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

ENVISIONED END-STATE DOCUMENT

Cash Management

v1.1

IBCS-PRiMAX

DOCUMENT RELEASE NOTICE	
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Introduction

Document Structure

This document covers the envisioned solution for the Cash Management 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 Cash Management and a brief description of the processes.

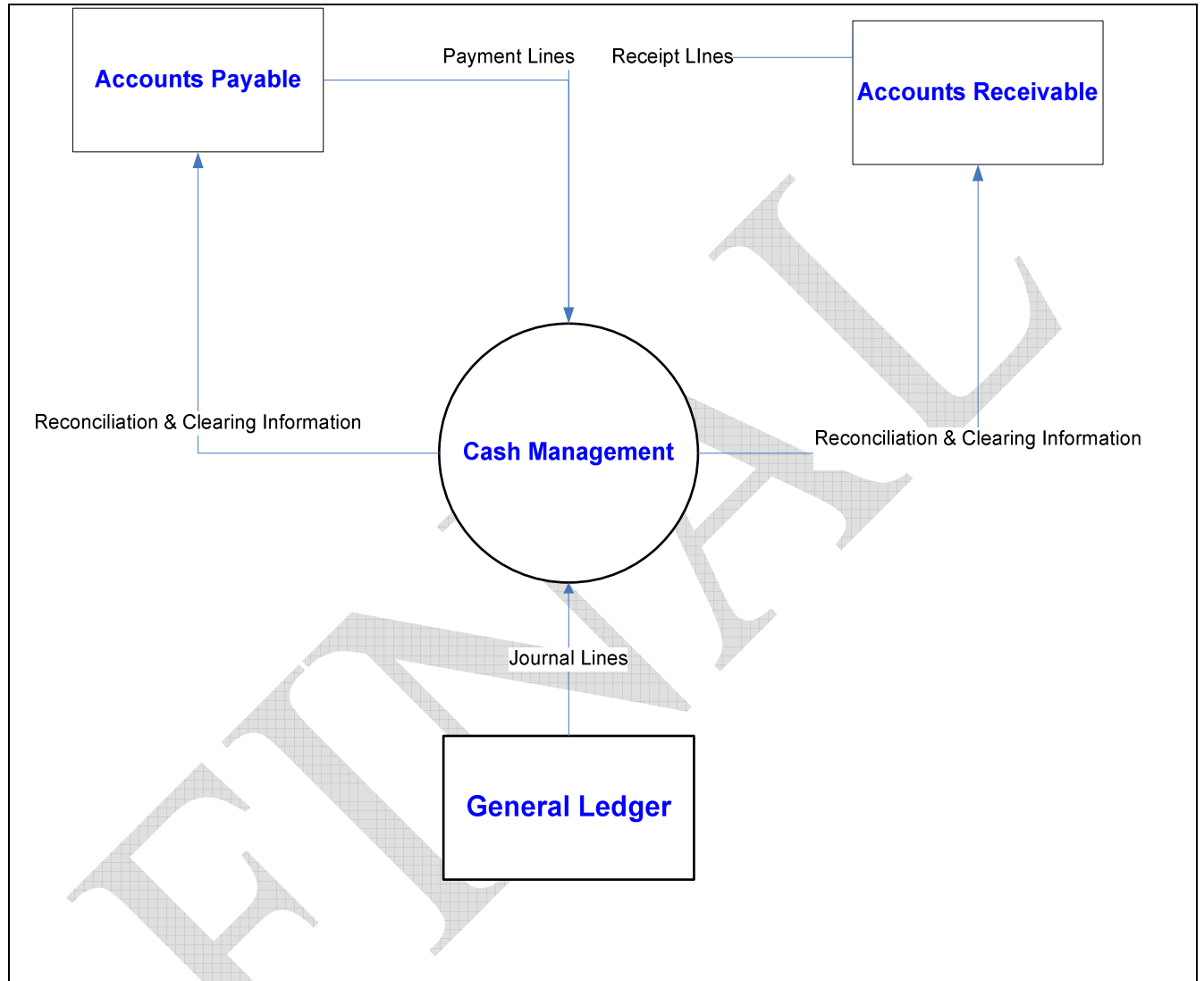
Section 2 covers the Envisioned Business processes. In this section, the key Business Scenarios are mapped to Cash Management functionality.

Section 3 covers Open / Closed Issues responses.

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Envisioned Module Overview

Process Overview



Process Overview Cash Management

- Oracle Cash Management is an enterprise cash management solution that helps you effectively manage and control your cash cycle. It provides comprehensive bank reconciliation and flexible cash forecasting.
- This provides the feature of entering bank statements and reconciling the statement transactions against payments in Accounts Payable (AP), receipts in Accounts Receivable (AR), and journal entries in General Ledger.
- Cash Management (CM) can also reconcile payments and receipts from external/legacy systems. CM can also create and reconcile miscellaneous transactions to record bank transaction entries not entered in AP or AR.

Accounting (If any)						
SL	PARTICULARS	DEBIT	Amount	CREDIT	Amount	REMARKS
1.	Enter Expense invoice for 100 BDT	Expense	100	AP Liability	100	Entry Created in AP module
2.	Pay invoice, taking 5 BDT discount	AP Liability	100	Discount	5	
				Cash clearing	95	
3.	Reconcile payment with bank statement, including bank charges of 2 BDT	Cash clearing	95	Cash	97	Reconciliation Done in Cash Management module
		Bank charges	2			
4.	Invoicing for 100 BDT	Accounts Receivable	100	Revenue	100	Entry Created in AR module
5.	Enter Receipt For 100 BDT	Remittance account	100	Accounts Receivable	100	Entry Created in AR module
6.	Reconcile receipt with bank statement, Including bank charges of 2 BDT.	Cash	98	Remittance account	100	Reconciliation Done in Cash Management module
		Bank Charges	2			

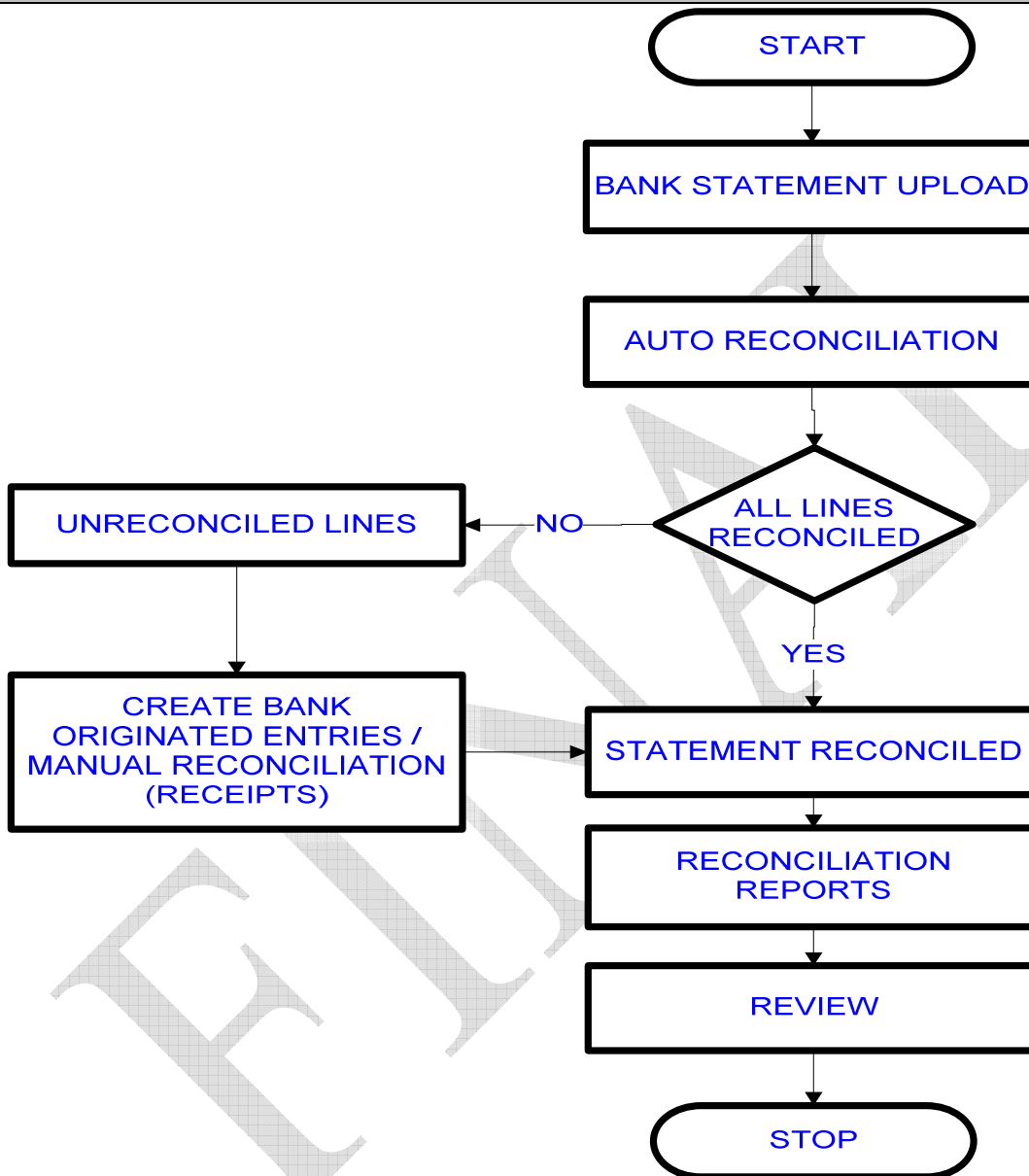
Envisioned Business Processes

Key Business Processes

SL.	BUSINESS SCENARIOS	DESCRIPTION
1.	Bank Reconciliation	
2.	Defining Non Fund Based and Fund Based Limits	
3.	Fund Based and Non Fund Based Utilization	
4.	Cash Forecast	
5.	Cash Positioning	

Bank Reconciliation

Bank Reconciliation Process Overview



Process Overview (Text)

Description

- The reconciliation of Bank Statements is done in Cash Management. Bank Statements' entries for a bank are entered or interfaced to Oracle Cash Management.
- All payment and receipt transactions that have been entered in Oracle Application pertaining to the bank are automatically interfaced from Payables, Receivables to Cash Management.
- The two different records of the same transaction (check number in the system and that created from the

bank statement) are matched and cleared.

- This matching is done for all available check numbers and a final reconciliation statement is prepared..
- Since cash management is tracking down all entries made in the sub-ledger, it can also create a **cash forecast report**. This is based on the liabilities falling due and the receivables accruing over a specified period of time based on the transactions entered into the system.

Matching bank statement Lines with transactions

Reconciling payments, receipts and journal entries in Cash Management has two major steps: Matching and clearing:

- **Matching:** Match a bank statement line against Receivables or Payables transactions using a transaction number (Cheque number), bank account, amount and currency. If the matching criteria are not met, the statement line remains unmatched

For manual reconciliation there are no restrictions for matching statement lines and transactions.

- **Clearing:** After matching a bank statement line with a transaction, it can be cleared. Cash Management assigns a cleared date and amount for all receipts and payments that bank reports as cleared and transfer accounting information to Receivables and Payables. Reports can be generated on reconciliation exceptions, variances and items that have been matched.

Matching criteria for Payables transactions

The Cash Management Auto Reconciliation Program fully matches Payables transactions against bank statement lines if the transactions meet the following criteria :

- The transaction currency is the same as the bank statement line currency. Transaction is recorded both in functional (BDT) and entered currency (USD, in case of transaction made in USD)
- For the detailed payment transactions or the stopped transactions, the matching sequence searches in the following order:
 - Payment Number
 - Supplier bank account
 - Amount
- For stopped transactions the payment must first be stopped or voided in Payables.

Matching criteria for Receivables transactions

The Cash Management Auto Reconciliation Program fully matches Receivables transactions against bank statement lines if the transactions meet the following criteria :

- The transaction currency is the same as the bank statement line currency.
- Receipt number (i.e. usually customer cheque number)

In case, for any transaction there is no cheque number, then it needs to be reconciled manually.

Note: For Non-sufficient Funds or Rejected transactions the receipt must first be reversed in Receivables.

Matching criteria for transactions entered through General Ledger

Transaction numbers stored in the description of journal lines are even picked up for reconciliation.

Recommendation – If the cheque number can be entered as the receipt number in Oracle and the bank provides the cheque number in the bank statement, reconciliation would be successful. Otherwise in the absence of a common transaction number (like cheques number) between Oracle and Bank Statement, the reconciliation will have to be manually done.

Reconciliation Procedure

There are two major process steps that need to be followed while reconciling bank statements:

- **Load bank statement:** The detailed information from each bank statement has to be entered, which should include account information, deposits received by the bank and payments cleared.

Bank statements can either be entered manually, or interfaced from electronic media through Bank Statement Open Interface/uploaded through EXCEL macro.

- **Reconcile bank statement:** Once statements are entered into Cash Management, reconciliation with system transactions have to be performed.

Receipts that have not been cleared (cheques bounced) can be marked for reversal in Cash Management. Each of the receipts for a particular bank can be viewed as a separate transaction line and can be marked for reversal (in case of cheques which have not been honored). Such reversal would generate receipt reversal accounting in Receivables.

For some transactions the bank statement is the primary source of information in the sense that user come to know of the transaction only on receipt of the statement (e.g. bank charges, interest etc.). During the reconciliation process, miscellaneous entries for such bank-originated transactions can be manually created.

- Cash Clearing Account is a child account. There will be only one natural account for cash clearing. At any point of time if AKG wants to know how much balance is there in cash clearing account (for the customer who has done the payment but Bank reconciliation has not been done), using sub- ledger concept individual customer clearing account balance can be known.
- Direct interface between Bank and AKG Books of Accounts: It can be done through Auto upload feature. Banks needs to send the accounts statement in SWIFT format.
- If the Bank does not send the statement on a daily basis and AKG wants to do the reconciliation ,they will have to do the reconciliation manually to view the actual bank Account position.
- Deduction of some charges by bank viz. bank charges, can be known only from bank statements. Therefore, they can be inserted in system only during reconciliation.

- Report for balances in clearing, remittance and actual bank account can be generated from the system.

Review and summarize reconciliation results

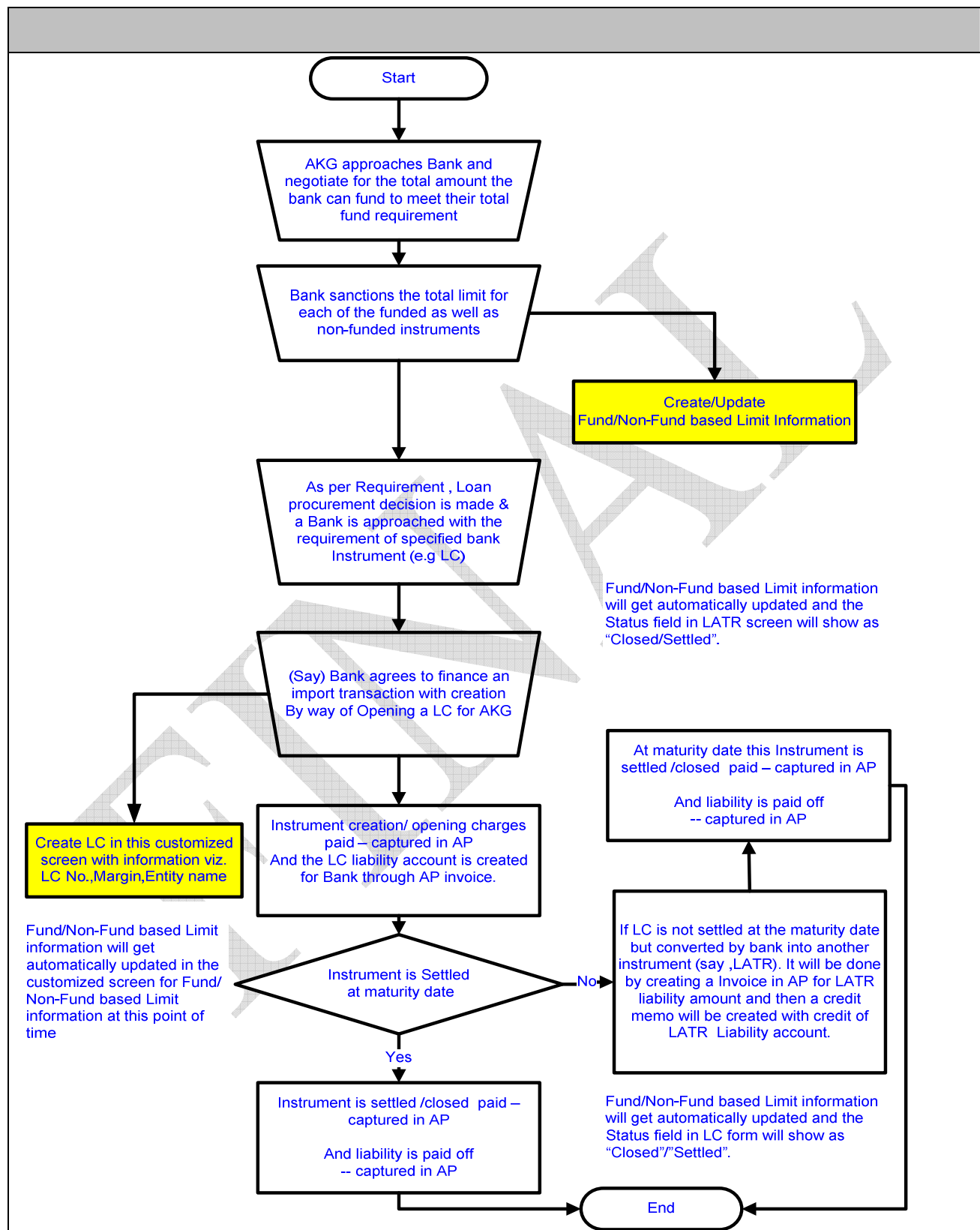
Once reconciliation is over, it is recommended to review the reconciliation results. This is achieved by reviewing the reports that are automatically generated by the Auto Reconciliation Program.

Volume of Transaction for this process				
Frequency of occurrence of this process		Monthly/quarterly for each bank account		
Accounting (If any)				
SL	PARTICULARS	DEBIT	CREDIT	REMARKS
1.	Payment Clearing	Cash clearing	Cash	
2.	Receipt Clearing	Cash	Cash clearing	
3.	Interest Earning	Cash	Interest Earning	
4.	Bank Charges	Bank Charges	Cash	
Process Improvements				
Problems Addressed:		Applications Features Leveraged <ul style="list-style-type: none">Auto-ReconciliationManual ReconciliationInterface with Payable & Receivable for Transaction Details.		
Gaps as Identified in Oracle		Suggested Resolution In Oracle		
Forward Looking Practices Introduced <ul style="list-style-type: none">Cash Clearing Account to be used instead of direct hitting the Bank Account while making payments in Accounts Payables and making receipts in Accounts Receivables.Obtaining bank statements in electronic form and transfer it to a standard format.Auto reconciliation, thereby reducing efforts in reconciliation workFor receipt transactions, individual instrument level details should be requisitioned from bank.Completion of reconciliation process before period close, thereby reducing requirement of future adjustments.Reporting of un-reconciled transactions and monitoring based on aging and amount of un-reconciled transactions.		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 LOG
1			
2			

FINAL

Defining Bank Limits for Fund Based and Non Fund Based Instruments



Process Overview (Text)

Description

- Bank decides through the sanction letter the different categories of loan and the limit as well on the basis of negotiation with the AKG with respect to their (AKG) fund requirement
- AKG has to take decision regarding the allocation of sanctioned limits for Steel and Cement Entities (AKSPL- CRM, AKL - CGL, as in the customized form, limit will be defined at lowest level of Balancing Segment (viz. AKSPL – CRM).
- User will capture the Bank limit and category of instrument (Funded/ Non-funded/others) based on the sanction letter (provided by the bank) in the customized screen/form for Bank Limit and Loan Instruments respectfully.
- The customized screen/form will cover following categories of loan instruments: The limit will be defined at Branch level:
 - Project Loan
 - Working capital loan:
 - Funded loan Category
 - CC/OD/SOD
 - Demand Loan/Time loan (one kind of forced loan which is created by the bank for non payment of bank charges/loan amount) Duty Payment (Custom duty, VAT)
 - LATR
 - PAD
 - Bill Discounting
 - Non funded Loan category
 - LC
 - DLC
 - Bank Guarantee
- Once a loan instrument is created by the bank for AKG & bank charge for opening loan instrument is paid, the user will capture bank charges payment information through AP and a program will run to update the customized screen/form for Bank Limit and Loan Instruments respectfully.
- If the AKG wants to settle the loan instrument at the maturity date then liability is paid off through AP and then a program will run to update the customized screen/form for Bank Limit and Loan Instruments respectfully.

**** Customized Entry Screen for all the Funded and Non-Funded instruments will be provided.**

Margin and FDR

- Margin is payable to the Bank and later on it is converted to the FDR . FDR will be treated as short term investment. FDR will be created in AP module by way of invoice with a reference of LC No. Also the detail information like FDR No., Bank Name, Entity Name will be stored in the DFF/customized form.
- FDR interest calculation cannot be done in system.

LC (Letter of Credit)

- Create LC in entry screen (a customized form will be provided to store LC informations like LC No., Margin amount, LC opening date, Maturity date etc.).Bank will be defined as a supplier and Invoice will be created in AP module for the liability towards the Bank for cost of Raw Material.
- Pay LC Commission charges to bank in AP for bank charges and capture LC number.

- These charges shall get reflected in entry screen.
- Any payments to vendor should capture LC number in Invoice.
- Expiry date alert is provided (before 15 days).Email is required to be sent to the concerned person as identified by AKG.

DPLC (Deferred Payment Letter of Credit)

- Create DPLC in entry screen (a customized form will be provided to store DPLC informations like DPLC No., Margin amount, DPLC opening date, Maturity date etc.).Bank will be defined as a supplier and Invoice will be created in AP module for the liability towards the Bank for cost of Raw Material.
- Pay DPLC Commission charges to bank in AP for bank charges and capture DPLC number.
- Acceptance commission is also paid after the shipment to the bank which will be captured through AP.
- These charges shall get reflected in entry screen.
- Any payments to vendor should capture DPLC number in Invoice.
- Expiry date alert is provided.

LATR (Loan Against Trusted Receipt)

- LATR is created in case LC amount is not paid on the maturity date.
- Create LATR in entry screen (a customized form will be provided to store LATR informations like LATR No., Margin amount, LATR opening date, Maturity date etc.).
- Pay charges to bank for in AP for converting to LATR and capture LATR number. We will create an Invoice for LATR liability towards bank and then we will create a Credit Memo with credit of LATR liability account .
- These charges shall get reflected in entry screen.
- Any payments to vendor should capture LATR number in Invoice.
- Interest amount will be captured in the screen and payment will be captured through Invoice in AP.
- Expiry date alert is provided.

Bank Guarantee

- Bank Guarantee is created in some cases (like Duty payment)
- Create BG in entry screen (a customized form will be provided to store BG informations like BG No., BG amount, BG opening date, Maturity date etc.).
- Pay charges to bank for in AP for creating BG and capture BG details.
- These charges shall get reflected in entry screen.
- Any payments to vendor should capture BG details in Invoice.
- Interest amount will be captured in the screen and payment will be captured through AP.
- Expiry date alert is provided.(for case of amendment of expiry dates)

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.	Opening the DPLC	Material – In - Transit	DPLC	

2.	Paying DPLC charges	DPLC charges	Bank	
3.	LATR	DPLC	LATR	
4.	Paying LATR charges	LATR charges	Bank	
5.	Accruing Interest	Interest Expense	Interest liability	
6.	Paying interest	Interest Liability	Bank	
7.	At the time of settlement of LATR liability	LATR	Bank	

Process Improvements

Problems Addressed:	Applications Features Leveraged
Gaps as Identified in Oracle <p>There is no standard functionality for capturing the fund based and non fund based details for a bank / bank account.</p>	Suggested Resolution In Oracle
Forward Looking Practices Introduced <ul style="list-style-type: none"> The user will enter the details of the instrument given to vendor. The user will also capture the instrument details while making paying charges / payments. The amount unutilized will be automatically be calculated and displayed in the limits screen. A screen will be given along with bank setup where users will define the limits for each element of fund based and non fund based for particular bank / bank account. Once recorded the limit for an loan instrument, the user will check the complete check box. The value for unutilized amount will be populated automatically. 	Other Enablers Proposed

Customizations suggested (if any)

SL	PARTICULARS	TYPE	LEVELS OF CUSTOMIZATION
1	Limits Screen for Fund Based and Non Fund Based loan instruments	Form	
2	Fund Based and Non Fund Based Details Screen	Form	
3	Funded and Non-Funded Limit Sanction and Usage Summary	Report	This report will contain the total loan instrument sanction and usage.
4	** Bank Wise LC Report Detail for a particular product contains the following	Report	

	details : LC No. ,Item, LC Qty/Amount, Inventory Qty/Amount, Balance /Pending Qty/Value, Basic Cost in BDT & Country Origin		
5	Company Wise – Month wise statement - for all the LC related (different cost heads/expenditures)	Report	
6	All the receipt and payment in one page. Cash inflow and Cash outflow reports	Report	
7	Awake call for loan maturity; dateline of renewals, Interest/installment due	Alert	
Interfaces, if any (Only custom interfaces)			
SL	PARTICULARS	SYSTEM	BUSINESS LOGIC
1			
2			

** Similar report can be provided for all other instruments like (DPLC, BG, and LATR etc.)

Cash Forecasting

Process Overview (Text)

Description

- Cash forecasting is a planning tool that helps you anticipate the flow of cash in and out of your business, allowing you to project your cash needs and evaluate your company's liquidity position.
- Templates determine the presentation of sources (rows) and forecast periods (columns) for your cash forecasts.
- Using sources from other Oracle Applications, cash forecasts can be generated from previously defined templates. User can define whether to forecast by period e.g. days/weeks/GL periods and can choose how to organize each template with multiple sources and levels of detail. Automatic integration with Oracle Applications provides enterprise-wide cash information and management.
- Once Cash forecast templates are created, forecasts can be generated periodically. It is possible to modify, query, report and export such forecasts to any spreadsheet application.
- Actual vs. Forecasted report : Cash management holds all the forecasts which have been created earlier. A report can later be generated for all transactions during that period. The analysis has to be done manually.

The steps involved are:

- Creating Cash Forecast Templates – Weekly/Monthly/Quarterly
- Generating cash forecasts from templates
- Modifying cash forecast templates and forecasts
- Exporting cash forecasts to spreadsheet applications
- Viewing cash forecasts
- Cash forecasting reports

Cash Inflow and Cash Outflow		
Source	Source Type	Description
General Ledger	GL Cash position	Cash balance to be used as the starting point of the projection
Receivables	Customer Invoices	Unpaid invoices
	Customer Receipts (Historical)	Cleared cash receipts, excluding reversed receipts.
	Customer Receipts (Future)	Un-cleared cash receipts, excluding reversed receipts
Payables	Supplier Invoice	Unpaid invoices (excluding prepayments)
	Supplier Payments (historical)	Cleared disbursements (excluding void payments).
	Supplier Payments (Future)	Un-cleared disbursements (excluding void payments)
	Recurring Invoices	Future payments where liabilities are not booked
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: Currently cash forecasting, cash inflow and outflow analysis are done outside the existing system on daily, weekly and monthly (periodical) in Excel.		Applications Features Leveraged <ul style="list-style-type: none"> Cash Forecasting Interface with Receivables, Payables & General Ledger 		
Gaps as Identified in Oracle .		Suggested Resolution In Oracle		
Forward Looking Practices Introduced <ul style="list-style-type: none"> Constant monitoring of cash holding based on both GL Period and day-wise forecasts. Improved cash management. 		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				

Cash Positioning

Process Overview				
Description <ul style="list-style-type: none"> Cash positioning is a planning tool that helps you view your daily cash position by currency or bank account. Cash positioning allows you to project your cash needs, and evaluate your company's liquidity position. The daily cash positions are based on actual cash flows from various Oracle Applications modules. You can generate a daily cash position for a single currency, multiple currencies, a single bank account, multiple bank accounts, a single Legal Entity, or multiple Legal Entities. 				
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: Currently cash inflow and outflow analysis are done outside the existing system on daily, weekly and monthly (periodical) in Excel.		Applications Features Leveraged		
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				

Cash Management Reports

Process Overview (Text)				
Description Oracle Cash Management enables you to perform online inquiries to review bank account information, bank transfers, cash flow, balances and interest rate schedules, monitor reconciliation status, research payments and receipts, and view cash forecasting amounts. There are several inquiry windows/reports in Cash Management:				
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:		Applications Features Leveraged		
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		Report		
2				
Interfaces, if any (Only custom interfaces)				
SL	PARTICULARS	SYSTEM	BUSINESS LOGIC	
1				
2				
Seeded Reports/ Views		Usage		
Bank Statement Reconciliation window		To review statement reconciliations, details, and status.		
Available Transactions window		To find and view transactions that are available to be reconciled with bank statement lines		

Bank Account Transfer	To find and view the status of a bank account transfer
Cash in Transit Report	This report lists, for a specific bank account, all transactions that have been remitted to the bank but have not been cleared. This report excludes all voided transactions. The report also excludes all reversed transactions which have a reversal date on or prior to the As Of Date.
Clear Transactions Report	This report shows transactions that were cleared or reconciled both manually and automatically.
Transactions Available for Reconciliation Report	This report shows all transactions available for reconciliation for a specific bank account. It lists detailed transaction information for your Available Receipts, Available Payments, and Available Journal Entries for reconciliation.
Payment Exceptions Report	If you implement the automatic bank transmission feature, use this report to view payment exceptions generated by the bank and transmitted to your local directory. can view the transmission history and the actual report in the Transmissions window.
Balances Reports Bank Account Balance Single Date /Range of Date Report	The Bank Account Balance Single Date/Range of Dates Report allows users to report on one or more bank account's balances for a particular date /range of dates and the results are grouped by Bank Account Currency.
Cash flow window	To find and view cash flow information
Payments	To review details of payments that is available for reconciliation. You can also find out the bank statement that a payment is reconciled to.
Receipts	To review details of receipts that are available for reconciliation
Cleared Transactions Report	To review the transactions cleared in Banks.
Bank Statement Reconciliation window	To review statement reconciliations, details, and status.
Available Transactions window	To find and view transactions that are available to be reconciled with bank statement lines

OPEN AND CLOSED ISSUES

No	Open Issues	Response

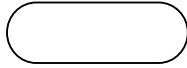
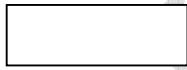
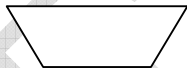
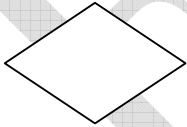
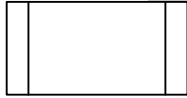


ANNEXURE I

List of Reports Identified

Reports Name	Description
Funded and Non-Funded Limit Sanction and Usage Summary	This report will contains the all loan instrument (LC,DPLC,BG) sanction and usage
Bank Wise LC Report	It will contain the detail for a particular product - the following details : LC No. ,Item, LC Qty/Amount, Inventory Qty/Amount, Balance /Pending Qty/Value, Basic Cost in BDT & Country Origin
Company Wise – Month wise statement -for all the LC related (different cost heads/expenditures)	
All the receipt and payment in one page. Cash inflow and Cash outflow reports	

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