



# ILP PROGRAM - ORACLE APPLICATIONS

Tata Consultancy Services

Introduction to ERP

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## How to use this manual



Video1: Script: Vid1-Introduction to the chapter and its content – Face recording.

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This video will introduce the material covered in this pdf, the goals,

1. How this document is organized
2. What is the purpose of this document
3. What will you achieve after going through the document and related videos
4. How to read this document
5. How does it relate to the work you will be doing on real project
6. Reference to other reading materials for further references

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This manual has been organized as a step by step guide to teach how to create reports using Oracle Developer Suite 10G. The target audience is new comes to Oracle Developer suite. It assumes that the reader has basic knowledge of Oracle concepts and PL/SQL. After completing this course, you will be able to create variety of reports using Oracle Developer Suite 10G.

This manual is organized to be read in a serial fashion and follow the instructions given in the document as it is. Practical examples are given in each section to guide you through every step. The tables referred here are common (shared) tables used by different batches, so care should be taken not to delete or update the rows which does not belong to you, this may create problem for the other batches. At the end of the course, you should delete the data you have created.

There are several symbols used to designate particular sections, which are described below:



- Describes the purpose of the section.



- Notes relevant to the section above



- This denotes the task to be completed by the audience on his own PC. The layout of the output has to be followed as it is. For any confusion, the faculty should be contacted.

## Introduction

ERP (Enterprise Resource Planning) is a Resource Planning performed within an enterprise. ERP is a term that covers whole product line. ERP means integration between different modules. Enterprise Resource Planning talks about planning and effective execution of resources in an enterprise. ERP is the evolution of Manufacturing Requirements Planning (MRP). From the business perspective ERP has expanded from coordination of manufacturing processes to integration of enterprise-wide backend processes.

### Brief Introduction to ERP's in the Market:

The most common ERP tools frequently talked about in today's business world are:

1. Oracle e-Business Suite i.e. Oracle Applications - Suitable for Financial Enterprises
2. SAP – Suitable for Manufacturing Enterprises
3. Tally – Suitable for Small – Scale Industries
4. Peoplesoft - Suitable for Enterprise dealing with HRMS (Human Resources)
5. JD Edwards – Suitable for Manufacturing, Operations and Sales
6. Siebel – Suitable for CRM (Customer Relationship Management)
7. Baan – Suitable for Manufacturing

Note: Oracle has procured Siebel, Peoplesoft and JD Edwards and developed as Oracle Fusion.

## Benefits of ERP:

ERP offers many important benefits:

1. Information flow happens very efficiently & effectively.
2. Throughout the process flow of business information standardization is maintained consistently.
3. Time will be reduced
4. Minimization of Cost
5. Enhancement & Maintenance will be looked after by the Vendor
6. Minimization of Resources
7. Available in multiple languages
8. Supports Multiple Currencies

With an existing ERP 60 to 70% of the time will be reduced. Only 30 to 40% modifications are required to implement the existing ERP.

ERP Systems integrate all business management functions, including planning, inventory/materials management, engineering, order processing, manufacturing, purchasing, accounting and finance, human resources. ERP Software programs are being developed and updated all the time.

The biggest advantage of an ERP system is with its real time capabilities and the ability to see what is going on with your company as it happens. It is handy when you deal with high volume of business process.

An ERP system provides the solid operational backbone. The system enables the manufacturers and distributors to

function promptly which will be able to improve the volume of production and fulfillment of orders while reducing costs.



## Evolution of ERP

Oracle Applications is one of the Enterprise Resource Planning (ERP) business application packages. It comprises of various Modules, Forms, and Reports and is designed on the basis of Generally Accepted Accounting Principles (GAAP). GAAP is short for Generally Accepted Accounting Principles. GAAP is a group of accounting standards and common industry usage that have been developed over many years. It is used by organizations to:

1. Properly organize their financial information into accounting records
2. Summarize the accounting records into financial statements.

Organizations use GAAP principle so that anyone reading the financial statements of multiple companies has a reasonable basis for comparison, since all companies using GAAP have created their financial statements using the same set of rules.

ERP tool is used to chatter the business needs of an organization. Any organization can adopt this package and use the supplied modules with customization as per customer's requirements.

The below example would be a good starting point for the beginners to better understand the concept behind Oracle Applications.

**Ramesh** owns a wholesale Fruit Shop. He buys fruits like apples, oranges, mangoes and grapes etc. from farmers directly and sells them to retail shop owners and also to direct customers. The farmers are referred to as **Vendors/Suppliers** in Oracle Applications. Ramesh keeps track of his entire vendor's information like their addresses, bank account and the amount he owes to them for the fruits that he buys regularly from them etc. in a book named **Payables**.

Ramesh gets an order from a retail shop owner of Fruit Mart for a shipment of 20 bags of apples, 25 bags of oranges and 32 kgs of grapes. In Oracle Applications bags and kgs are referred to as **Unit of Measure (UOM)**. Fruit Mart is called Customer and the order is referred to as **Sales Order**. Ramesh maintains a book called **Order Management** where he writes down all the details of the Sales Orders that he gets from his customers. Say the fruits have now been shipped to the customer Fruit Mart. Ramesh now sends him details like cost of each bag/fruit, the total amount that the customer has to pay on a piece of paper which is called as **Invoice/Transaction**. Once the Invoice has been sent over the customer validates this against the actual quantity of fruits that he received and will then process the payments. The Invoice Amount could be paid as a single amount or in installments.

Ramesh's Customer Fruit Mart pays him in installments. So Ramesh has to make a note of the details like data received, amount received, amount remaining, amount received for what goods/shipments/invoice etc. when Ramesh receives the payments. This detail is called **Receipt** which will be compared to the Invoice by Ramesh to find out how much Fruit Mart has paid him and how much is the balance to be paid. This information is maintained in a book named **Receivables** too keep track of all the customers, their addresses (to ship items), what and how much he has shipped and the amount each customer owes to Ramesh etc. Day by day business keeps expanding and Ramesh has attracted more and more customers. When customer's count increases the orders also increase so Ramesh has to buy fruits largely and most important the fruits should be retained safely.

Ramesh buys a cold storage unit where he can stock more fruits. In Oracle Applications we call this cold storage unit as a **Warehouse** and all the fruits as **Inventory**.

Due to huge volume of customers Ramesh finds it difficult to manage them all. So he decides to hire new people to help him out in his business without any hassles. These people are called as **Employees**. At the end of each month Ramesh pays salary/wages for all his employees through cheques. These cheques are called **Payroll** in Oracle Applications. At the end of each month Ramesh would like to know the Profit/Loss generated out of his business. For that he prepares a Profit/Loss Statement along with a Balance Sheet in a book named **General Ledger**.

As the business keeps expanding it becomes impossible to record everything on a paper manually. To make everybody's life easier and work faster and which helps every businessman like Ramesh to keep track of all day to day business activity Oracle Applications was introduced.

Oracle Applications is not a single application but is a collection of integrated applications.

Oracle Applications comprises of different group of modules:

1. Oracle Financials
2. Project Management Product Suite
3. Supply Chain and Planning and Management Suite
4. Oracle Manufacturing : Discrete and Process Management
5. Human Resources Management System Suite
6. Customer Relationship Management Suite



## Overview of ERP Modules

Oracle Financials consists of an integrated suite of applications designed to manage and record the financial impact of transactions occurring in a business environment and to use the information to produce financial statements. Oracle Financials are a subset of the Oracle e-Business Suite and are a family of products designed to capture and analyze the organization's financial data.

### Overview of ERP

#### ERP – Business Use of ERP Application



The Sub – Modules under Oracle Financials are:

1. General Ledger
2. Receivables
3. Payables
4. Assets
5. Cash Management
6. Global Consolidation System
7. Advanced Collections
8. Internet Expenses
9. iReceivables
10. Treasury
11. Lease Management
12. Internal Controls Manager

## Oracle Payables:

Oracle Payables is a tool that integrates all payment transactions. It manages invoicing and payment. Oracle Payables is a sub ledger where the system records what is owed its suppliers for goods and services that have been provided.

Oracle Payables helps in effective management of creditors. Effective Management calls for:

- Correct booking of expenses (whether capital or revenue) under the right account heads and in the right accounting periods. If this is not adhered to then it will result in preparation of distorted financial statements.
- Schedule the invoice for payment in such a way that the maximum available credit period is taken and the payment is properly timed.

In normal day – to day business scenario in an organization the supplier sends us the paper invoices. These set of paper invoices has to be keyed in the Payables system. Starting from that and till the invoices are finally paid and posted the activity flow in Oracle Payables can be detailed as follows:

1. Entering Invoices received from the Suppliers:

To enter an invoice in Payables the person or the company from whom the invoice was received should first be defined as a supplier.

2. Matching the Invoices to a Purchase Order:

Oracle Payables allows the user to match invoices against a Purchase Order to authenticate that payment will be made against this invoice which should not increase beyond the Purchase Order Value.

3. Matching the Invoices to Receipts raised against a Purchase Order:

Oracle Payables allows the user to match the invoices against receipts related to a Purchase Order to authenticate that total quantity received matches with the total quantity and total bill amount will making a payment against the invoice.

4. Placing a Hold/Control on the Invoice:

Oracle Payables goes further in controlling while making payment against an invoice which is not appropriate according to rules. Example:

Placing Hold on an invoice during overbilling of the invoice

Placing Hold on an Invoice when the Invoice Total Value and the Line Total Value are mismatching

5. Processing the Invoices:

It includes validating the invoice to authenticate the transaction and to establish the accuracy of information contained therein.

6. Accounting for the transaction represented by the Invoice :

This involves identifying the correct account heads the amount by which they should be debited or credited and the accounting period to which the transaction belongs.

7. Scheduling the Invoice:

This includes determining the number of installments, amount of each installment, due date of each installment and the discounts available if any.

8. Making Payments:

Paying Invoices on maturity, ad – hoc payments of invoices before maturity date can also be made.

9. Reconciliation:

Reconciling the payment information with bank statements.

10. Posting:

All Invoices & payment transactions can be periodically journalized and transferred to General Ledger.



## Oracle Receivables:

Oracle Receivables is a complete end-to-end credit – to – cash management module.

It allows you to manage all your receivable transactions based on order and service contracts that may have been transacted in other modules. Most invoicing transactions are sourced from Order Management, Service Contracts and Oracle Projects.

Oracle Receivables also helps to create manual transactions and import/create invoice transactions from external non-Oracle systems.

Oracle Receivables also manages cash receipts and applications.

Oracle Receivables is primarily concerned with Debtors Management, Receipts, Remittances, Clearance and Collections. It provides for the entry of various kinds of transactions like:

- Invoices
- Debit Memos
- Credit Memos
- Commitments
- Chargeback

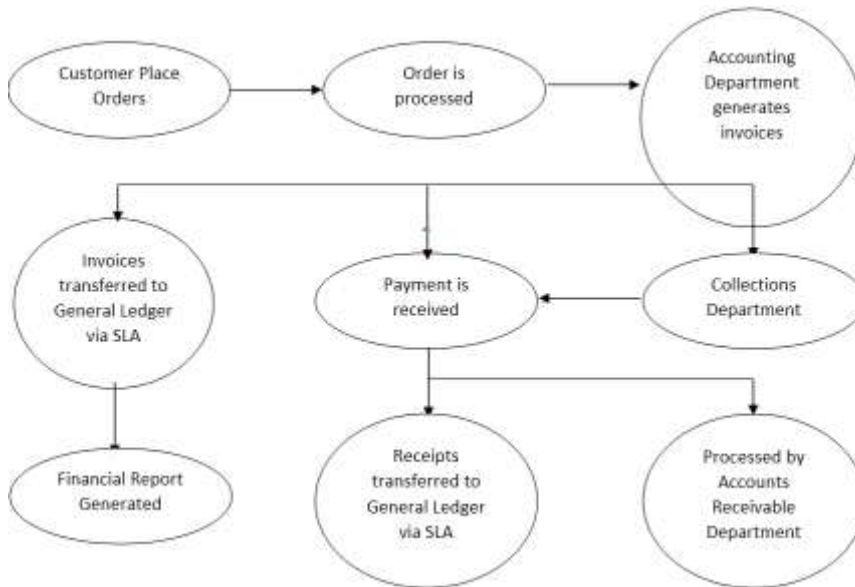
The ultimate objective of Oracle Receivables is to recover the money from customers through various means and therefore allows us the facility of setting up various payment methods.

Remittance to the banker and clearance is also tracked in Oracle Receivables. If money is not forthcoming from the customers after the due date collection activity is initiated and steps like making calls to the customers , issue of reminder letters are taken to ensure that the dues are met by the customer.

## Oracle General Ledger:

Oracle General Ledger is the central repository module for accounting information and transactions from manufacturing and financial subledgers.

Through Oracle General Ledger you can perform financial controls, data collection, information access and financial reporting throughout the enterprise. Oracle General Ledger is the collector of all data – financial and accounting that is eventually used to produce financial reports for the enterprise. Transactions are transferred from sub ledger modules (AP,AR,PO, Inventory and so on) to General Ledger at month – end or at periodic intervals. Oracle General Ledger only receives information it does not send information. Once all the transactions from different subledger are transferred to General Ledger accounting information can be inquired and reported upon as well as adjusted, converted, revalued in different currencies, and consolidated.



## Procurement/iProcurement:

Procurement is the process of acquiring goods and services from external parties at the most effective price and possibly over a period of time.

Normally in any organization the procurement involves the following processes:

- The Accounts Department in an organization is in dire need of a Color Printer. It looks for the best dealer in the market who would sell the printer at a nominal cost.
- The Dealers also known as Suppliers sends out a **Quotation Document** which states the details of items with the market value.
- The Accounts Department would go through the **Quotation Document** and finally conclude with an item to be purchased from the supplier.  
It sends out a **Requisition Document** to the Supplier stating the Item Name, No. of quantities required.
- Once the supplier agrees with the **Requisition Document** the Accounts Department sends out a **Purchase Order Document** indicating the quantities and agreed prices and rates which the supplier will provide. This document allows buyers to communicate their intentions clearly and explicitly to the supplier.
- Supplier delivers the Printer and this is considered as a **Receipt**

Procurement includes the following processes:

1. Information Gathering.
2. Supplier Contact and Review of Offering.
3. Negotiation and Pricing Agreement including period wise pricing.
4. Purchase Order – Contract to provide materials/services.
5. Fulfillment.
6. Receipt of Goods and / or services.
7. Renewal if applicable.

The first two tasks in the list are manual processes

iProcurement is a web – based product that is easier to use. The Transactional process in iProcurement is quicker and more convenient to use. iProcurement opens a door of opportunities. Supplier can automatically send invoices, memos can be raised. It even involves less paper work and movement and reconciliation process becomes easier and faster compared to manual reconciliation. The use of minimalistic entry of data is facilitated by the function of defaults. These defaults can be configured for a user and / or an item. These defaults ensure the transaction is complete and accurate accounting is created. Another aspect of the ease of using iProcurement is the capability to use Shopping Lists, Stores and Punch outs.

## Fixed Assets:

An Enterprise is created with the objective of managing its resources to obtain the maximum return on investment. The resources are people, machinery, and intellectual Property, buildings, land and various other items. These Items are collectively called Assets. People as assets are managed by an HR system that tracks their productivity and costs related to them. An enterprise would have to go through various difficult phases and challenges without an ERP system to run its business. It may have to go through lots of manual work to calculate the cost of the asset, its depreciable value, adding of new assets to the organization, calculating the tax rate of each asset before depreciation and after depreciation, maintaining the asset details in a book otherwise known as an Asset Book. In due course of time the organization's business keeps expanding and people in the organization would find it difficult to cope with the manual work and maintenance of Books of accounts.

Oracle Fixed Assets once implemented successfully in an organization would overcome all the difficulties and challenges mentioned above.

Normally in any organization fixed assets are purchased for continued and long term use in earning profits in the on – going business. An organization would purchase the following fixed assets:

1. Land & Buildings
2. Plant & Machinery
3. Furniture, including fixtures
4. Computer hardware & software

The cost of usage of the asset is normally termed as **Depreciation of an Asset**. During the course of time due to the usage of the asset its cost gets reduced.



## Cash Management:

Cash Management is the task of managing the cash flow in the enterprise. This can be accomplished with the help of an integrated system that tracks all your payables and outstanding receivable balances and provides you with a net cash flow.

Most of the Bank Reconciliation activities are handled in Cash Management Module.

Cash Management helps us in the following ways:

1. Managing Information of Financial Institutions that you do business with
2. Integrating with external financial institutions to make and receive payments
3. Reconciling payments and receipts from within your financial system
4. Projecting Cash position with a cash flow.

The following are the set of activities which happens in a Cash Management Module:

1. Configuration of managing Banks, Bank Accounts and access to these Accounts
2. Managing the integrated data transfer between the organization and financial institutions
3. Creating Templates and Reviewing Cash Flow positions
4. Reconciliation for Payment Transactions.

It is important that the processes of managing banks, bank accounts and their usage are managed in a central location.

Oracle Applications provides Cash Management as an enterprise solution that helps you effectively manage and control your cash cycle. It also provides bank reconciliation and cash forecasting.

Bank Reconciliation is performed by loading bank statements information from the organization's bank and reconciling against transactions generated within Oracle Payables. These are for Payment Documents – Cheques, EFTs and so on.

Cash Forecasting is a planning tool that helps the organization to anticipate the flow of cash in and out of the business thus allowing the organization to project cash needs and evaluate company's liquidity position.



## Human Capital Management:

Human Capital Management Module can help manufactures handle workforce management processes and employee data from payroll and HR to staffing and career development.

A Human Capital Management software in an organization functions as the core employee record, which details personnel actions, benefits administration and payroll, position management and compliance with government regulations.

A Company needs to know on a cost-level how many employees they have and what's it's costing them, along with turnover rates and analytics to help them make decisions and understand the essential talent that makes the organization successful



## Payroll:

A Non – ERP organization pays month on month salary/wages to its employees. It would involve more manual intervention of maintaining the employee wise details, Getting registered with a local body authority for statutory requirements which would consume more time and in the long run the organization would find it difficult to maintain. Once the organization goes with running the business with Oracle Payroll these difficulties and challenges can be resolved in due time.

Oracle Payroll Management is a fundamental business requirement demanding compliant and accurate financial controls in a timely manner. Oracle Payroll, a rules-based payroll management system will assist in controlling the workforce costs, ensure the entire workforce is being paid on time and according to our compensation rules set. Fully integrated with Oracle Financials Oracle Payroll is based on a global HRMS engine with country-specific localization extensions to better manage your global HR operations.

Oracle Payroll is part of Oracle Human Resources Management family of applications and integrates seamlessly with other Human Resources applications including Human Resources (Core), Advanced Benefits , Incentive Compensation and Oracle Financials.

Benefits of Payroll System:



- Flexible Eligibility Rules
- Simplify Management of Processing Rules
- Manage Global Payroll Activities
- Processing Efficiencies
- Monitor Performance and Security

## End – to – End Cycles

### Procure to Pay (P2P):

Procure to Pay (P2P) Cycle is one of the most important End – to – End Cycles in Oracle Applications.

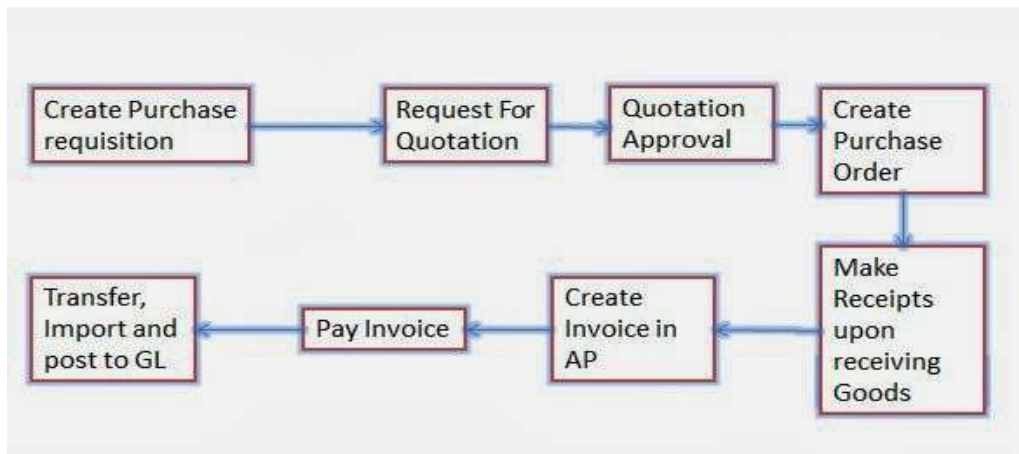
The Procure to Pay (P2P) is the flow that gets the goods required to do the business.

The Procure to Pay (P2P) process is supported by the following e-Business products:

1. Oracle General Ledger
2. Oracle Cash Management
3. Oracle Payables/iExpenses
4. Oracle Inventory
5. Oracle Purchasing/iProcurement

Procure to Pay (P2P) Cycle involves the following processes:

1. Create a Requisition – Requisition is a formal request to buy something like inventory material, office supplies needed for the enterprise.
2. Create a Purchase Order
3. Create a Receipt – Create a Receipt to receive the items mentioned in the Purchase Order
4. Create Invoice in Oracle Payables -  
Once the goods are received its time to pay the vendor for the goods purchased and hence the invoices are created.
5. Pay the Invoice
6. Transfer, Import and Post to GL



## Order to Cash (O2C):

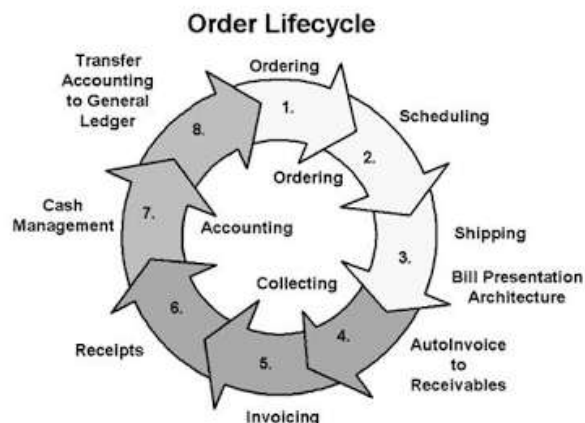
Order to Cash Cycle is another most important End – To – End Cycles in Oracle Applications.

The Order to Cash process is supported by the following e-Business Products:

1. Oracle Order Management – Creating and Shipping the Sales Order
2. Oracle Inventory - Checking the On-Hand availability of a booked order
3. Oracle Receivables – For Invoice/Transaction and Receipt against an Invoice
4. Oracle Cash Management – For Bank Reconciliation
5. Oracle General Ledger – Importing, Entering and posting the Journal

Order to Cash (O2C) involves the following processes:

1. Enter and Price the Orders
2. Book Orders
3. Launch the Pick Release
4. Ship Confirm
5. Create Invoice/Transaction in Oracle Receivables
6. Create the Receipts.
7. Transfer, Import and Post to GL



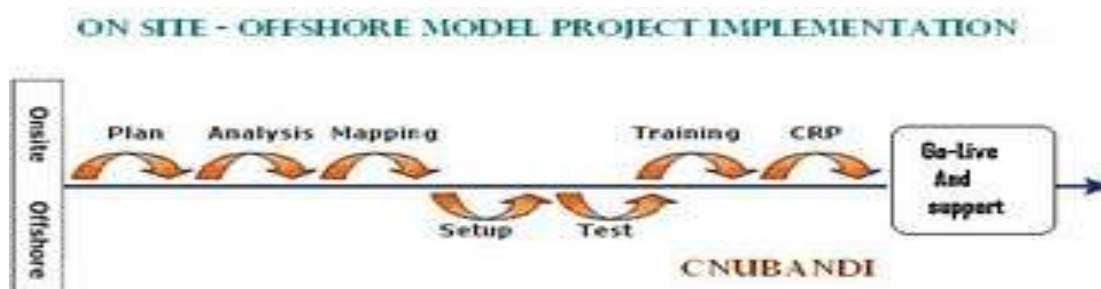
## ERP Implementation Road Map:

Implementing a packaged ERP is a major task. It takes months of planning, Running test cycles, resolving issues and running the test process again.

In many cases, asking the right questions when the project starts will drastically reduce the stress of the project lifecycle.

Implementation Partners (People who implement the Oracle ERP in any organization) know the software but people who own the organization only knows what their business is all about.

Implementation projects are indeed a learning experience.



ERP Implementation Roadmap consists of the following processes:

### 1. Assessment/Mobilization:

The Assessment Phase is one the most important phases in Implementation of an ERP.

The Assessment Phase is further divided into two phases:

#### Phase 1: Software Selection Considerations

The following questions would help us to understand the considerations in implementing the ERP in the organization.

##### 1. What does the business really want?

Selecting an ERP systems begins with understanding not only where business is today, but where the business is going. The system selected needs to support where the organization is today but more importantly needs to be used as a tool to you the organization where the business needs to go.

##### 2. What will it take to support a new system?

In changing the system the business will need to consider the services required from IT to support a Tier 1 ERP system.

##### 3. Who in the organization is responsible for support?

Post – Production needs such as support roles should be addressed before ERP selection happens. There are

various roles to support an Oracle Applications environment. Roles including business analysts, business system analysts, developers, System administrators, application database administrators need to be identified.

### **Phase 2: Project Team Assembly**

The following questions would help us to understand the considerations in implementing the ERP in the organization.

#### **1. What skills are required for a successful Oracle Applications Implementation?**

Assembly of the project team is very important to the project. The new system will impact the organization. That being said high caliber people are needed to understand what the business does today and where the business wants to go in the future. These resources should be considered “change agents” for the business. The most successful Oracle Applications projects are those where the business has complete control and ownership of the system and that system should be customizable according to the organization’s needs. Functional Consultant Resources will be able to support the vision of the balance between what is needed and what can the business support once implemented.

Technical Consultant Resources is dependent on the scope. Knowledge of subject matter along with proper tool skills is important.

### **2. Business Process Review**

Reviewing your existing system process information is one of the most important activities at the beginning of each Oracle ERP Project.

The Business Process Review involves the following set of activities:

#### **Step 1 – Meet with the Client to plan and initial schedule**

Meet with key client representatives to determine strategy, direction, and list of possible participants in the business process project and outline a tentative schedule for engagement with the client staff.

#### **Step 2 – Research Background Materials**

Review Client background material for “as-in” business processes including existing process flow documents and start researching the possible relevant industry best practices.

#### **Step 3 – Interview Client Representatives about current state processes**

Set up meetings with process knowledgeable client personnel to determine “as-is” or current processes and note any potential quick wins and other ideas that could impact the “to-be” process work.

#### **Step 4 – Draft “As-Is” Processes and make Best – In – Class Comparison**

#### **Step 5 – Collect Feedback on “As-Is” Process Flow**

Send process flows and documentation to participants with a list of ideas that may have been culled from the research conducted on their behalf.

Step 6 - Hold Workshop to review feedback

Step 7 – Hold a Business Process Improvement Workshop

### **3. Charter**

Project Charter is one of the most important phases in implementation roadmap.

Project Charter involves the following activities:

1. Clarify the future vision of the project, the system's impact on the organization's business, its strategies and objectives.
2. Assess business and establish current state
3. Conduct organization risk and readiness assessment
4. Identify improvement opportunities

### **4. Development**

Development Phase is one of the most important phases in the ERP Implementation Roadmap. In the Development Phase Functional Team prepares a Functional Document which will translate the requirement of the business user according to the system language. The Technical Team starts to develop & customize the components. Major activity involved in Development Phase would be Data Conversions, Migration of Business Data from older systems to Oracle Applications. All the customizations, development of new components which would address the requirements of the Business Users will happen in Development Phase. These set of activities will have dedicated Development Server and not in the Production Server (Business Data Server)

### **5. SIT (System Integration Testing)**

SIT (System Integration Testing) is the process of validation that the entire application architecture including the applications, modifications, workflow, data conversion, interfaces and reporting solution work together. System Integration Testing requires careful planning prior to the actual testing event. Scenarios need to be identified that depict a day – in – the life of the business. For example from the point an item is entered, to how it is sourced , to where is it stored in inventory , how it is ordered , shipped , invoiced , cash collected , and posted to General Ledger. There might be variations to the scenarios. The scenarios should be matched up to the business requirements and process flows. Ultimately once the testing is performed, requirements are validated, process flows are validated, and the system is validated together. Once the testing scenarios are captured the system needs to be setup as a point in time.

### **6. UAT (User Acceptance Testing)**

In the UAT (User Acceptance Testing Phase) Key users as well as End Users perform the testing and provide acceptance of the Application.

The following set of documents are produced in this phase:

- a. User Training Manual
- b. User Acceptance Test Report

## **7. Go Live**

Go – Live Phase is the phase wherein the system is ready to be used by the business people in the organization. Hand – Over of Functional Documents, Hand – Over of Technical Documents, Hand – Over of User Manuals for each module e.g. Oracle Payables User Guide, Oracle General Ledger User Guide etc.

## **8. Post Implementation Support**

The primary objective of the Post – Implementation Support Phase is to maintain and enhance the system to meet the ongoing needs of the users. The Post Implementation Support Phase begins once the system is in operation, the warranty period has expired and the production review is complete. It continues for the life of the system.

## Benefits of ERP in different context

There are various benefits of ERP in the following contexts:

### **Finance:**

The Main Motivation of some companies for choosing ERP system is to achieve an improvement in the management of their financial areas.

The Benefits of ERP in the Financial Department is a great way to maintain the accounting updated in a reliable and precise way. As the center of the financial activities of the system the General Accounting helps to capture and integrate the transactions made inside the module allowing us to see the influence in financial terms over the enterprise as a joint system.

The inclusion of ERP in the Financial Area gives support to decision making since it guarantees reliability and total security on the accounting information.

Another benefit of ERP in the Financial Area is the great operational flexibility and the fact that is it a very useful tool for multinational companies and corporate bodies since it permits them to execute the fiscal closing. It even provides flexibility to do research on historical information which would serve a purpose for internal & external auditors.

One of the most sophisticated and expensive system is ERP which goes ahead of the accounting and integrates different departments.

An efficient system of financial management becomes the initial point of all the financial information that circulates around the enterprise. It joins and consolidates the information and distributes it to the users that may need it. The ERP System offers better access and more safety. All the components of the financial department will be able to access the chain of flow management. Each person will only have access to a limited number of functions and will see the details and tasks that are previously authorized to him. On the other hand the Financial Director can manage a huge number of processes and can use the opportunities of communication. An example would be to generate reports that could help to justify the results and find a better way to manage the funds.

### **Purchasing:**

Since this is already discussed in Procurement/iProcurement section it will not be appropriate to readdress the same. Kindly refer to the Procurement/Procurement for more in – sights.

### **Maintenance:**

The ERP system needs regular maintenance in order to function properly. The ERP plan needs revision and updating as per the changes happening frequently in the organization. After careful review and analysis phase these review comments and suggestions should be incorporated into the system. Also the ERP system needs fine-tuning as the employees become familiar with it. Once the ERP system has reached a stable state necessary action should be taken to improve the performance.

The ERP tools that are implemented are another area that needs maintenance. The Project Manager should be in regular contact with the vendors to see whether any updates or upgrades are available. All patches and upgrades



should be installed to ensure that the tools are working at their maximum efficiency.

Employees of the organization should be given refresher courses on the new functionality that gets added with each new upgrade. The Training Documentation should also be updated so that it is sync with procedures and processes.

### **Production:**

Let's illustrate the benefits of ERP System by exploring a typical manufacturing company that produces products on sales orders, and stepping through the process from Sales Order to delivery, invoicing and finalization of books of accounts.

- **Sales Order Module**  
A Manufacturer's ERP system will certainly have a Sales Order Module. Sales Orders are entered and the system will look in the inventory records to see whether the ordered items are in stock or whether the items have to be produced.
- **Production Control, Inventory Control & Purchase Orders**  
When the order is confirmed, reservations in the inventory are made. In the case where ordered items are yet to be produced, production orders are then automatically generated.  
When one or more components for the end product are not in stock purchase orders are raised accordingly. The system also looks for stock items that have crossed the minimum stock level and produces purchase orders when necessary.  
The suppliers should confirm purchase orders, especially where terms as price and delivery dates are concerned.  
The inventory control manager is informed when to expect delivery of purchase orders. When the goods arrive the inventory manager checks quantity and quality and records these findings. Purchase Invoices do have to be sent to various departments for checking because the purchase and reception of goods are already validated.
- **Accounts Payable, Accounts Receivable & General Ledger**  
Validated Purchase Invoices are automatically transferred to the Accounts Payable Module and appropriate journal entries are generated in General Ledger Module.  
Every stage in the production process can be controlled by the system. At each of these stages journal entries can be generated. When the order is completely processed the Sales Department can produce an invoice. The Sales Invoice is automatically transferred to the Accounts Receivable module.

### **HRMS:**

Since this is already discussed in Human Capital Management it will not be appropriate to Re - address the same. Kindly refer to the Human Capital Management for more in – sights.