attributes and transactions supporting references are kept in FAH transactions objects.

## When user submits accounting program, following steps happen

¬ Accounting program fetches the applicable accounting events which are eligible for processing from SLA Tables.

¬ Load FAH transactions objects and apply modified application accounting definitions on sources of FAH Transactions Objects.

¬ SLA journal entries are created and stored in the SLA Tables.

¬ SLA journal entries are transferred to GL using standard Oracle Transfer to GL Program.

Using FAH, you can drill down from GL to FAH and FAH to External Source/Legacy Application like/similar to drill down from GL to Standard Oracle Subledger (AP, AR etc.)

Using FAH, you can get the balances in GL by source/external application's transactions.

Therefore reconciliation becomes easy between the external application and Standard Oracle GL. FAH keeps the source transaction's accounting attributes and key transactions references.

Therefore it is used to keep the audit trail. FAH Event Model: FAH/SLA uses an Event Model consisting of Event Entities with underlying Event Classes, and at the lowest level we have the Event Types which in their turn belong to the Event Classes.

The accounting is entirely event-driven meaning that for each Event Type you can define how you would like the accounting to be created. This is done using Journal Line Types (JLT), Journal Entry Descriptions(JED) and Account Derivation Rules(ADR) which tie together in a Journal Lines Definition(JLD).

Conditions can be applied at various levels, and optionally you can use Mapping Sets and/or Supporting References.For each Event Type such a Journal Lines Definition can be build. These Journal Lines Definitions (JLD) roll up into an Application Accounting Definition (AAD).

The Application Accounting Definitions(AAD's) are grouped together under a Subledger Accounting Method(SLAM), which is the component that gets tied to the ledger (In R12 a ledger consists of calendar, currency, chart of accounts and Subledger Accounting Method ( SLAM)).

# What is Financial Accounting Hub

The Financials Accounting Hub (FAH) is a tool designed for non-Oracle Subledgers (Third Party) to leverage Oracle's Subledger Accounting engine and ultimately transfer the Journals to an Oracle General Ledger.

The Financials Accounting Hub uses accounting events to generate journals. Accounting Events have financial impact. Using this tool implementers determine how the events should be accounted.

The Oracle Financial Accounting Hub (FAH) helps in creating a centralized, auditable accounting system for external and/or legacy systems.

FAH has a configurable rules engine and configurable rules repository (user-defined) that keeps the definition and maintenance of accounting rules in one place.

FAH acts as the accounting engine for any subledger (Oracle or non-Oracle), create adjusting journal entries, provide drill back from General Ledger (GL) to FAH, validate and transform source data, and fully leverage GL setups (open/close period, COA structure, segment values, cross validation rules, calendar, functional currency) to ultimately provide users with an efficient and compliant financial system.
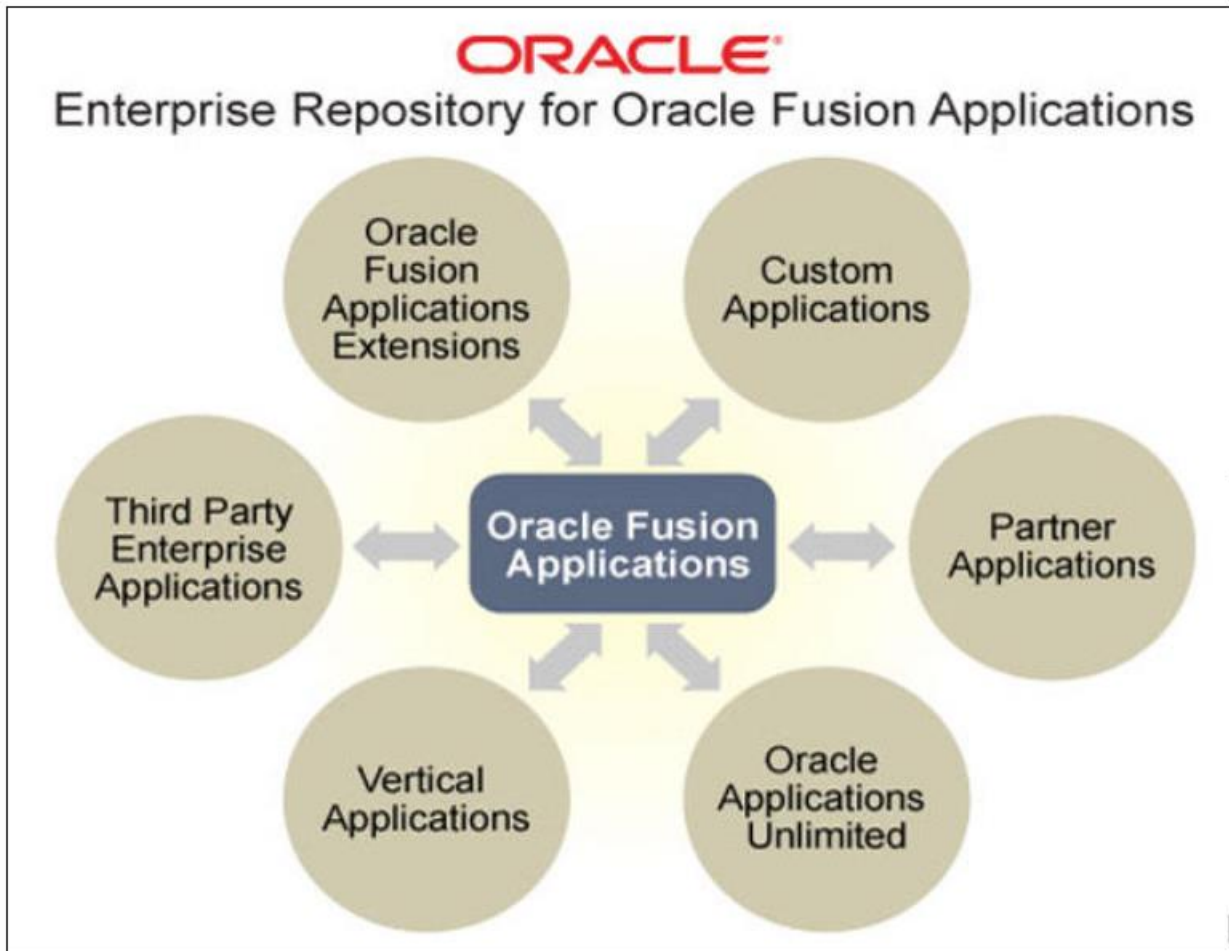
Diagram from Oracle showing FAH development History

## How Financial Accounting Hub works

Oracle standard FAH provides linkage from GL to SLA Journals i.e. the standard drilldown that works from GL to SLA. Users can drilldown from GL to SLA journal Lines that provides additional sub-ledger details like Event model details, Supporting References, Identifiers and Descriptions etc. These details are useful enough to reconcile the transactions/records between GL and SLA.

A custom solution van be build that provides additional drilldown layer in FAH beyond SLA Journal and a custom form presents the view of the Transaction Object/Staging Table in FAH (wherein the transaction data is placed for FAH accounting entry generation).

This form can be linked with the SLA Journal form and with the selection of the SLA Journal line, form provides the number of the transaction object lines in the staging area.

This way it links the GL data to SLA and SLA data to Transaction data and provides multilevel drilldown views.

There could be different types of solutions in FAH like Pass through, Account derivations, Mappings and combinations of these.

Based on the solutions the usability and importance of this custom drilldown can be enhanced. This Custom Drilldown not only helps business support functions like Reconciliations, Error & Suspense handling but also provide end to end view of how a product system transaction is transformed to a Journal. When used in conjunction with standard drill down this solution provides multi-dimensional view and presents summarized data view in GL, detailed accounting view and transaction Data view in FAH.

It brings in short and long term benefits to an organization.

## Oracle Financial Accounting Hub (FAH) : Multi Level Drilldown

FAH replaces the legacy accounting systems/programs and provides a rule based accounting engine to generate accounting entries. FAH integrates the Product Systems to Oracle General Ledger (GL). Oracle standard FAH provides linkage from GL to SLA Journals i.e. the standard drilldown works from GL to SLA.

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Based out of our FAH implementation experiences we felt that the industry and the business users needs more in addition to this FAH standard drilldown from GL to SLA.

Users' needs another layer of drilldown to the transaction data wherein they can easily reconcile the GL data with SLA data and then to transaction data.

The view to the transaction data enhances Users supports function to reconcile, view the raw data, error handling etc. We've built a custom solution that provides additional drilldown layer in FAH beyond SLA Journal.

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# Benefits of Using Financial Accounting Hub (FAH)

One of the big benefits of FAH is that instead of the rules of the accounting transformation being buried in code, they are defined in the FAH application and are auditable, easy to change, consistent and transparent. Also you don't need to maintain multiple different transformations to GL with bespoke code for each system, you are doing it with product which is performant, predictable etc. SLA is also not a separate product, it's just an engine.

But oracle wants to sell it as FAH. FAH is nothing but the "Concept" of integrating the third party with Oracle Ebiz through SLA. So we have reports on FAH and it totally based on the customer requirement and there is no standard FAH reports.

**Financials Accounting Hub** (FAH) provides an orderly, streamlined process to manage Financial Data of Source Systems. It houses the transformations from business event to accounting generation and then transfer's balanced entries to GL.

FAH allows you to create detailed, auditable, reconcilable accounting from a variety of source systems. It includes an accounting transformation engine with validations plus accounting and rules repositories. The transformation engine consistently enforces accounting policies. The repositories provide centralized control, detailed audit trails, and simultaneously accommodates diverse corporate, management and reporting requirements.

## FAH – What's not for?

- Data Extraction

- Event Creation

- Calculation Engine for Source System calculations

- Inbuilt Intelligence for IFRS Accounting or any GAAP Accounting

## <mark>Is FAH a fit for you?</mark> - FAH may be right for you if:

- Oracle EBS and/or PeopleSoft are not a good fit to replace your proprietary operational (ordering, billing, inventory, purchasing) systems;

- Detailed financial reporting is required on legacy system attributes not typically a part of the Chart of Accounts;

- Accounting requirements for legacy systems are complex and subject to change; and/or

- You are in the financial services (insurance, banking, and brokerage), telecommunications, or distribution industry.

## <mark>FAH Advantages:</mark>

¬ Efficiently create accounting

- for multiple, heterogeneous source systems

– Oracle Financial Accounting Hub(FAH) provides a flexible rules builder for users to create accounting methods and various accounting events once and then deploy them many times for different source systems.

¬ Lower implementation cost

- as compared to traditional implementation approaches

– the rapid start approach is designed to reduce time and effort needed to deploy your Financial Accounting Hub solution.

This rapid project approach reduces implementation costs and can dramatically improve your ROI.

¬ Accelerate deployment of updated accounting rules

– changes in accounting regulations or corporate structures are quickly accommodated with effective dating of rules. The dates of inbound events are used to determine how to create accounting.

¬ Enhanced internal controls and auditability – the centralized architecture of Oracle o Financials Accounting Hub provides an internal control structure to ensure successful audit and compliance reviews. Oracle Financials Accounting Hub is natively integrated with Oracle General Ledger and Oracle Subledger Accounting. Users can drill from Oracle General Ledger balances to the specific Journal lines in the accounting repository that comprise that balance.

¬ Accelerate the monthly close Process (Period Close/End Activity)

– with sophisticated error and exception handling, users can quickly isolate, research, and resolve exceptions with business-oriented exception management and online inquiries eliminating the need for adjustments and corrections.

¬ Detailed financial transparency

– the ability to drill through summary financials of parent systems down to the acquired system provides detailed transparency to the underlying financial numbers and trends.

¬ Eliminate changes to the Chart of Accounts (COA)

– during systems integration by enabling a parent chart of accounts that remains constant while storing tremendous details in the subledger for more robust reporting in the financials.

¬ Improved financial accuracy

– by capturing financial details at the contract or instrument level and seamlessly communicating changes to source systems keeps them updated, eliminates the need for top side adjustments, and enables a seamless financial close.

¬ Path to Fusion Adoption – extend the framework and implement new capabilities in the future to enable a modern financial architecture to leverage SaaS and the cloud for further cost efficiencies.

¬ Robust and flexible accounting engine

– allows organizations to change accounting treatments in the future without changing the source systems, which offers a foundation capability that enables the organization to comply with changes in evolving area of accounting treatments around IFRS and complex financial instruments (HTM vs. Trading).

**What should I consider when configuring Fusion Accounting Hub in Oracle Fusion ERP Analytics in terms of performance?**

When configuring Fusion Accounting Hub, instead of selecting all available Fusion Accounting Hub applications, only select the applications that are useful for reporting from the Fusion Accounting Hub subject area. The count of FAH SLA fact tables available in Oracle Fusion ERP Analytics is proportional to the accounting data volume in Fusion for selected journal sources.

**Which warehouse tables should I choose when selecting frequent data refresh for Fusion Accounting Hub?**

Both DW_FAH_SLA_<APPL_NAME>_CF (SLA Facts) and DW_FAH_SLA_BALANCE_CF tables are recommended for frequent data refresh.

## Sub-Ledger Accounting Rules Engine:

SLA is a rules based accounting engine that introduced the ability to define how transactions originating in sub-ledgers are accounted.

As part of Oracle E-Business Suite Release 12, Oracle also included Oracle Financials Accounting Hub that extended SLA to non-Oracle systems. SLA and Oracle Financials Accounting Hub basically sent data into the same schema (XLA). Oracle has retained this functionality in Oracle Fusion - Accounting Hub.

Oracle Fusion Applications has brought these two accounting engines together and has provided us with the ability to define rules and store financial data from both Oracle Fusion Applications and non-Oracle Fusion Application systems in the same data structures.

Oracle is offering out of the box, pre-built connector and seeded accounting rules to integrate with the Oracle E-Business Suite and PeopleSoft Applications.

One of the significant benefits of SLA was the ability to generate multiple accounting representations (IFRS, local GAAP etc) for a single sub-ledger transaction event.

Oracle has retained this functionality with Oracle Fusion Accounting Hub and has also retained and extended the functionality of Primary, Secondary and Reporting Currency ledgers that were introduced with Oracle E-Business Suite Release 12.

With Oracle Fusion Accounting Hub the biggest value add is that you need not define and maintain any accounting rules or accounting transaction generating capability in your legacy applications such as a non-Oracle order processing or inventory management system.

Users can define the accounting rules based on the transaction events that are flowing in from these applications into Oracle Fusion Accounting Hub and feed in only the raw transactions from the source system into Oracle Fusion Accounting Hub. The SLA engine in Oracle Fusion Accounting Hub is capable of deriving the accounting transactions (journal entries) based on the raw data feed.

SLA also offers the ability to define date effective accounting rules and users have the ability to maintain rules in advance to cater to any changes in accounting treatment.

Date effective accounting rules enabled accounting for a transaction based on the appropriate treatment of the period in which it originated.

## Sub-Ledger Accounting Repository:

The SLA layer also maintains balances and the granular transaction level details of the accounting event that originated in the sub-ledger Oracle Fusion Accounting Hub, retaining the ability that was introduced in Oracle E-Business Suite Release 12 to maintain sub-ledger accounting transactions and journal entries in the SLA layer along with sub-ledger non accounting transaction details such as supplier, customer and asset number.

The SLA layer provides the ability to maintain supporting references which are basically user configurable transaction attributes that provide additional information that are relevant to the financial transaction. Supporting references can also be better understood as extensible accounting segment values that are relevant only to transactions that originate from certain sub-ledgers.

The biggest benefit with supporting references is the ability to track balances on these supporting references as with any of the other dimensions or segments of the COA. The only point to note is that these supporting references and the balances on them are stored only within SLA.