RD.010 Financial & Operating Structure

Lanka Sathosa Limited

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## Introduction

This document describes the Financial and Operating structure of Lanka Sathosa Limited, Sri Lanka hereafter also reffered to in the short code LSL.

The document then maps LSL’s financial and operating structure to Oracle’s Multi-Organization structure. Oracle Multi-Organization structure uses following main concepts. Individual description of each is given in sections below:

* Business Group
* Legal Entity
* Ledger
* Operating Unit
* Inventory Organization

1. Briefly introduce the business, state its purpose and describe how the present organization structure helps it achieve its business purpose.

## 

## Organization Structure Chart

The diagram below shows the main Legal Entities and Business Organizations in the Lanka Sathosa Limited hierarchy. The same structure would be used in Oracle.

Lanka Sathosa Limited Business Group

Lanka Sathosa Limited Ledger

Lanka Sathosa Limited Legal Entity

Lanka Sathosa Limited Operating Unit

Lanka Sathosa Limited Master Inventory Oraganisation

## Business Organization Listing and Overview

### Business Organization Overview

Given below is a list of business organizations and their classification in Oracle Applications. The Oracle Applications organization models define organizations and the relationships among them in arbitrarily complex enterprises. This organization model serves as the cornerstone for all of the Oracle Applications products. It dictates how transactions flow through different organizations and how those organizations interact with each other.

### Business Group

**Business Group**: The business group represents the highest level in the organization structure, such as the consolidated enterprise, a major division, or an operation company. The business group secures human resources information. For example, when you request a list of employees, you see all employees assigned to the business group of which your organization is a part.

Employee numbering is controlled at Business Group level and human resources and payroll flexfields (Grade Flexfield, Position Flexfield, Job Flexfield, People Group Flexfield, Competence Flexfield etc) are defined at Business Group level

#### For Lanka Sathosa

The critical decision parameters for choosing the Business Group were as follows:

* Whether the enterprise operates in a global environment with significant presence in many countries
* Whether Oracle Payroll will be used for those countries
* Whether legislative support is required for HRMS in that country

Lanka Sathosa is considered as having a centralized HR and Payroll structure and its business operations are spread presently in a single geography (within Sri Lanka). Considering this, it is recommended that Lanka Sathosa should have a single Business Group. Seeded Business Group “Setup Business Group” will be renamed as “Lanka Sathosa Business Group”

### Legal Entity

**Legal Entity**: A legal company for which we prepare fiscal or tax reports.

#### For Lanka Sathosa

Best approach for Legal Entity set up for Lanka Sathosa would be, create Single Legal entity for Lanka Sathosa Limited as it operates as single unit.

Lanka Sathosa prepares Balance Sheet and Profit & Loss account for the entire legal entity.

eBusiness Tax codes are Legal Entity specific and separate eBusiness Tax codes needs to be defined for each Legal Entity.

### Ledger

**Ledger**: A financial reporting entity that uses a particular chart of accounts, functional currency, accounting calendar and accounting method. Oracle General Ledger secures transaction information (such as journal entries and balances) by Ledger. All the sub-ledgers post transactions to a Ledger in GL.

#### For Lanka Sathosa

Legal Entity needs to be associated with the Ledger to account for the financial transactions. The criteria for deciding number of Ledgers for Lanka Sathosa are as follows:

* Whether a separate chart of accounts is required for each Legal Entity
* Whether functional currency is different for transactions for each Legal Entity
* Whether a separate accounting calendar is required for each Legal Entity
* Whether a separate accounting method will be required for each Legal Entity

Since each Legal Entity will have the same chart of accounts, functional currency, accounting calendar and accounting method, it is recommended that Lanka Sathosa should have a single Ledger. The name of the Ledger would be “Lanka Sathosa Limited Ledger” with short name as “LSL”.

Usage of Global Consolidation System will not be required for Lanka Sathosa to generate consolidated financial results, since it is one operating unit operates under single ledger.

### Operating Unit

**Operating Unit** is an organization that uses Oracle Cash Management, Oracle Payables, Oracle Receivables and Oracle Purchasing. It can be a company or branch which operates independently than each other. An operating unit is associated with a legal entity. Information is secured by operating unit for these applications. Each user can access, process and report on data only for their operating unit. To run any of these applications, you choose a responsibility (or role) associated with an organization classified as an operating unit.

#### For Lanka Sathosa

It is recommended that Lanka Sathosa to have only one operating unit, since it has the features of the one operating unit.

Invoices booked through the operating unit and be received / paid through this operating unit. Customer and supplier sites will be defined as per operating unit. Purchase order to invoice matching will also be operating unit specific.

### Inventory Organization

**Inventory Organization** is an organization for which you track inventory transactions and balances. Inventory module secures information by inventory organization. One of the inventory organizations needs to be setup as Item Master organization. The Item Master organization is the organization where items are defined. Apart from the Master organization, you define child organization. An item is first defined in the Item Master organization and then it is assigned to the child organization. When an item in the item master is assigned to another organization, it automatically inherits attributes like Unit of Measure, Description etc

#### For Lanka Sathosa

The critical decision parameters in choosing an approach for inventory item master organization are as follows:

* Requirement for unified item definition
* Control over item definition and assignment
* Requirement for inventory transactions across the group

It is recommended that Lanka Sathosa should have one Item Master organization that will be used only for item definition. Inventory transactions are avoided in this organization.

Aligning the organization structure with the legal entities and the operating unit, it is recommended that Lanka Sathosa should have one inventory organization. Costing method and receipt numbers are controlled at inventory organization.

Sub-inventories will be defined for inventory organization in order to facilitate receiving.

## Financial Operating Structure

Following are the details of financial operating structure for Lanka Sathosa.

### Ledger Information

The Ledger for Lanka Sathosa would be defined as follows:

1. Within this part of the Financial and Operating Structure, the financial structure of the Corporation is developed in more detail. The operating environment of a business organization is defined by the combination of Chart of Accounts, Functional Currency, Accounting Calendar and Legal Entity that is relevant for the General Ledger entries created for the organization when it is performing a particular function on its own behalf, or behalf of another organization.  
   The first three columns simply duplicate the information supplied in the Business Organization Listing. The other columns are as follows:  
     
   **Functional Currency:** the principle currency used to record business transactions and maintain accounting data  
   **Chart of Accounts:** The General Ledger set of books that this organization will be consolidated into  
   **Accounting Calendar:** Identify which fiscal calendar the location will use

| Ledger | Subledger Accounting Method | Functional Currency | Chart of Accounts Structure | Accounting Calendar |
| --- | --- | --- | --- | --- |
| Company HQ |  |  |  |  |
| Lanka Sathosa Limited Ledger | LSL\_Encumbrance\_Accrual | LKR | LSL\_Accounting Flexfield | LSL\_Calendar |

### Chart of Account Structure

The chart of accounts structure for Lanka Sathosa Limited Ledger would be defined as follows:

| Segment Name | Segment Sequence | Value Set | Length | Flex-field Qualifiers |
| --- | --- | --- | --- | --- |
| Company HQ |  |  |  |  |
| Company | Segment1 | LSL\_Company | 2 |  |
| Outlet | Segment2 | LSL\_Outlet | 5 | Balancing Segment |
| LOB | Segment3 | LSL\_LOB | 2 |  |
| Product | Segment4 | LSL\_Product | 6 |  |
| Cost Center | Segment5 | LSL\_Cost\_Center | 3 | Cost Center |
| Account | Segment6 | LSL\_Account | 6 | Natural Account |
| Inter-outlet | Segment7 | LSL\_Intercompany | 5 | Intercompany |
| Future1 | Segment8 | LSL\_Future1 | 3 |  |
| Future2 | Segment9 | LSL\_Future2 | 3 |  |

**Balancing Segment:** Intention of balancing segment is to identify an entity that should produce a balance sheet or balanced Trial Balance.  
  
The Balancing Segment is defined at the Company level for Lanka Sathosa Limited.

If the Balancing Segment is enabled at the company level, it will ensure that Debits and Credits balance at the company level. If enabled at the Outlet level, it will ensure that Debits and Credits balance at the Outlet level. The downside in enabling at the Outlet level is, it will result in Inter-outlet entries getting created when transctions occur between outlets.

Eg. Salary Expense of 1000.00 for Outlet Dehiwela, while the Cash Outflow is from Head Office

**DR Dehiwela Outlet – Salary Cost**  
CR Dehiwela Outlet - Inter-Outlet Balancing A/C

DR Head Office - Inter-Outlet Balancing A/C  
**CR Head Office - Bank**

### Accounting Calendar

The accounting calendar for Lanka Sathosa would be defined as follows.

The Adjusting period are used to make year end adjustment entries, if any, at the end of the financial year. This option is given so that the adjustments can be tracked clearly. Adjustment perios are only used in Oracle General Ledger, and not in the feeder or sub-ledger systems (e.g. Payables, Fixed Assets).

In addition to a Closing Adjustment Period, an Opening Adjustment Period can also be defined, for Begining Year Adjustments.

| Period Number | Calendar Month | Date Range | | Adjustment Period Flag (Yes/No) |
| --- | --- | --- | --- | --- |
| From | To |
| Company HQ |  |  | |  |
| 1 | Ope-Adj | 01-Jan | 01-Jan | Yes |
| 2 | Jan | 01-Jan | 31-Jan | No |
| 3 | Feb | 01-Feb | 28-Feb | No |
| 4 | Mar | 01-Mar | 31-Mar | No |
| 5 | Apr | 01-Apr | 30-Apr | No |
| 6 | May | 01-May | 31-May | No |
| 7 | Jun | 01-Jun | 30-Jun | No |
| 8 | Jul | 01-Jul | 31-Jul | No |
| 9 | Aug | 01-Aug | 31-Aug | No |
| 10 | Sep | 01-Sep | 30-Sep | No |
| 11 | Oct | 01-Oct | 31-Oct | No |
| 12 | Nov | 01-Nov | 30-Nov | No |
| 13 | Dec | 01-Dec | 31-Dec | No |
| 14 | Clo-Adj | 31-Dec | 31-Dec | Yes |

### First Open Period

The first accounting period that would be opened in the application for Lanka Sathosa would be “Jan-2017”.

## P2P Cycle

Following are the details of P2P for Lanka Sathosa.

### Procure to Pay Information

1. LSL

Purchasing starting from Quation from Engineering and Operations and Purchase order is created in Oracle using the PBSA POS integration. Then GRNs done in PBSA POS and invoices are created in Oracle and Finance will lead to Payment cycle.

### Structure

Prerequisites

* Engineering and Operations do quotation based Procurement to PO Department. (Spec from Finance to Procurement to do purchasing quality check)
* Supplier creation is done by Finance. (Supplier Pay Groups assigned based on Item Categories that supplier agreement contains. Supplier is assigned with username who maintains the particular supplier and that information together with supplier payment terms are used for a invoice batch authorization and creation respectively)
* Items will be created in PBSA POS and synced to Oracle. (PBSA defines recoverable tax VAT and non-recoverable tax NBT. Based on that Oracle invoces taxes for namely each and every VAT liable iff NBT liable Product in LSL Item Master)

POS related

* Approved PR
* Open PO and PO approval. PO Print is done at this point. PO will be auto cancelled if not responded. PO free quantity will be entered if there any. After Pending PO approvals are timeout and will automatically sent to respestive personnel to perform necessary actions.
* GRN Invoice and Supplier Return. GRN Print is done at this point (GRN number will be prefixed). Supplier credit period is based on the supplier brought invoice date. (frequency of GRN invoices integrated from PBSA POS will be prioritized based on Grocery and Provisions). Manual Invoices (not Integrated Invoices) are systematically sequenced.

Supplier Return Request Approved by Operations and debit memo is created

Invoice approvals are send

* Supplier Payments. Payment Voucher print is done at the point of payment is initiated and subsequently cheque is printed after the payment batch is completed. Actual Cheque book number based document sequence is defined in Oracle and assigned the role specific person. Payment OTBI pie chart is available Payment Manager.

Head Office

* Enter bulk AP invoices using developed CSV file and Oracle control file.
* Transport charges from warehouse based at GRN point, cold chain other charges at GRN point are manually entered after invoices are created.
* Any other type of Payable invoices can be entered using a different payment type like Gift Voucher etc. Petty cash float will be reimbussed after head office received the petty cash voucher.

## Accounts Receivables\Debtor

Following are the details of AR transactions for Lanka Sathosa.

### AR Information

1. LSL

Outlet level PBSA POS do debtor management and send the debtor movement to Oracle. Apart from that Outlet level Customer transactions are entered into Oracle by LSL head office.

### Structure

* I owe you
* TCA and settlement notification to either supplier’s or customer’s email
* Customer payment due notification is sent to the respective email address using Oracle Alerts
* Outlet level Customer. Invoice and Receipt Print is done at this point.
* Credit Sales and settlements
* Aging report is given for debtors

## Reconcilliation and Cash Management

Following are the details of CM transactions for Lanka Sathosa.

### CM Information

1. LSL

Outlet level PBSA POS do debtor management and send the debtor movement to Oracle. Apart from that Outlet level Customer transactions are entered into Oracle by LSL head office.

### Structure

* Use a bank statement execle to upload the Bank Statements
* Bank Account Reconcilliation report is available in this module

## Fixed Asset

Following are the details of Fixed Asset transactions for Lanka Sathosa.

### FA Information

1. LSL

LSL head office do the Fixed Asset related tasks.

### Structure

Prerequisites

* Asset items are created by Finance team for subsequest asset purchases.

Head office

* After Asset purchasing based on invoiced Asset items and Assets are creted in FA using Web ADI reference to AP Invoice Number. Therefore Fixed Assets can be serialized numerically.
* Asset locations will be the exact asset in positioned. Purchasing location will be the outlets and/or head office. Physical Asset number will be tagged LSL Assets are Oracle Fixed Asset is created.

## General Ledger

Following are the details of GL transactions for Lanka Sathosa.

### GL Information

1. LSL

LSL head office do the GL related tasks. PBSA POS daily sync sales\returns\payments\till\bank deposits and as a result of integration Oracle is posting daily batches for each outlet and each batch may contain sales\returns\payments\till\bank deposits related Journals with relevant accounting entries.

### Structure

PBSA POS Integration

* Sales Summaries and Payment Summaries are reported in Item\Product Category wise
* FSG reports are supplied to the variance reports etc.
* Accounting rules for softwatch swaggerhub APIS using FAH: Accounting for Transactions from a Custom Application Using R12 FAH (Doc ID 1465987.1)

Head Office

* Bulk JEs will be uploaded by Web ADI.
* JE line summaried balance will be form personalized.

## PBSA Oracle Integrationand Other Techs

Following are the details of Integrations for Lanka Sathosa.

### Integration Information

1. LSL

Please refer the MD070 for this.

### Structure

PBSA POS Integration related reports are daily composed to IT\Network Management.

* PBSA to Oracle Sync Completion Report
* Oracle Interface Program Completion Report
* JE Import Program, Good Receiving Interface Program, AP Open Invoice Interface proram outputs will be scheduled and emailed occationally.

Printer Architecture

* Client PC attached printers is centralized in Oracle Application installed OS level. Based on the user and department Operational report printing is done without any output generated and viewed. If reprined “REPRINTED” tag will be water marked.

User Management using role and responsibilities

* Each Financially entered transaction is authorized to particular Oracle users only based on the created user.
* Full authorization has been given to a particular user for the above mentioned task in case of an unavailability of the user.

## Open / Close Issues for this Deliverable

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### Open Issues

| ID | Issue | Resolution | Responsibility | Target Date | Impact Date |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| 1 | Credit Sales instead of Debtor movement from PBSA POS | Proposed outlet level Credit Sales and Settlement Summary CSV or APEX web page to each outlet | Softwatch\Sathosa | 30 Nov 18 | 15 Dec 18 |
| 2 | VAT NBT breakdown portions for Sales | Use of Product level API for the Oracle Item level tax amount definition | Softwatch\Sathosa | 30 Nov 18 | 15 Dec 18 |
| 3 | Stock Adjustments with Reason Code | PBSA API needs to be enhanced | Softwatch\Sathosa | 30 Nov 18 | 15 Dec 18 |
| 4 | Warehouse GRNs without PBSA POS | APEX web page to enter data or implement PBSA POS | Softwatch\Sathosa | 30 Nov 18 | 15 Dec 18 |
| 5 | Supplier Return Approvals option not avaibale in Oracle POR and FIN modules | APEX web page to DGM Operations | Sathosa\KPMG | 30 Nov 18 | 15 Dec 18 |

### Closed Issues

| ID | Issue | Resolution | Responsibility | Target Date | Impact Date |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
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