Oracle R12 E-Business Suite Implementation in Steel & Cement Divisions of ABUL KHAIR GROUP, Bangladesh

ENVISIONED END-STATE DOCUMENT

Fixed Assets

v1.1

IBCS-PRiMAX

DOCUMENT RELEASE NOTICE	
ENVISIONED-END STATE DOCUMENT **FINAL RELEASE V 1.1** **DATE OF RELEASE:** 26-SEP-2010	
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1.0	06-SEP-2010	Changes incorporated after discussion with users marked in Yellow highlighted font	Subhra Majumdar
1.1	26-SEP-2010	New Release	Subhra Majumdar

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Introduction

Document Structure

This document covers the envisioned solution for the Fixed Assets of AKG through Oracle Applications. The document is organized in the following manner:

Section 1 covers the document structure along with a high-level overview of the Fixed Assets and a brief description of the processes.

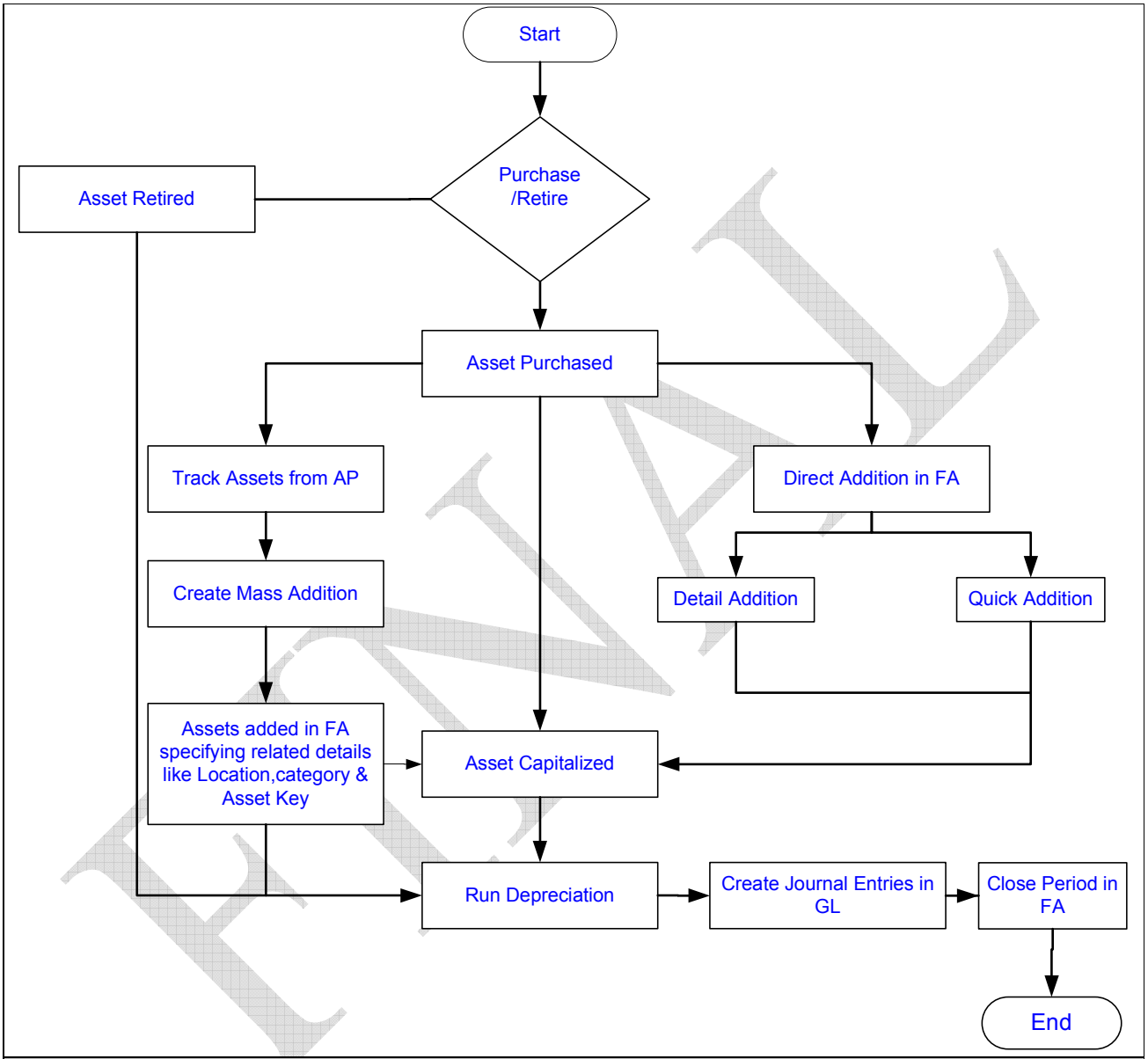
Section 2 covers the Envisioned Business processes. In this section, the key Business Scenarios are mapped to Fixed Assets functionality.

Section 3 covers the Key Configuration Considerations.

Section 4 covers Open / Closed Issues responses.

Envisioned Module Overview

Process Overview



Process Overview Fixed Assets (Text)

- Oracle Assets will integrate with Oracle Payables, Oracle Projects, and Oracle General Ledger to provide asset management information.
- Oracle Assets will use Mass Additions to load into Oracle Assets invoice and asset information from any feeder system, such as Oracle Payables. You can also import CIP assets from Oracle Projects.
- Oracle Assets will eases general ledger integration by automatically producing asset journal entries for the

general ledger system.

- Oracle Assets will provide reports that you can use to inform the fixed asset manager of additions, transfers, retirements, or other unrecorded changes, ensuring that the asset inventory remains accurate.
- Open the next period and Close the current Periods.

Forward Looking Practices Introduced

- All additions, disposals, adjustments completed before period closed
- Automatic creation of depreciation entry in GL once depreciation is run in FA module.
- Location wise asset tracking through location flex field.
- Category wise asset tracking at both detail and broad level through asset category Flex field.
- Sub ledger concept ensures that no particular module is cluttered with irrelevant data. So in FA all asset related detail are maintained and accounting entries are only transferred to GL.
- Drill down facility ensures that, the GL user can also view detail level information in FA module.
- Dependability on compiling manual reports in excel sheets is eliminated to a large extent as many seeded reports addresses many reporting requirements.
- All financial information is available for reference through a user friendly dashboard.
- Use of clearing accounts ensures that reconciliation between FA and GL is quick and accurate.

Application Features Leveraged

- Automatic Journal Entries will be passed for additions, deletions, cost adjustment, transfers & depreciations.
- Integration of Oracle Assets with Accounts Payable, Oracle Projects and General Ledger.
- Automatic update of all the changes made into corporate book into Tax book.
- Automatic generation of Depreciation Report.

Envisioned Business Processes

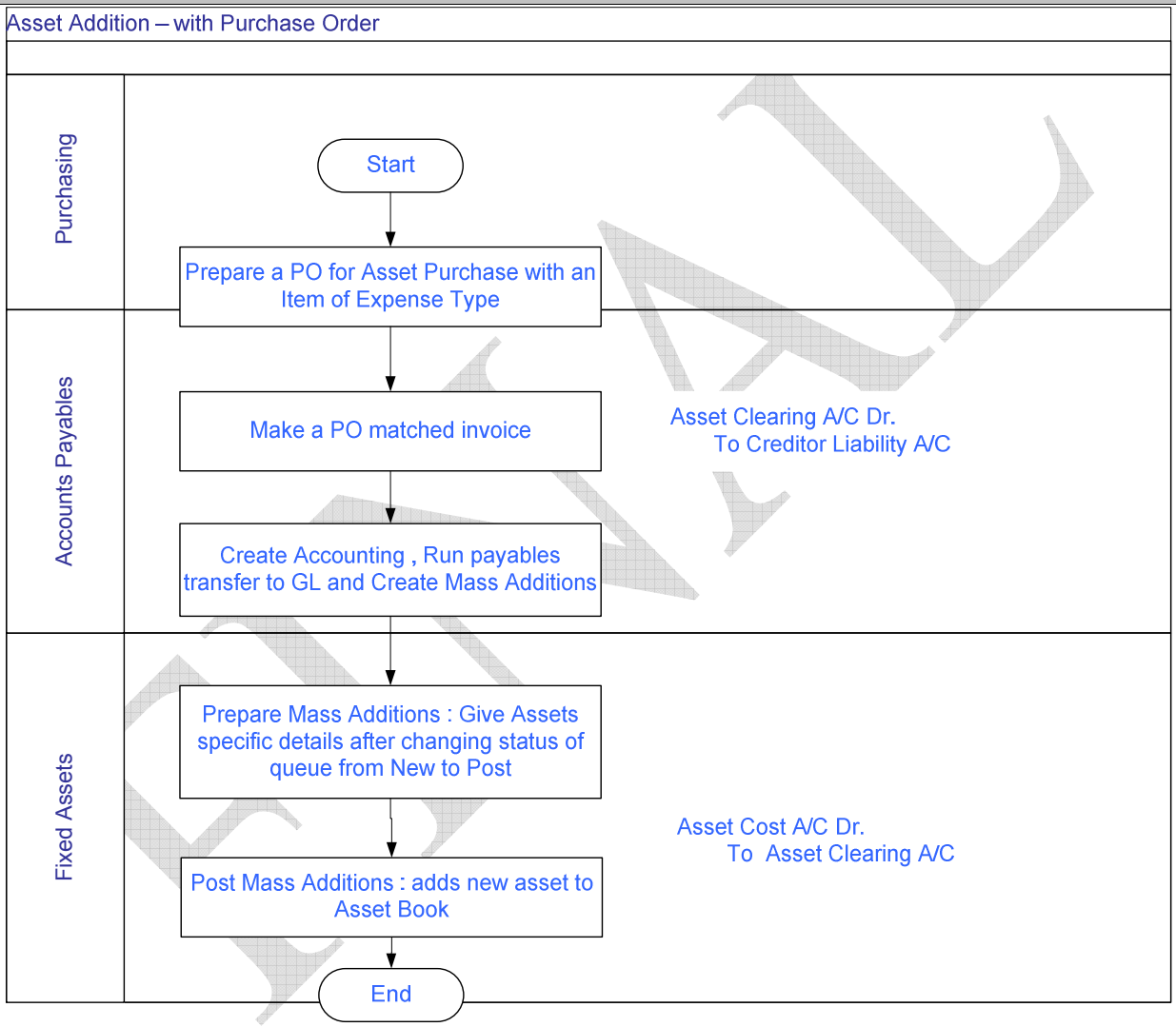
Key Business Process

SL.	BUSINESS SCENARIOS	DESCRIPTION
1	Asset Addition	
1.a	With Purchase Order	
1.b	Without Purchase Order	
1.c	CIP Additions	
2	Asset Split and Merge	
3	Asset Retirement	
4	Asset Transfer	
5	Asset Reclassification	
6	Asset Revaluation	
7	Asset Key Flex-field	
8	Depreciation	
9	Accounting	
10	Insurance for Fixed Assets	
11	Cost Adjustment	
12	Physical Inventory of Assets	
13	Reporting	
14	Other Insurance	

Asset Additions

Fixed assets are either ready to use assets which are directly purchased and put to use or assets are constructed and then commissioned.
Ready to use assets have source as Accounts payables and CIP assets have source as Oracle Projects.

Asset Additions – With Purchase Order



Process Overview (Text)

Description

- Purchasing department will first place a purchase order with the item of expense type with expense account as asset clearing account for asset purchase.
- Once the asset is received and invoice is given by vendor, an invoice either PO matched or receipt matched will be made in the system by accounts department.

- After doing the accounting for the invoice, run the program 'Mass Additions Create'. This program will transfer the asset data from Accounts payables to Fixed Asset module.
- In fixed assets, prepare mass additions give details of the asset after changing status from new to post. Then post it to the asset register.

Volume of Transaction for this process	
Frequency of occurrence of this process	As and when asset is purchased

Accounting (If any)

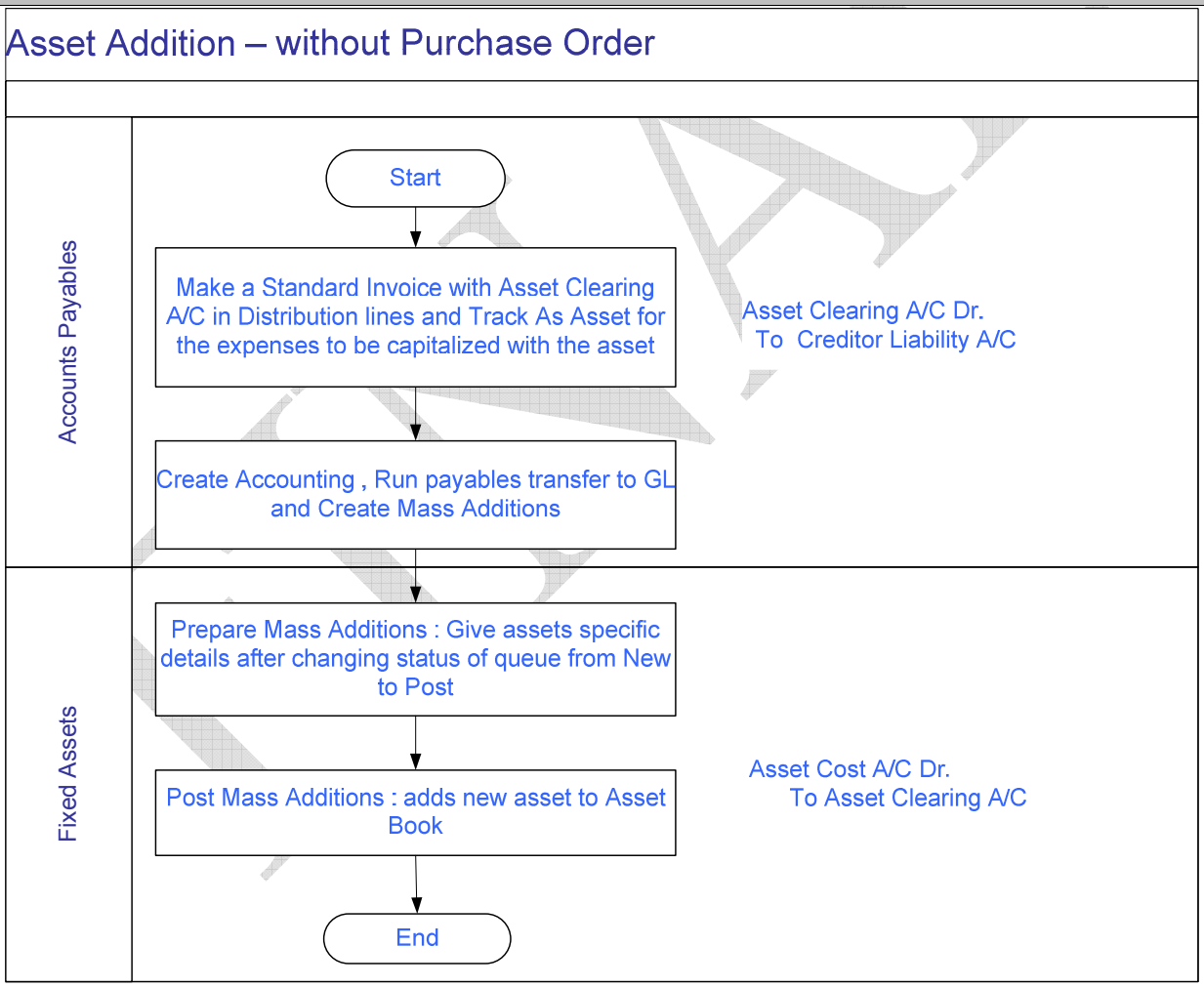
SL	PARTICULARS	DEBIT	CREDIT	REMARKS
1.	At the time of invoicing	Asset Clearing	Creditor Liability	
2.	At the time of asset addition	Asset Cost	Asset Clearing	

Process Improvements

Problems Addressed: AKG now has a problem of not being able to differentiate between assets beyond the GRN Lines.	**Applications Features Leveraged** As and when an asset is purchased, the same can be added to FA module: • Mass Addition: Mass addition provides an interface of AP and FA module, wherein any invoice entered in AP for capital asset procurement can be tracked to FA and capitalized. • While adding assets, asset details like asset category, asset location and also financial details like depreciation methods, depreciation rate are to be specified. • System assigns a unique Asset Number to the each asset added in the system.
Gaps as Identified in Oracle	**Suggested Resolution In Oracle**
Forward Looking Practices Introduced • Addition of assets is streamlined and organized • Interface with payables ensures that invoices for capital asset purchase are added to FA thereby reducing duplication of effort. • Addition of assets in FA can be controlled • A user friendly dash board ensures that all details regarding asset addition is available for easy reference	**Other Enablers Proposed**
Customizations suggested (if any)	

SL	PARTICULARS	TYPE	LEVEL OF CUSTOMIZATION
1			
2			
Interfaces, if any (Only custom interfaces)			
SL	**PARTICULARS**	**SYSTEM**	**BUSINESS LOG**
1			
2			

Asset Additions – Without Purchase Order



Process Overview

Description

- In case there is no purchase order, prepare a standard invoice, with distribution lines for assets having Asset Clearing Account and other expense lines which have to be capitalized along with asset have to be tracked

as asset.

- After doing the accounting for the invoice, run the program 'Mass Additions Create'. This program will transfer the asset data from Accounts payables to Fixed Asset module.
- In fixed assets, prepare mass additions give details of the asset after changing status from new to post. Then post it to the asset register.

Volume of Transaction for this process	Medium
Frequency of occurrence of this process	As and when asset is purchased

Accounting (If any)

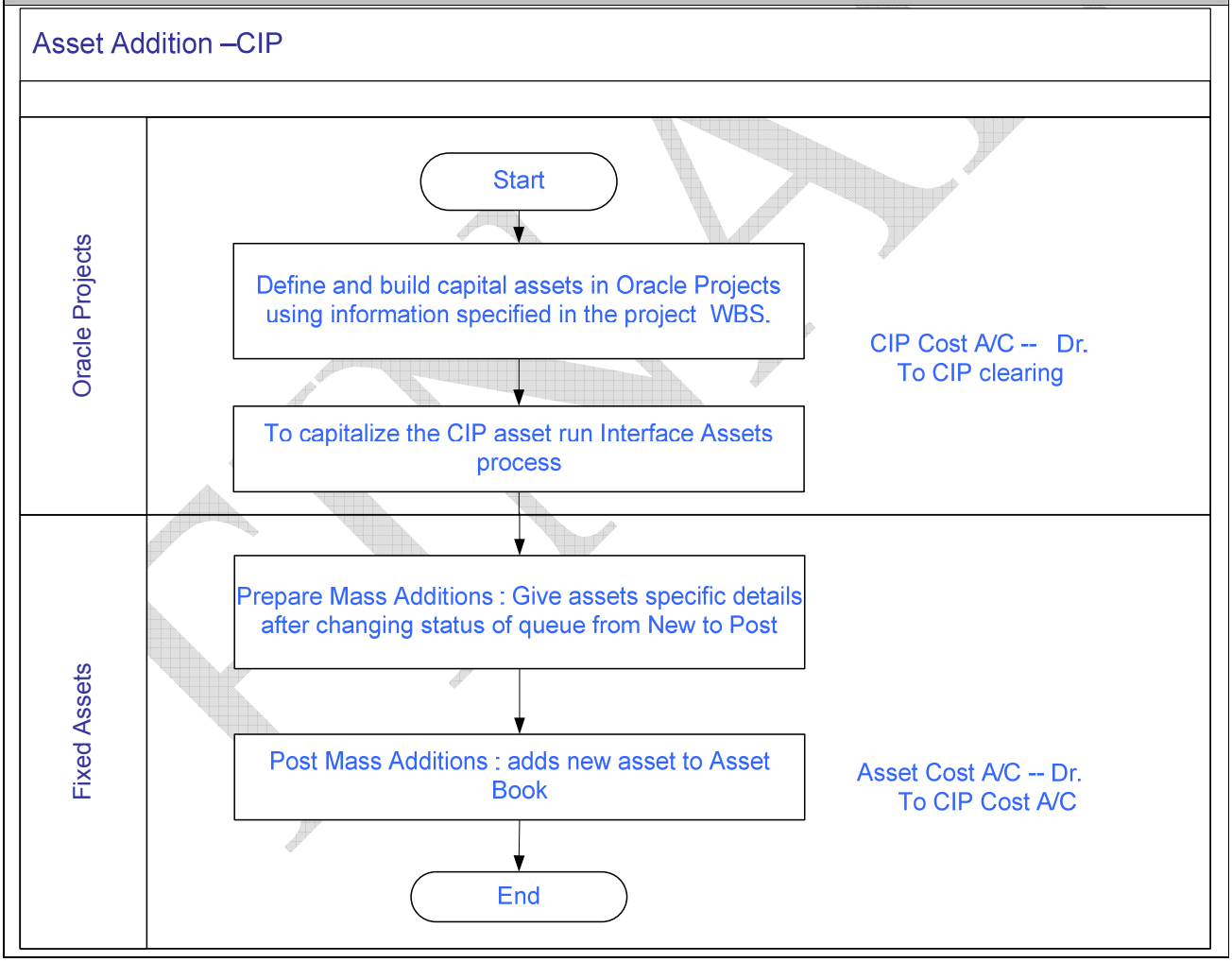
SL	PARTICULARS	DEBIT	CREDIT	REMARKS
1.	At the time of invoicing	Asset Clearing	Creditor Liability	
2.	At the time of asset addition	Asset Cost	Asset Clearing	

Process Improvements

Problems Addressed:	**Applications Features Leveraged** As and when an asset is purchased, the same can be added to FA module: • Mass Addition: Mass addition provides an interface of AP and FA module, wherein any invoice entered in AP for capital asset procurement can be tracked to FA and capitalized. • While adding assets, asset details like asset category, asset location and also financial details like depreciation methods, depreciation rate are to be specified. • System assigns a unique Asset Number to the each asset added in the system.
Gaps as Identified in Oracle	**Suggested Resolution In Oracle**
Forward Looking Practices Introduced • Addition of assets is streamlined and organized • Interface with payables ensures that invoices for capital asset purchase are added to FA thereby reducing duplication of effort. • Addition of assets in FA can be controlled • A user friendly dash board ensures that all details regarding asset addition is available for easy reference	**Other Enablers Proposed**
Customizations suggested (if any)	

SL	PARTICULARS	TYPE	LEVEL OF CUSTOMIZATION
1			
2			
Interfaces, if any (Only custom interfaces)			
SL	**PARTICULARS**	**SYSTEM**	**BUSINESS LOGIC**
1			
2			

Asset Additions – CIP (Construction –In-Progress)



Process Overview (Text)
Description

- Define and build capital assets in Oracle Projects using information specified in the project Work Breakdown Structure
- For costs that originate in Oracle Payables, you should send CIP costs to Oracle Projects, and capitalized costs to Oracle Assets.
- To capitalize the CIP asset run Interface Assets process. This process will transfer the asset data from Oracle Projects to Fixed Asset module.
- In fixed assets, prepare mass additions give details of the asset after changing status from new to post. Then post it to the asset register.

Volume of Transaction for this process	
Frequency of occurrence of this process	As and when asset is purchased

Accounting (If any)

SL	PARTICULARS	DEBIT	CREDIT	REMARKS
1.	At the time of CIP asset addition	CIP Cost	CIP Clearing	
2.	At the time of capitalizing CIP asset addition	Asset Cost	CIP Cost	

Process Improvements

Problems Addressed:	**Applications Features Leveraged** As and when an asset is purchased, the same can be added to FA module: • As and when cost is incurred on the CIP assets the same would be added to such CIP assets by tracking all CIP expenses from AP. • Once the construction of CIP asset is over the same can be capitalized. • Depreciation will be calculated on CIP assets post capitalization.
Gaps as Identified in Oracle	**Suggested Resolution In Oracle**
Forward Looking Practices Introduced • CIP assets are clearly distinguished from capitalized asset. • History of assets capitalization is maintained and available for inquiry via a user friendly dash board. • History of all cost adjustments/ additions to CIP assets is maintained by the system and available for inquiry via a user friendly dash board.	**Other Enablers Proposed**
Customizations suggested (if any)	

SL	PARTICULARS	TYPE	LEVELS OF CUSTOMIZATION
1			
2			
Interfaces, if any (Only custom interfaces)			
SL	**PARTICULARS**	**SYSTEM**	**BUSINESS LOGIC**
1			
2			

Asset Split & Merge

Process Overview (Text)
Split Mass Additions • We can split a mass addition line with multiple units into several single unit lines. • We can split a previously merged mass addition line. **Merge Mass Additions** • We can merge separate mass addition lines into a single mass addition line with a single cost. The mass addition line becomes a single asset when we Post Mass Additions to Oracle Assets. • As an audit trail after the merge, the original cost of the invoice line distribution remains on the line. • The cost of the parent line will not be altered as a result of the merge and will remain the same. • We can view the merged lines and the total merged cost in the Merge submenu. When we post the merged line, the asset cost is the total merged cost.

Volume of Transaction for this process	
Frequency of occurrence of this process	

Accounting (If any)

SL	PARTICULARS	DEBIT	CREDIT	REMARKS
1.				
2.				

Process Improvements

Problems Addressed: • There is no split and merge functionality in existing system. In fact, assets cannot be identified beyond one GRN Line in the current system.	**Applications Features Leveraged** Each and Every asset can be uniquely identified through split functionality. Also, new parts of an asset can be merged to the original asset.
Gaps as Identified in Oracle	**Suggested Resolution In Oracle**
Forward Looking Practices Introduced	**Other Enablers Proposed**

Customizations suggested (if any)

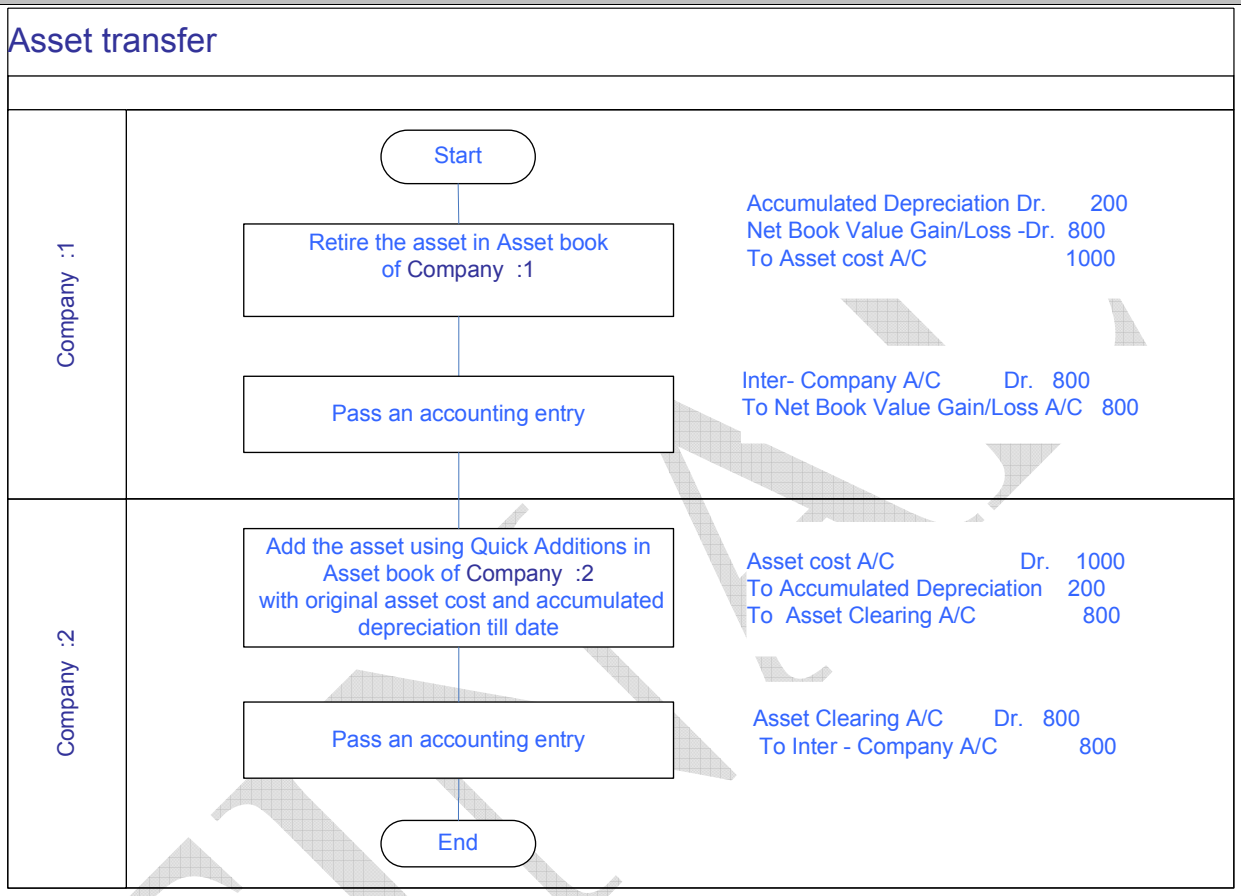
SL	PARTICULARS	TYPE	LEVELS OF CUSTOMIZATION
1			
2			

Interfaces, if any (Only custom interfaces)

SL	PARTICULARS	SYSTEM	BUSINESS LOGIC
1			

Asset Transfers within a Operating Unit (sharing same Asset Book)

Process Overview



Process Overview

Description

- Assets are transferred between one company (Registered entity) to another company (Registered entity) and sometime within the same company from one location (cost centre) to another location (cost centre) .This Process will cover the accounting treatment in both the cases.

Volume of Transaction for this process	
Frequency of occurrence of this process	As and when asset is purchased

Accounting (If any)

SL	PARTICULARS	DEBIT	CREDIT	REMARKS
1.	Transfer from one registered entity to another entity	Accumulated Depreciation	Asset Cost	
		Inter company Receivables		

		Asset Cost	Accumulated Depreciation	
			Inter company	

Process Improvements

Problems Addressed:	**Applications Features Leveraged**
• Transfer of Assets from one registered entity to another registered entity and within the registered entity is not being tracked. • At any point of time it is not possible to track which assets have been transferred and the related history of transactions pertaining to transfer of any asset.	• At the time of adding asset, each asset will be required to be associated with a company. The asset will remain in that unit till transferred. • Assets can be transferred from one company to another company and the details can be captured in the module. Following scenarios are can be adequately captured: o Transfer of asset between two registered entities. o Transfer of asset from one operating unit to another. • In case of inter- company transfers since it leads to change of asset book, hence such movements will be incorporated through assets retirements. Here the asset shall be retired from one asset book, where in the till date depreciation shall be calculated, and the same shall be added as a new asset at current value in the other asset book. In addition to this, in the location flex field, the location value shall also be changed.
Gaps as Identified in Oracle	**Suggested Resolution In Oracle** .
Forward Looking Practices Introduced • At any point of time current location can be seen from the system itself • Accounting impact of asset transfer between cost centers be adequately captured • Details of asset transferred out and asset transferred in is available in a user friendly dash board.	**Other Enablers Proposed**

Customizations suggested (if any)

SL	PARTICULARS	TYPE	LEVEL OF CUSTOMISATION
1			
2			

Interfaces, if any (Only custom interfaces)			
SL	**PARTICULARS**	**SYSTEM**	**BUSINESS LOGIC**
1			
2			

Asset Transfers Between Operating Units (Two separate Asset Books)

Process Overview

Description

- Some time assets are transferred from one operating units to another operating unit. Say, in case of steel division, asset is transferred between flat steel to long steel which are two separate operating units and have separate Asset Books.
- Such transfer will only take place by way of doing retirement and sale of assets from the Asset book of Flat Steel and making addition of that asset (with remaining book value/depreciated value) in the Asset Book of Long Steel.
- Suppose an asset was procured by Flat Steel division and transferred after using the asset for two and half years. Cost of asset when procured was 40,000 .Depreciation method SLM and life of 4 yrs with no salvage value.

Volume of Transaction for this process	
Frequency of occurrence of this process	As and when asset is transferred

Accounting (If any)

SL		DEBIT	CREDIT	REMARKS
1	AKSPL-CRM.ARP.Fixed Asset A/C.None	40,000		Fixed Asset bought in Flat Steel – Asset Book
	AKSPL-CRM.None.Bank.None		40,000	
2.	AKSPL-CRM.ARP.Depreciation A/C.None	25000		Total Depreciation in 2 and a half years
	AKSPL-CRM.ARP.Accumulated Depreciation A/C.None		25000	
3.	AKSPL-CRM.ARP.Accumulated Depreciation A/C.None	25000		Retire Asset in Flat Steel
	AKSPL-CRM.ARP.Fixed Asset A/C.None		40000	
	AKSPL-CRM.ARP.Net Book Value Gain/ Loss A/C.None	15000		
4.	AKSPL-CRM.None.Long Steel Inter Company.None	15000		Sale of Asset and removal from Flat Steel Asset Book
	AKSPL-CRM.ARP.Net Book Value Gain/ Loss A/C.None		15000	

5.	AKSL.None.Fixed Asset A/C.None	15,000		Purchase of Asset at Long Steel in Long Steel Asset Book
	AKSL.None.Flat Steel Inter Company.AKSPL		15,000	

Process Improvements

Problems Addressed:	**Applications Features Leveraged**
• Transfer of Assets from one Flat Steel to long Steel is not being tracked. • At any point of time it is not possible to track which assets have been transferred and the related history of transactions pertaining to transfer of any asset.	• At the time of adding asset, each asset will be required to be associated with a company. The asset will remain in that unit till transferred. • Assets can be transferred from one company to another company and the details can be captured in the module. Following scenarios are can be adequately captured: o Transfer of asset between two registered entities. o Transfer of asset from one operating unit to another.
Gaps as Identified in Oracle	**Suggested Resolution In Oracle** .
Forward Looking Practices Introduced • At any point of time current location can be seen from the system itself • Accounting impact of asset transfer between cost centers be adequately captured • Details of asset transferred out and asset transferred in is available in a user friendly dash board.	**Other Enablers Proposed**

Customizations suggested (if any)

SL	PARTICULARS	TYPE	LEVEL OF CUSTOMISATION
1			
2			

Interfaces, if any (Only custom interfaces)

SL	PARTICULARS	SYSTEM	BUSINESS LOGIC
1			
2			

Asset Reclassification

Process Overview				
Description • The category of the assets can be changed later on due to many reasons like wrong category selection at entry, change in asset depreciation rates.				
Volume of Transaction for this process				
Frequency of occurrence of this process		As and when asset category is changed/ change of rate of depreciation occurs.		
Accounting (If any)				
SL	**PARTICULARS**	**DEBIT**	**CREDIT**	**REMARKS**
1.	On Reclassification	Accumulated Depreciation of old category	Accumulated Depreciation of new category	
		Asset cost of new category	Asset cost of old category	
Process Improvements				
Problems Addressed: Currently there is no any standard functionality in the system to capture reclassification of assets.		**Applications Features Leveraged** Assets in FA can be categorized into multi-level category like: • Major Category and Minor Category • The fixed asset user will reclassify assets to update location, cost center and other relevant information or to correct data entry errors, or when consolidating categories. • Fully retired Assets cannot be reclassified. • Reclassification does not default the depreciation rules to the default rules from the new category. Fixed asset user will manually change the depreciation rules for the asset. • A group of assets can be reclassified using the Mass Reclassifications feature, where the new category depreciation rules can be defaulted. • If an asset is reclassified in a period after the period of entry, Oracle Assets creates journal entries to transfer the cost and accumulated depreciation to the asset cost and accumulated depreciation accounts of the new asset category. This occurs at the time of creating journal entries		

	for GL. • When depreciation rate/rule is changed, it will be recalculated based on the new rate. The excess/shortage depreciation will be charged in the current year. Prior period adjustments have to be made manually in GL.
Gaps as Identified in Oracle	**Suggested Resolution In Oracle**
Forward Looking Practices Introduced • Multi-level asset categorization possible. • Assets can be re categorized both at a broad level (using major category) and detail level (using minor category) • Financial details like FA book, depreciation rules, depreciation rates can be attached with a category which defaults to all assets added in that category. This enables quick additions of asset, thereby reducing data entry time. • Many seeded reports group assets and financial information therewith by asset category.	**Other Enablers Proposed**

Customizations suggested (if any)

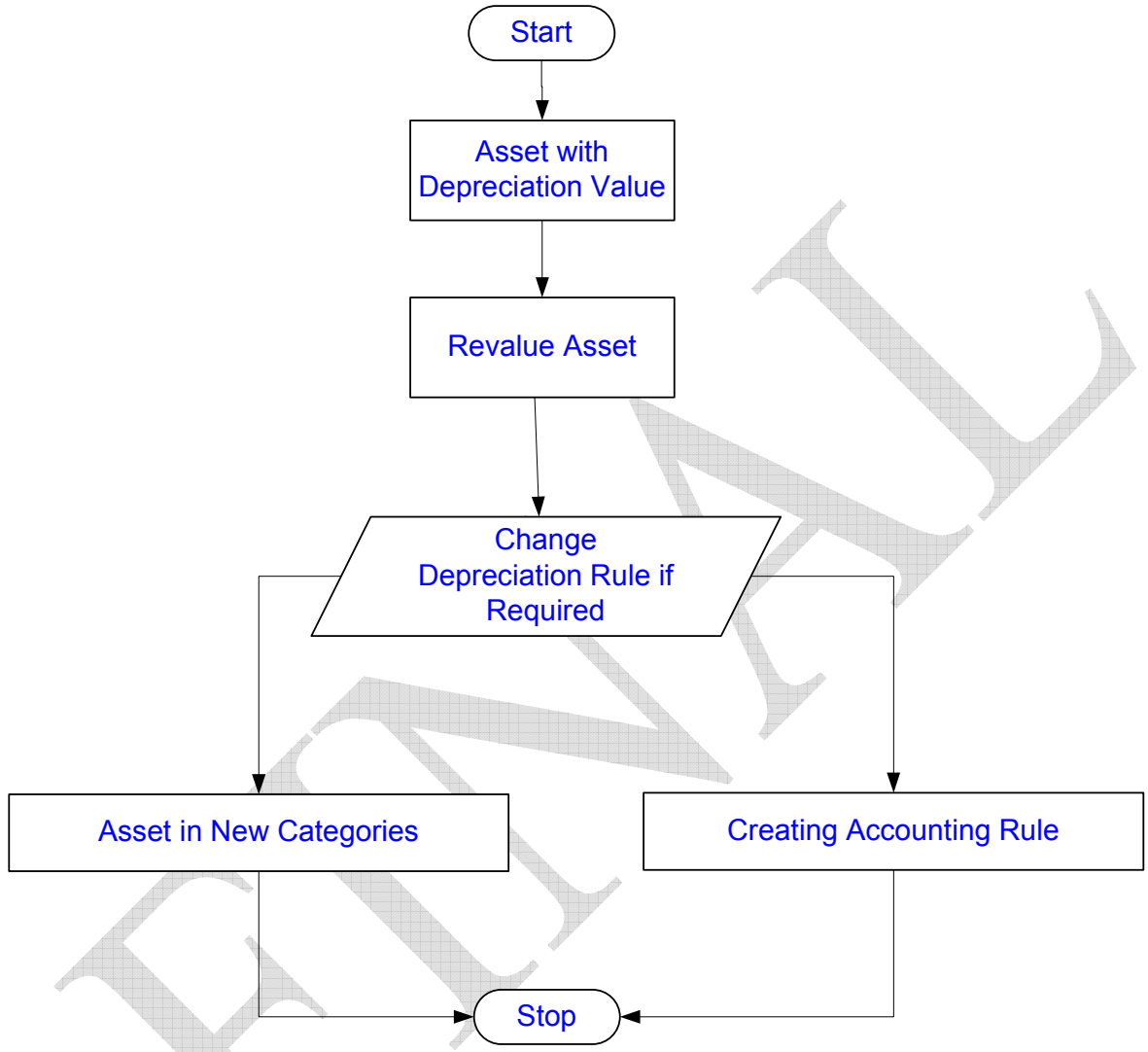
SL	PARTICULARS	TYPE	LEVEL OF CUSTOMISATION
1			
2			

Interfaces, if any (Only custom interfaces)

SL	PARTICULARS	SYSTEM	BUSINESS LOGIC
1			
2			

Asset Revaluation

Process Map



Process Overview

Description

- Revaluation is mostly done to show the fair market value of assets which have considerably appreciated since their purchase such as land and buildings.
- Revaluation of asset will be carried out at the end of financial year.
- Revaluation will be carried out before depreciation is run. All previous depreciation for that year will be reversed and new depreciation will be calculated based on the revalued amount of the asset.
- Life of an asset can be extended (after initial set up) on a later stage if AKG feels that life of that particular asset needs to be extended as a result of some major capital expenditure has been incurred in relation to that asset.

Volume of Transaction for this process	

Frequency of occurrence of this process	

Accounting (If any)

SL	PARTICULARS	DEBIT	CREDIT	REMARKS
1.	On Revaluation	Asset Cost	Revaluation Reserve	Increased asset cost
2.	Depreciation after Revaluation	Revaluation Reserve	Accumulated Depreciation	Depreciation for the increased value of asset.
		Depreciation Expense	Accumulated Depreciation	Depreciation for original asset value

Process Improvements

Problems Addressed: Currently there is no revaluation of assets done as the existing system does not support this functionality.	**Applications Features Leveraged**
Gaps as Identified in Oracle	**Suggested Resolution In Oracle** .
Forward Looking Practices Introduced • Every time revaluation is done for an asset, the increased cost of the asset needs to be added as a new asset to the revalued asset category. • This will be done to ensure that accounting is as per AKG accounting policy.	**Other Enablers Proposed**

Customizations suggested (if any)

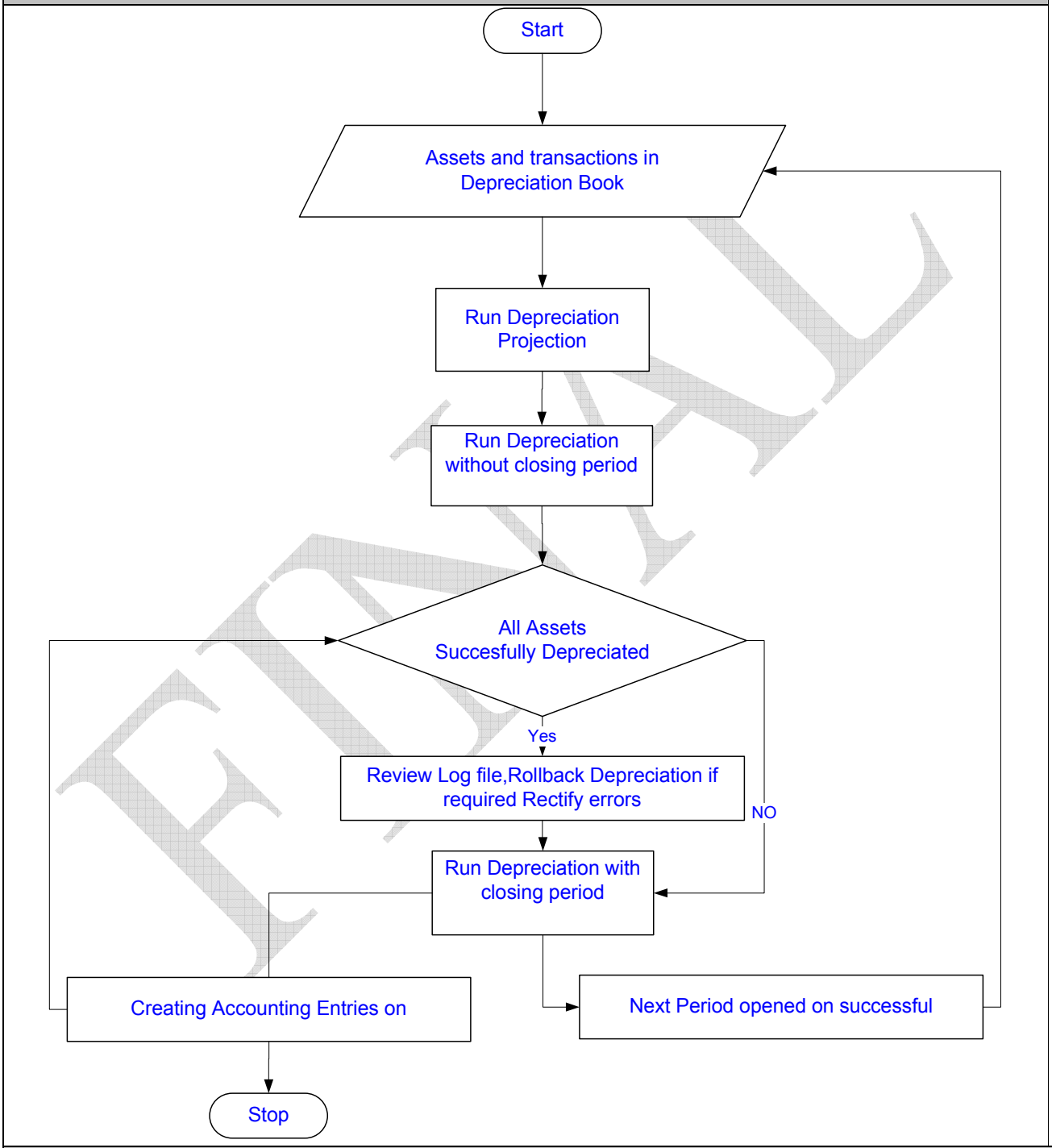
SL	PARTICULARS	TYPE	LEVEL OF CUSTOMISATION
1			
2			

Interfaces, if any (Only custom interfaces)

SL	PARTICULARS	SYSTEM	BUSINESS LOGIC
1			
2			

Depreciation

Process Overview



Process Overview

Description

- Fixed assets are subject to depreciation as *per Companies Act*. The same is charged to income statements for calculating profit and loss from operations.
- Depreciation is calculated as per Income Tax Act also considering all the changes made in the Corporate Book.

Depreciation Projection:

- If required FA user will run the depreciation projection program for all assets in a book, instructing Oracle Assets to estimate the depreciation expense for the periods based on the financial information for existing assets at the start of that period.
- The projection includes additions, transfers, and reclassification transactions performed in the current period.
- It ignores other asset transactions made in the current period, such as the depreciation adjustment for retroactive additions and retroactive transfers entered in the current period.
- This projection is only for a memorandum purpose and does not have any accounting implication.

Run Depreciation without closing period:

- After verifying depreciation through projection if required, FA user will run the depreciation program for the current period for all assets of all entities in a book.
- The depreciation program calculates the depreciation expense, adjustments and updates the accumulated depreciation and year-to-date depreciation figures.
- Once depreciation has been processed for an asset in the current open period, no transactions can be performed on those assets unless depreciation is rolled back.
- If there are assets that have not depreciated successfully, these are listed in a log file, user will review errors and re-run depreciation.
- Prior-period depreciation: Oracle Assets calculates depreciation of assets entered in current period but with date placed in service of a prior (closed) period, from the date placed in service; and it accounts for this in the current period.

Rollback depreciation if required and re-run with closing period:

- If some outstanding transactions are left, FA user will be able to rollback depreciation, provided depreciation was earlier run without closing period
- FA user will enter the outstanding transactions
- Then FA user will rerun depreciation, with close depreciation flag checked. This will recalculate

depreciation and if all assets depreciate successfully, Oracle Assets automatically closes the period and opens the next period for the book.

Volume of Transaction for this process	
Frequency of occurrence of this process	As and when asset is purchased and made ready to use

Accounting (If any)

SL	PARTICULARS	DEBIT	CREDIT	REMARKS
1.	Fixed Asset Depreciation	Depreciation Expense Account	Accumulated Depreciation	

Process Improvements

Problems Addressed: Currently system depreciation calculation is done manually and depreciated assets data is maintained outside the system .	**Applications Features Leveraged** • Depreciation run will be a central process at month-end for both books – Corporate book & IT book. • The method for depreciation will be straight line (SLM) for corporate book and WDV (Written Down Value) method for IT book. • In WDV method depreciation will be carried out till 95% of the original value of the asset is depreciated (zero salvage value is required). • At the time of asset addition, depreciation method and rule is captured along with other financial data like cost, depreciation reserve, useful life of assets etc. • At the end of period a single request need to be run for the FA Book which calculates depreciation for all assets attached to the book.
Gaps as Identified in Oracle	**Suggested Resolution In Oracle**
Forward Looking Practices Introduced • Depreciation is being calculated by the system. • A central repository of depreciation rates applicable will be maintained and this would reduce chances of using wrong depreciation rates while calculating depreciation. • Entries is also created by the system and no extra effort • All the financial effects are available in a user friendly dashboard.	**Other Enablers Proposed**

Customizations suggested (if any)			
SL	**PARTICULARS**	**TYPE**	**LEVEL OF CUSTOMISATION**
1			
2			
Interfaces, if any (Only custom interfaces)			
SL	**PARTICULARS**	**SYSTEM**	**BUSINESS LOGIC**

Accounting

Process Overview				
Description • Accounting is required for addition of asset, retirement, transfer of asset from one unit to another, depreciation of asset.				
Volume of Transaction for this process				
Frequency of occurrence of this process				
Accounting (If any)				
SL	**PARTICULARS**	**DEBIT**	**CREDIT**	**REMARKS**
1.	As per the scenario			

Process Improvements	
Problems Addressed: Currently there is no functionality in the system to generate automatic accounting for the accounting events like, transfer, retirement, sale of assets, reclassification and depreciation.	**Applications Features Leveraged** At each period end, following steps need to be executed: • A single request needs to be submitted for calculating depreciation on assets • A single request needs to be submitted for creating journal entries in GL
Gaps as Identified in Oracle	**Suggested Resolution In Oracle**
Forward Looking Practices Introduced • Accounting is being done by module itself. So no separate effort is required for compiling journal entries manually. • No separate JV is required • Drill down is possible from GL to Fixed Asset	**Other Enablers Proposed**

to individual asset • All accounting entries for a particular period can be viewed at one place • Sub ledger concept ensures that detailed information is available only at the FA level and only accounting entries are captured at GL level.	

Customizations suggested (if any)			
SL	**PARTICULARS**	**TYPE**	**REASON**
1			
2			

Interfaces, if any (Only custom interfaces)			
SL	**PARTICULARS**	**SYSTEM**	**BUSINESS LOGIC**
1			
2			

Lease Transactions

Process Overview	
Description The detail of lease transactions like, Lease No., Lessor, Lessor Site, Lease Type of Capitalized or Operating, Lease Term, Assets Life, Asset Present Value, Fare Value, Payment Term , Payment Schedule, Interest can be captured in the system for the fixed assets.	
Volume of Transaction for this process	
Frequency of occurrence of this process	

Accounting (If any)				
SL	**PARTICULARS**	**DEBIT**	**CREDIT**	**REMARKS**
1.	When assets is sold (ownership is transferred but physically Assets remains with AKG)	Bank A/C	Lease liability /Lessor A/C	For the principal amount
2.	Lease installment is payable at the month end	Lease liability /Lessor A/C Interest A/C	Accrual for Lease Payment A/C	
3.	Lease installment is paid	Accrual for Lease Payment A/C	Bank A/C	

Process Improvements	
Problems Addressed: Currently the existing system does not support any functionality for capturing lease transactions rather lease related calculation (for installment and interest) is handled by another software and there is no interface between these applications.	**Applications Features Leveraged** • System can calculate automatically the present value and the total amount of lease payment which will be made across the entire lease term. • At any point of time a report can be run which will show the asset which is under lease, the assets categorization and value.
Gaps as Identified in Oracle	**Suggested Resolution In Oracle**
	Other Enablers Proposed

Customizations suggested (if any)			
SL	**PARTICULARS**	**TYPE**	**LEVEL OF CUSTOMIZATION**
1			
2			

Interfaces, if any (Only custom interfaces)			
SL	**PARTICULARS**	**SYSTEM**	**BUSINESS LOGIC**
1			
2			

Sale & Lease Back Transactions

Process Overview (Text)				
There is sale and lease back concept. For example, AKG has purchased a machinery (Capital) worth BDT 10,00,000 for its own purpose through bank financing/cash financing. Then the ownership of this asset is transferred to another party with the condition of buying back after a scheduled/decided time (say 5 year) for cash. After the said machinery is transferred to another company. The other company lease back the said machinery to AKG for some specified monthly rental charge/installment. (Normally interest rate is 12 % to 17%). Then at the end of fifth year the ownership is transferred to AKG by giving the residual value. Such asset will be tracked by storing information (Lease No, /Lessor Name, Date of expiry of lease term) in DFF of such Asset.				
Volume of Transaction for this process				
Frequency of occurrence of this process				
Accounting (If any)				
SL	**PARTICULARS**	**DEBIT**	**CREDIT**	**REMARKS**
1.	Buying of Asset – entry through AP and defining the Asset in the system	Fixed Asset	Cash/Bank	
2.	Credit Memo in the name of the Lessor	Memorandum	Sundry Creditor	
3.	Taking refund on the above	Bank /Cash	Memorandum	
4.	Std Invoice in the name of Lessor	Sundry Creditor	Lease liability/lessor	
5.	Month End Interest accrual	Lease Interest	Lease liability/lessor	
6.	Payment of lease installment (including)interest	Lease liability/lessor	Bank	
Process Improvements				
Problems Addressed:		**Applications Features Leveraged**		
Gaps as Identified in Oracle		**Suggested Resolution In Oracle**		
		Other Enablers Proposed		
Customizations suggested (if any)				
SL	**PARTICULARS**	**TYPE**	**LEVEL OF CUSTOMIZATION**	

1			
2			
Interfaces, if any (Only custom interfaces)			
SL	**PARTICULARS**	**SYSTEM**	**BUSINESS LOGIC**
1			

Insurance for Fixed Asset

Process Overview	
Description • Oracle Assets provides a window and reports to help in managing insurance values and other insurance information for assets viz. Policy No., Insurance Company Name, Calculation Method, Insured Amount, Current Value, Type of Insurance, Insurance Index, Risk Level ,Insurance Amount adjustment • We can view and enter insurance information for an asset and assign more than one type of insurance to an asset. • Asset insurance information includes insurance categories, current insurance value, and optional updates that affect the insurance value, such as additions or retirements. **Note: For other insurance transactions which can not be captured in Oracle Assets module would be done by way of customization, has been separately dealt in end of this document.** Assume an example for understanding accounting treatment in case of insurance claim on Fixed Asset which has been damaged by fire after using for 6 yr. Initial Cost of Machine 10,000TK, life 10 Yr. Method of Depreciation SLM with no salvage value.	
Volume of Transaction for this process	
Frequency of occurrence of this process	

Accounting (If any)

SL	PARTICULARS	DEBIT	CREDIT	REMARKS
1.	Machinery Account	10,000		Initial procurement of Machinery
	Bank A/C		10,000	
2.	Accumulated Depreciation	6000		Retirement of Asset after 6 year
	Net Book value retired gain/loss Account	4000		
	Machinery A/C		10,000	
3.	Accounts Receivable A/C	10,000		Making claim to insurance company for damage of Machinery due
	Revenue		10,000	

				to fire by creating AR Invoice.
4.	Revenue	5500		Insurance company reimburses only 4500TK ,so a credit memo will be created in the system for difference amount of 5500TK
	Accounts Receivable A/C		5500	
5.	Bank A/C	4500		Receipt of Claim money
	Accounts Receivable		4500	

Process Improvements

Problems Addressed:	**Applications Features Leveraged**
	• Oracle Assets provides two reports for reviewing asset insurance information. o The Asset Insurance Data report lists all insurance policy data for an asset. o The Asset Insurance Value report lists insurance values, current insurance amounts, and a calculation of the insurance coverage.
Gaps as Identified in Oracle • The standard insurance functionality for insurance is only for fixed assets, but AKG requires tracking the insurance policies for other items also.(like Inventory items – HR coil) • There is no functionality in oracle Asset for capturing other insurance like, Marine which is insured on the basis of shipment and not assignable to a particular fixed assets. • The standard feature only captures policy details and does not track when premium is due or policy expiry date. • For assets which have been damaged and insurance has been claimed, book value of asset is reduced to 0. However the asset may be	**Suggested Resolution In Oracle** • Customized screen is required for the intended functionality.

physically present on the floor. Such assets need to be tracked.	
Forward Looking Practices Introduced • The insurance details will be captured in a customized screen. • At the time of making payment user will capture policy number and installment number in invoice screen. The payment reference number and date shall get populated in the installment screen automatically. • At the time of refund user will have to enter policy number and claim lodgment number. • In claims screen, the refund details will be populated automatically. • At the time of receiving shipment of a particular machinery receipt of FA , system will capture the Insurance policy number. The net amount of goods received against the policy will get populated in the amount utilized field. • Alert will be provided for Installments due and expiry of the policy.	**Other Enablers Proposed**

Customizations suggested (if any)

SL	PARTICULARS	TYPE	LEVEL OF CUSTOMIZATION
1	Insurance Detail Screen	Form	Standard feature does not have intended functionality.
2	Alerts for expiry date and due date of installment	Alert	Need to track these dates so as to make payments and get the policy renewed at the right time.
3.	Insurance claim Report	Report	

Interfaces, if any (Only custom interfaces)

SL	PARTICULARS	SYSTEM	BUSINESS LOGIC
1			
2			

Existing Asset Cost Adjustment

Process Overview				
Description • Adding new cost to the existing asset or changing the asset cost of an existing asset. • When using mass additions, the user will place a newly created mass addition lines for existing capital assets or CIP assets in COST ADJUSTMENT queue. • Review the lines and specify the existing capital asset number or CIP asset number. • This will enable Oracle Assets to add to the cost of assets or CIP assets through the feature of 'Add to Asset'. • At the end fixed assets user will run the Post Mass Additions to Oracle Assets program on Mass Addition lines with a queue status of 'COST ADJUSTMENT' to add the lines to cost of assets using the data entered in the Mass Additions window.				
Volume of Transaction for this process				
Frequency of occurrence of this process				
Accounting (If any)				
SL	**PARTICULARS**	**DEBIT**	**CREDIT**	**REMARKS**
1.	As per the scenario			
Process Improvements				
Problems Addressed:		**Applications Features Leveraged** • Mass Additions		
Gaps as Identified in Oracle		**Suggested Resolution In Oracle**		
Forward Looking Practices Introduced • Apart from cost, user can change any field for the asset including all financial information, in the first period in which the asset was created, before depreciation is run. • After depreciation is run once for an asset, user can change asset cost, salvage value, prorate convention, depreciation method, life, capacity and unit of measure (in the corporate book), rate, bonus rule, depreciation ceiling, and revaluation ceiling. • In case the change in the financial information affects depreciation calculation, Oracle assets can amortize or expense off the adjustment.		**Other Enablers Proposed**		

Customizations suggested (if any)			
SL	**PARTICULARS**	**TYPE**	**LEVEL OF CUSTOMIZATION**
1.			
Interfaces, if any (Only custom interfaces)			
SL	**PARTICULARS**	**SYSTEM**	**BUSINESS LOGIC**
1.			

Physical Inventory of Assets

Process Overview				
Description • FA provides for Physical inventory comparison functionality. • Physical inventory needs to be uploaded in the system. • A single request – Physical Inventory Comparison Report, needs to be run, after entering data of physical inventory of assets. This would ascertain which assets are missing in FAR • Appropriate action can be taken based on the results of the comparison. • The Missing Assets Reports lists all Assets that have not been accounted for in the Physical Inventory • Status of Asset needs to be captured whether a particular asset is obsolete, repairable, damaged, Assets not being used. This will be done through storing such information in DFF of Asset.				
Volume of Transaction for this process				
Frequency of occurrence of this process				
Accounting (If any)				
SL	**PARTICULARS**	**DEBIT**	**CREDIT**	**REMARKS**
Process Improvements				
Problems Addressed:		**Applications Features Leveraged** • The Missing Assets Reports lists all Assets that have not been accounted for in the Physical Inventory.		
Gaps as Identified in Oracle		**Suggested Resolution In Oracle**		
Forward Looking Practices Introduced		**Other Enablers Proposed**		

Customizations suggested (if any)			
SL	**PARTICULARS**	**TYPE**	**LEVEL OF CUSTOMIZATION**
1.			
2.			

Interfaces, if any (Only custom interfaces)			
SL	**PARTICULARS**	**SYSTEM**	**BUSINESS LOGIC**
1.			
2.			

Reporting

Process Overview				
Description • Various fixed assets reports are required for management decisions and other asset management decisions. Various accounting reports that can be generated through FA Module are given below.				
Volume of Transaction for this process				
Frequency of occurrence of this process				
Accounting (If any)				
SL	**PARTICULARS**	**DEBIT**	**CREDIT**	**REMARKS**

Process Improvements	
Problems Addressed:	**Applications Features Leveraged** FA provides for reports on: • Asset Depreciation. • Asset Listings. • Asset Categories. • Asset Schedules. • Fixed Assets Book
Gaps as Identified in Oracle	**Suggested Resolution In Oracle**
Forward Looking Practices Introduced • Asset specific reports can be generated.	**Other Enablers Proposed**

• Asset listings by projects can be ascertained by the system.	

Customizations suggested (if any)

SL	PARTICULARS	TYPE	REASON
1.			
2.			

Interfaces, if any (Only custom interfaces)

SL	PARTICULARS	SYSTEM	BUSINESS LOGIC
1.			
2.			

Report Name (Seeded Report)	Report Usage
Budget Reports	Use the budget reports to review your capital budgets.
Budget-To-Actual Report	This report shows the difference between your budgeted purchases and actual asset purchases.
CIP Reports	Use the CIP reports to view your CIP assets.
Capitalizations Report	This report shows the CIP assets that you capitalized during a range of accounting periods
CIP Assets Report	This report shows all the invoice line items and manually entered source line items for your CIP assets.
Asset Listings	Use the asset listings to review assets and asset information.
Fixed Assets Book Report	This report allows you to print asset information, cost information, and depreciation information, as of a specified period, for a specified asset book, balancing segment, asset account, cost center, and asset type.
Asset Register Report	Use this report to get a snapshot of any asset.
Fully Reserved Assets Report	Use this report to find the assets that became fully depreciated in a range of accounting periods.
Leased Assets Report	Use this report to find all your leased assets.
Depreciation Reports	Use the depreciation reports to review depreciation information for your assets.
Depreciation Projection Report	Use this report to review projected depreciation expense for your assets for each book you request.
Accounting Reports	Use the accounting reports to review accounting information for

	your assets, and to reconcile to the general ledger.
Accumulated Depreciation Balance Report	Use the Accumulated Depreciation Balance Report to reconcile your reserve accounts to your general ledger.

Key Configuration Considerations

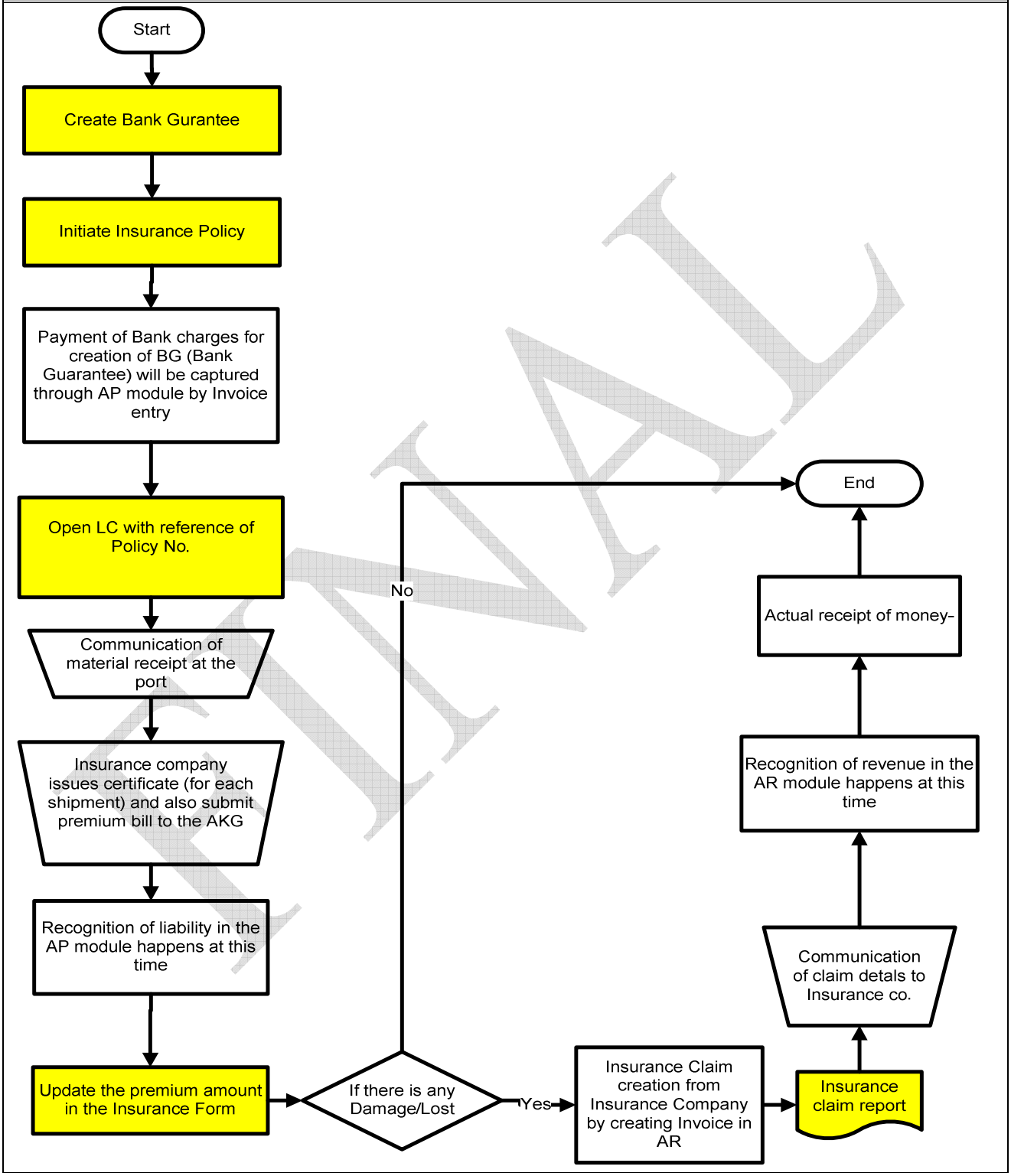
Parameter	AKG Settings	Notes
Ledgers	As discussed in GL	The Ledgers defines the account structure, accounting calendar, accounting convention and functional currency used to record transactions in Assets
Asset Key flexfield	A four-segment structure for capturing the following will be used: • Name of the Asset • Manufacturer Name/Brand • Capacity • Serial No.	The Asset Key Flexfield Structure is used to capture any additional information that may be required to be captured. It does not have any financial impact.
Asset Category flexfield	A two-segment structure is envisaged, inline with the GL accounting structure: • Major: This segment will capture the first section of Asset categorization and will correspond to the natural account segment of GL accounting flexfield structure. The Major Category of Assets will be according to FA Schedule Reporting. • Minor: This segment will capture the second section of Asset categorization and will correspond to the sub-account segment of GL accounting flexfield. The Minor Category of Assets will be dependent on	The Asset Category Flexfield classifies assets according to financial data such as depreciation rates. Once valid asset category combinations have been defined the associated default accounting information must be specified, which will apply to all assets within the category. All asset categories must be assigned to the corporate depreciation book, and a predefined depreciation method selected. The General Ledger accounts for depreciation expense, asset cost, asset clearing and depreciation reserve must also be specified in asset category. The natural account in the Chart of Accounts is mapped to the Major Category of the Asset.

Parameter	AKG Settings	Notes
	the Major Category and will be grouped according to the depreciation rates.	
Location Flexfield	A three-segment structure for capturing the following will be used: • Area • Building • Physical Location	Oracle Assets uses the location flexfield to group assets by physical location.
Oldest date placed in service	XX- Month-XXXX	This controls what dates are valid to place assets in service and on what date to begin your calendars.
Fiscal Years	The fiscal years will be defined starting from the oldest date placed in service.	At the end of each fiscal year, the depreciation program automatically generates the dates for the following fiscal year and depreciation calendars.
Depreciation Calendar	This will be a 12 period calendar for every fiscal year.	The depreciation calendar determines the number of accounting periods in your fiscal year. It also determines, with the divide depreciation flag, what fraction of the annual depreciation amount to take each period.
Prorate Calendar	This will be a 365 period calendar, with each period corresponding to a day in the year. (For corporate book). For IT book this will be a separate calendar.	The prorate calendar determines the number of prorate periods. This is used along with prorate convention to calculate depreciation for first year when asset is placed in service.
Accounting in units	Unit accounting will be followed (e.g. 15 chairs of 1000 each will be accounted for as such, not as a group of 15000).	
Asset Numbering	The auto-numbering functionality will be enabled.	Asset numbering will be automatic. In addition, there are fields for storing the tag number or any serial number of an asset.
Depreciation Books and rules	There will be a set of two depreciation books, for each of the Operating Unit. Thus for AKG	A depreciation book is used to store financial information for a group of assets. A depreciation book can be corporate, tax.

Parameter	AKG Settings	Notes
	there will be a set of seven Asset Books. A set of Six Asset book will be defined for six operating units pertaining to Steel and Cement and one set of Asset book for common operating unit. • **Corporate depreciation book:** This will be of type corporate. Assets in this will be depreciated as per SLM.. • **IT book**: Tax Block depreciation will follow WDV method.	Financial information stored includes: calendars, accounting rules, accounts and journal formats which are used to implement the company accounting policies. Each depreciation book is linked to a Book Class, either CORPORATE or TAX. Each book may have different accounts, a different calendar and different depreciation rules. An asset may also have different financial information in each book. The corporate book is used to record all asset details and transactions in accordance with the company accounting policies. It is used to track financial information for the balance sheet. The tax book holds duplicate asset details (it is copied, and periodically refreshed, from the corporate book, using the Mass Copy facility) and may be used to carry out additional transactions, which will not be reflected in the Corporate Fixed Assets Register. Although an asset may belong to several tax books, it can only belong to one corporate book.

Insurance Process

Insurance Process Map



Process Overview

Description

- User will open the customized screen for Bank Guarantee to capture the details of BG creation and the bank details (like amount of total premium for which BG has been created).
- After creating BG, the user will then initiate to record the insurance policy details :Type of Insurance (Insured name, Location of Asset, LC No., Sum assured, Break Up of Sum Assured(it will contain info about type of asset and sum assured asset-wise), Premium due date, Policy expiry date, Bank Name, Premium Rate, Gross Premium, Net Premium Amount, Stamp Duty, Miscellaneous Rate & Charges, Deductible amount, VAT amount, Name of all co-insurer and their share %, lead Insurer) the customized screen for Insurance.
- When we deduct Commission and add VAT, Stamp Duty to the Gross Premium then we will get Net Premium. Applying premium rate on Sum Assured we will get Gross Premium.
- Once BG is created, the user will capture the bank charges paid to the bank in AP module by making an invoice entry for payment.
- After this, user will open the customized screen of LC to create/ update the LC by giving all the required information (viz. LC Amount, LC opening date/expiry date and the Bank name).User will also mention here the Insurance policy number for reference.
- Shipment information will be communicated to the insurance policy and insurance company will provide each shipment wise certificate and the bill for premium amount payable by AKG.
- Liability will be recognized at this point of time in the AP module and also when it is paid off by payment functionality in AP module.
- User will update the insurance policy details after the payment of premium, in the customized screen for Insurance.
- A customized report can be taken out from the system which will contain informations like the insured value of goods, the amount claimed, the value of goods lost etc.
- Insurance company pays the coverage amount after negotiation. The receipt of insurance money will be captured in AR module.

Note: For policy other than open policy, creation of BG is an optional step.

Assume an example for understanding accounting treatment in case of insurance claim on Inventory Item. Say, total material cost is 110 TK. Assume material worth of 90 TK is damaged. Material not totally taken into inventory because of damage. Only material worth of 20TK is taken into inventory and for the remaining amount claim is made to the insurance company.

Volume of Transaction for this process	
Frequency of occurrence of this process	As and when occurred.

Accounting (If any)

SL	PARTICULARS	DEBIT	CREDIT	REMARKS
1.	Material –In-Transit	110		
	Liability towards Bank/Supplier		110	

2.	Inventory A/C	20		On Receipt of Damaged Material
	Material –In-Transit		20	
3.	Accounts Receivable	90		For the remaining 90 Tk., a claim is made to the Insurance Company through a Account Receivable Invoice
	Material – In-Transit		90	
4.	Insurance Gains/Loss A/c	30		Now, if after evaluation, the Insurance Company plans to pay only 60 Tk., Create a AR Credit Memo of 30 Tk.
	Accounts Receivable		30	
5.	Bank A/c	60		Upon Receipt of 60 TK from the Insurance Company
	Accounts Receivable		60	

Process Improvements

Problems Addressed:	**Applications Features Leveraged**
Gaps as Identified in Oracle Following are not in the standard oracle functionality: • Creation of Bank Guarantee • Creation of LC • Iinsurance pertaining to other than Fixed Asset and group insurance. • Claim related transactions • Premium calculations • Insurance premium payment due and premium	**Suggested Resolution In Oracle** • Customized screens/forms are required for the gaps which are not in the standard oracle functionality.

remaining(due but not paid) informations • Total premium paid • Claims received by the Insurance Company	
Forward Looking Practices Introduced	**Other Enablers Proposed**

Customizations suggested (if any)			
SL	**PARTICULARS**	**TYPE**	**LEVEL OF CUSTOMIZATION**
1	Insurance Detail Screen	Form	
2	LC screen	Form	
3	Bank Guarantee screen	Form	
4	Insurance Claim report	Report	
5	Alerts for expiry date and due date of premium, for BG expiry and for insurance coverage expiry	Alert	

Interfaces, if any (Only custom interfaces)			
SL	**PARTICULARS**	**SYSTEM**	**BUSINESS LOGIC**
1			
2			

OPEN AND CLOSED ISSUES

No	Open Issues	Response

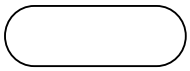
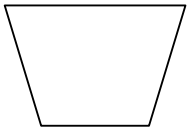
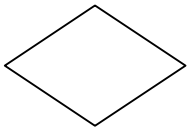
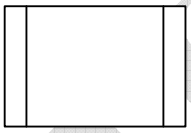
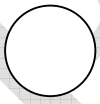
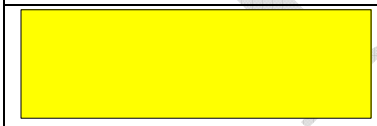
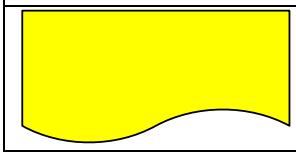
ANNEXURE I

List of Customized Reports identified

S. No	Name	Description
1.	Insurance Detail Screen	Form
2.	LC screen	Form
3.	Bank Guarantee screen	Form
4.	Alerts for expiry date and due date of premium, for BG expiry and for insurance coverage expiry	Alert

ANNEXURE II

Legend for Process Maps

	Terminator to denote Start and End of a process
	Oracle or Oracle Assisted Process
	Manual Process
	Decision Point
	Process external to Oracle or Oracle assisted process
	Connector within the same process.
	Customized process
	Customized report