Oracle

Applications Cloud
Understanding Enterprise Structures

Release 12

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Oracle® Applications Cloud Understanding Enterprise Structures

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Contents

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Preface

This preface introduces information sources that can help you use the application.

Oracle Applications Help

Use the help icon to access Oracle Applications Help in the application. If you don't see any help icons on your page, click the Show Help icon in the global area. Not all pages have help icons. You can also access Oracle Applications Help at https://fusionhelp.oracle.com.

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▶ **Watch:** This video tutorial shows you how to find help and use help features.

Additional Resources

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1 **Enterprise Structures**

Enterprise Structures: Overview

Oracle Fusion Applications have been designed to ensure your enterprise can be modeled to meet legal and management objectives. The decisions about your implementation of Oracle Fusion Applications are affected by your:

- Industry

- Business unit requirements for autonomy

- Business and accounting policies

- Business functions performed by business units and optionally, centralized in shared service centers

- Locations of facilities

Every enterprise has three fundamental structures, that describe its operations and provide a basis for reporting.
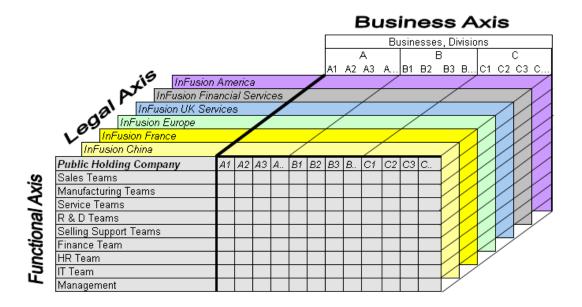
- Legal

- Managerial

- Functional

In Oracle Fusion, these structures are implemented using the chart of accounts and organization hierarchies. Many alternative hierarchies can be implemented and used for reporting. You are likely to have one primary structure that organizes your business into:

- Divisions

- Business Units

- Departments

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Aligned these structures with your strategic objectives.

Legal Structure

The figure above shows a typical group of legal entities, operating various business and functional organizations. Your ability to buy and sell, own, and employ comes from your charter in the legal system. A corporation is:

- A distinct legal entity from its owners and managers.

- Owned by its shareholders, who may be individuals or other corporations.

Many other kinds of legal entities exist, such as sole proprietorships, partnerships, and government agencies.

A legally recognized entity can own and trade assets and employ people in the jurisdiction in which the entity is registered. When granted these privileges, legal entities are also assigned responsibilities to:

- Account for themselves to the public through statutory and external reporting.

- Comply with legislation and regulations.

- Pay income and transaction taxes.

- Process value added tax (VAT) collection on behalf of the taxing authority.

Many large enterprises isolate risk and optimize taxes by incorporating subsidiaries. They create legal entities to facilitate legal compliance, segregate operations, optimize taxes, complete contractual relationships, and isolate risk. Enterprises use legal entities to establish their enterprise's identity under the laws of each country in which their enterprise operates.

In the figure above:

- A separate card represents a series of registered companies.

- Each company, including the public holding company, InFusion America, must be registered in the countries where they do business.

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- Each company contributes to various divisions created for purposes of management reporting. These are shown as vertical columns on each card.

For example, a group might have a separate company for each business in the United States (US), but have its United Kingdom (UK) legal entity represent all businesses in that country.

The divisions are linked across the cards so that a business can appear on some or all of the cards. For example, the air quality monitoring systems business might be operated by the US, UK, and France companies. The list of business divisions is on the Business Axis.

Each company's card is also horizontally striped by functional groups, such as the sales team and the finance team. This functional list is called the Functional Axis. The overall image suggests that information might, at a minimum, be tracked by company, business, division, and function in a group environment. In Oracle Fusion Applications, the legal structure is implemented using legal entities.

Management Structure

Successfully managing multiple businesses requires that you segregate them by their strategic objectives, and measure their results. Although related to your legal structure, the business organizational hierarchies do not have to be reflected directly in the legal structure of the enterprise. The management structure can include divisions, subdivisions, lines of business, strategic business units, profit, and cost centers. In the figure above, the management structure is shown on the Business Axis. In Oracle Fusion Applications, the management structure is implemented using divisions and business units as well as being reflected in the chart of accounts.

Functional Structure

Straddling the legal and business organizations is a functional organization structured around people and their competencies. For example, sales, manufacturing, and service teams are functional organizations. This functional structure is represented by the Functional Axis in the figure above. You reflect the efforts and expenses of your functional organizations directly on the income statement. Organizations must manage and report revenues, cost of sales, and functional expenses such as research and development and selling, general, and administrative expenses. In Oracle Fusion Applications, the functional structure is implemented using departments and organizations, including sales, marketing, project, cost, and inventory organizations.
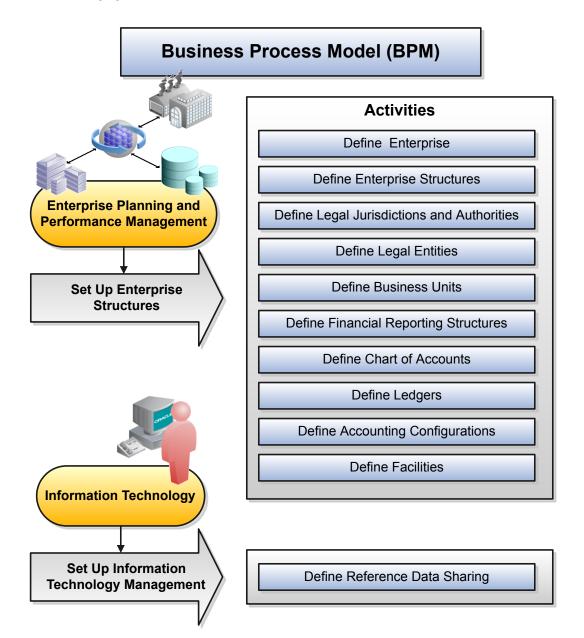
Enterprise Structures Business Process Model: Explained

In Oracle Fusion Applications, the Enterprise Performance and Planning Business Process Model illustrates the major implementation tasks that you perform to create your enterprise structures. This process includes:

- Set Up Enterprise Structures business process, which consists of implementation activities that span many product families.

- Information Technology, a second Business Process Model which contains the Set Up Information Technology Management business process.

- Define Reference Data Sharing, which is one of the activities in this business process and is important in the implementation of the enterprise structures. This activity creates the mechanism to share reference data sets across multiple ledgers, business units, and warehouses, reducing the administrative burden and decreasing the time to implement.

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The following figure and chart describes the Business Process Model structures and activities.

BPM Activities	Description
Define Enterprise	Define the enterprise to get the name of the deploying enterprise and the location of the headquarters.
Define Enterprise Structures	Define enterprise structures to represent an organization with one or more legal entities under common control. Define organizations to represent each area of business within the enterprise.

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BPM Activities	Description
Define Legal Jurisdictions and Authorities	Define information for governing bodies that operate within a jurisdiction.
Define Legal Entities	Define legal entities and legal reporting units for business activities handled by the Oracle Fusion Applications.
Define Business Units	Define business units of an enterprise to perform one or many business functions that can be rolled up in a management hierarchy. A business unit can process transactions on behalf of many legal entities. Normally, it has a manager, strategic objectives, a level of autonomy, and responsibility for its profit and loss.
Define Financial Reporting Structures	Define financial reporting structures, including organization structures, charts of accounts, organizational hierarchies, calendars, currencies and rates, ledgers, and document sequences which are used in organizing the financial data of a company.
Define Chart of Accounts	Define chart of accounts including hierarchies and values to enable tracking of financial transactions and reporting at legal entity, cost center, account, and other segment levels.
Define Ledgers	Define the primary accounting ledger and any secondary ledgers that provide an alternative accounting representation of the financial data.
Define Accounting Configurations	Define the accounting configuration that serves as a framework for how financial records are maintained for an organization.
Define Facilities	Define your manufacturing and storage facilities as Inventory Organizations if Oracle Fusion tracks inventory balances there and Item Organizations if Oracle Fusion only tracks the items used in the facility but not the balances.
Define Reference Data Sharing	Define how reference data in the applications is partitioned and shared.

✎ **Note:** Some product-specific implementation activities are not listed here and depend on the applications you are implementing. For example, you can implement Define Enterprise Structures for Human Capital Management, Project Management, and Sales Management.

Using Single or Multiple Classifications for an Organization: Points to Consider

Organization classifications define the purpose of the organization, whether it's a department, a division, or a legal entity. In some enterprises, organization classifications overlap, which means that the same organization can be assigned multiple classifications. For example, one organization within an enterprise might be both a project organization and a department. The classifications of organizations vary according to business objectives, legal structure, industry, company culture, size and type of growth. You can create organizations in Oracle Fusion with one or more classifications to reflect your enterprise structure.

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Defining an Organization with One Classification

Define each organization in your enterprise as a separate organization with a single classification to reflect your enterprise structure and provide flexibility for expansion. The advantage of setting up separate organizations is the ability to add further organizations to expand the enterprise easily. For example, if your enterprise acquires another company which has a different line of business in a country in which you employ people, you can create a division, a legal entity, and additional departments. Classify the new legal entity as a legal employer and payroll statutory unit for the company's payroll tax and social insurance.

Defining an Organization with Multiple Classifications

Define an organization with multiple classifications if the organization has multiple purposes. For example, use an organization within the Oracle Sales Cloud applications as a department that employs salespeople and classify it as a department and a sales organization. Or, if your enterprise operates and employs people in multiple countries, create a legal entity for each country using the Manage Legal Entity task. Then use the Manage Departments task to classify the legal entity as a department.

Related Topics

- Modeling Your Financial Reporting Structure in Oracle Fusion: Example

Configuration Workbench: Explained

The Oracle Fusion Enterprise Structures Configurator (ESC) is an interview based tool to help you analyze how to represent your business in the Oracle Fusion Applications. The interview process poses questions about the name of your enterprise, legal structure, management reporting structure, and primary organizing principle for your business. Based on your answers, the applications suggest the best practices to use to implement business units in your enterprise. You can use or modify these answers to ensure that both your reporting and administrative goals are met in your Oracle Fusion deployment.

Global Enterprise Configuration: Points to Consider

Start your global enterprise structure configuration by discussing what your organization's reporting needs are and how to represent those needs in the Oracle Fusion Applications. The following are some questions and points to consider as you design your global enterprise structure in Oracle Fusion.

- Enterprise Configuration

- Business Unit Management

- Security Structure

- Compliance Requirements

Enterprise Configuration

- What is the level of configuration needed to achieve the reporting and accounting requirements?

- What components of your enterprise do you need to report on separately?

- Which components can be represented by building a hierarchy of values to provide reporting at both detail and summary levels?

- Where are you on the spectrum of centralization versus decentralization?

Business Unit Management

- What reporting do I need by business unit?

- How can you set up your departments or business unit accounts to achieve departmental hierarchies that report accurately on your lines of business?

- What reporting do you need to support the managers of your business units, and the executives who measure them?

- How often are business unit results aggregated?

- What level of reporting detail is required across business units?

Security Structure

- What level of security and access is allowed?

- Are business unit managers and the people that report to them secured to transactions within their own business unit?

- Are the transactions for their business unit largely performed by a corporate department or shared service center?

Compliance Requirements

- How do you comply with your corporate external reporting requirements and local statutory reporting requirements?

- Do you tend to prefer a corporate first or an autonomous local approach?

- Where are you on a spectrum of centralization, very centralized or decentralized?

Modeling Your Enterprise Structure in Oracle Fusion: Example

This example uses a fictitious global company to demonstrate the analysis that can occur during the enterprise structure configuration planning process.
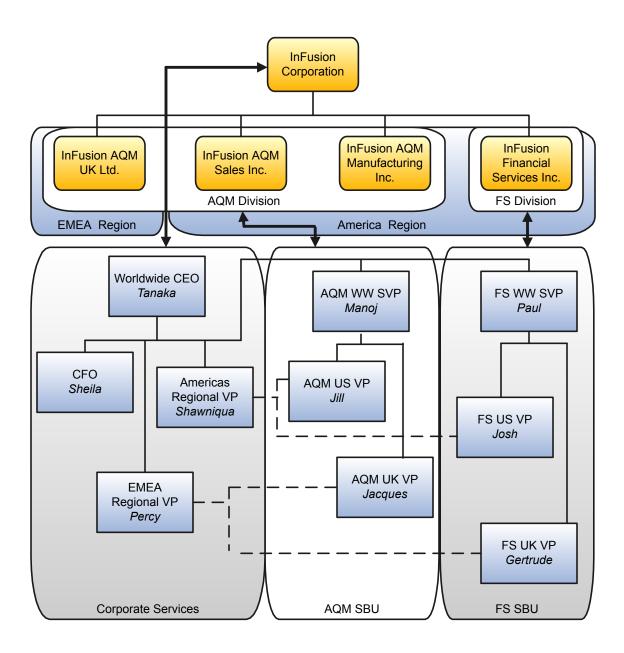
Your company, InFusion Corporation, is a multinational conglomerate that operates in the United States (US) and the United Kingdom (UK).

Scenario

InFusion Corporation has 400 plus employees and revenue of $120 million. Your product line includes all the components to build and maintain air quality monitoring (AQM) systems for homes and businesses. You also provide financial services to your customers through a separate division.

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The following figure illustrates the InFusion enterprise structure.

The upper part of the figure illustrates a legal company organization for companies in various political regions held by a public company. They enter into transactions initiated by two business divisions, Air Quality Control and Financial Services.

The lower part of the figure illustrates the management structure, which reflects the two businesses, Air Quality Management and Financial Services in strategic business units. The corporate administration is centralized and serves both businesses and all companies.

Regional managers have direct reporting lines to worldwide business managers, and dotted line responsibility to Regional Vice Presidents serving as general managers.

The Corporate Services strategic business unit provides common administrative, payroll, and procurement services.

The companies that enter into the transactions on behalf of the strategic business units are linked to the strategic business units by double-headed arrows. Other facts:

- Three companies enter into transaction for the AQM division.

- One company enters transactions for Financial Services exclusively.

- The holding company enters into transactions on behalf of both divisions and the corporate headquarters.

- Each company accounts for itself in the Oracle Fusion General Ledger.

- The companies in the same jurisdiction share the ledger using balancing segments.

- The company that is in another jurisdiction uses a different ledger.

- All the companies share the chart of accounts.

2 **Enterprises**

Enterprise: Explained

An enterprise is a collection of legal entities under common control and management.

Enterprise Defined

When implementing Oracle Fusion Applications you operate within the context of an enterprise that has already been created in the application for you. This is either a predefined enterprise or an enterprise that has been created in the application by a system administrator. An enterprise organization captures the name of the deploying enterprise and the location of the headquarters. In Oracle Fusion Applications, an organization classified as an enterprise is defined before defining any other organizations in the HCM Common Organization Model. All other organizations are defined as belonging to an enterprise.

3 **Jurisdictions and Legal Authorities**

Jurisdictions and Legal Authorities: Explained

You are required to register your legal entities with legal authorities in the jurisdictions where you conduct business. Register your legal entities as required by local business requirements or other relevant laws. For example, register your legal entities for tax reporting to report sales taxes or value added taxes.

Define jurisdictions and related legal authorities to support multiple legal entity registrations, which are used by Oracle Fusion Tax and Oracle Fusion Payroll. When you create a legal entity, the Oracle Fusion Legal Entity Configurator automatically creates one legal reporting unit for that legal entity with a registration.

Jurisdictions: Explained

Jurisdiction is a physical territory such as a group of countries, country, state, county, or parish where a particular piece of legislation applies. French Labor Law, Singapore Transactions Tax Law, and US Income Tax Laws are examples of particular legislation that apply to legal entities operating in different countries' jurisdictions. Judicial authority may be exercised within a jurisdiction.

Types of jurisdictions are:

- Identifying Jurisdiction
- Income Tax Jurisdiction
- Transaction Tax Jurisdiction

Identifying Jurisdiction

For each legal entity, select an identifying jurisdiction. An identifying jurisdiction is your first jurisdiction you must register with to be allowed to do business in a country. If there is more than one jurisdiction that a legal entity must register with to commence business, select one as the identifying jurisdiction. Typically the identifying jurisdiction is the one you use to uniquely identify your legal entity.

Income tax jurisdictions and transaction tax jurisdictions do not represent the same jurisdiction. Although in some countries, the two jurisdictions are defined at the same geopolitical level, such as a country, and share the same legal authority, they are two distinct jurisdictions.

Income Tax Jurisdiction

Create income tax jurisdictions to properly report and remit income taxes to the legal authority. Income tax jurisdictions by law impose taxes on your financial income generated by all your entities within their jurisdiction. Income tax is a key source of funding that the government uses to fund its activities and serve the public.

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Transaction Tax Jurisdiction

Create transaction tax jurisdictions through Oracle Fusion Tax in a separate business flow, because of the specific needs and complexities of various taxes. Tax jurisdictions and their respective rates are provided by suppliers and require periodic maintenance. Use transaction tax jurisdiction for legal reporting of sales and value added taxes.

Legal Authorities: Explained

A legal authority is a government or legal body that is charged with powers to make laws, levy and collect fees and taxes, and remit financial appropriations for a given jurisdiction.

For example, the Internal Revenue Service is the authority for enforcing income tax laws in United States. In some countries, such as India and Brazil, you are required to print legal authority information on your tax reports. Legal authorities are defined in the Oracle Fusion Legal Entity Configurator. Tax authorities are a subset of legal authorities and are defined using the same setup flow.

Legal authorities are not mandatory in Oracle Fusion Human Capital Management (HCM), but are recommended and are generally referenced on statutory reports.

Legislative Data Groups: Explained

Legislative data groups are a means of partitioning payroll and related data. At least one legislative data group is required for each country where the enterprise operates. Each legislative data group is associated with one or more payroll statutory units. Each payroll statutory unit can belong to only one legislative data group.

Payroll-related information, such as elements, is organized by legislative data groups. Each legislative data group:

- Marks a legislation in which payroll is processed.
- Is associated with a legislative code, currency, and its own cost allocation key flexfield structure.
- Is a boundary that can share the same set up and still comply with the local laws.
- Can span many jurisdictions as long as they are within one country.
- Can contain many legal entities that act as payroll statutory units.

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4 **Legal Entities**

Legal Entities: Explained

A legal entity is a recognized party with rights and responsibilities given by legislation.

Legal entities have the following rights and responsibilities to:

- Own property
- Trade
- Repay debt
- Account for themselves to regulators, taxation authorities, and owners according to rules specified in the relevant legislation

Their rights and responsibilities may be enforced through the judicial system. Define a legal entity for each registered company or other entity recognized in law for which you want to record assets, liabilities, expenses and income, pay transaction taxes, or perform intercompany trading.

A legal entity has responsibility for elements of your enterprise for the following reasons:

- Facilitating local compliance
- Minimizing the enterprise's tax liability
- Preparing for acquisitions or disposals of parts of the enterprise
- Isolating one area of the business from risks in another area. For example, your enterprise develops property and also leases properties. You could operate the property development business as a separate legal entity to limit risk to your leasing business.

The Role of Your Legal Entities

In configuring your enterprise structure in Oracle Fusion Applications, the contracting party on any transaction is always the legal entity. Individual legal entities:

- Own the assets of the enterprise
- Record sales and pay taxes on those sales
- Make purchases and incur expenses
- Perform other transactions

Legal entities must comply with the regulations of jurisdictions, in which they register. Europe now allows for companies to register in one member country and do business in all member countries, and the US allows for companies to register in one state and do business in all states. To support local reporting requirements, legal reporting units are created and registered.

You are required to publish specific and periodic disclosures of your legal entities' operations based on different jurisdictions' requirements. Certain annual or more frequent accounting reports are referred to as statutory or external reporting. These reports must be filed with specified national and regulatory authorities. For example, in the United States (US), your publicly owned entities (corporations) are required to file quarterly and annual reports, as well as other periodic reports, with the Securities and Exchange Commission (SEC), which enforces statutory reporting requirements for public corporations.

Individual entities privately held or held by public companies do not have to file separately. In other countries, your individual entities do have to file in their own name, as well as at the public group level. Disclosure requirements are diverse. For

example, your local entities may have to file locally to comply with local regulations in a local currency, as well as being included in your enterprise's reporting requirements in different currency.

A legal entity can represent all or part of your enterprise's management framework. For example, if you operate in a large country such as the United Kingdom or Germany, you might incorporate each division in the country as a separate legal entity. In a smaller country, for example Austria, you might use a single legal entity to host all of your business operations across divisions.

Legal Entity in Oracle Fusion: Points to Consider

Oracle Fusion Applications support the modeling of your legal entities. If you make purchases from or sell to other legal entities, define these other legal entities in your customer and supplier registers. These registers are part of the Oracle Fusion Trading Community Architecture.

When your legal entities are trading with each other, represent them as legal entities and as customers and suppliers in your customer and supplier registers. Use legal entity relationships to determine which transactions are intercompany and require intercompany accounting. Your legal entities can be identified as legal employers and therefore, are available for use in Human Capital Management (HCM) applications.

Several decisions you should consider when you create legal entities.

- The importance of using legal entity on transactions
- Legal entity and its relationship to business units
- Legal entity and its relationship to divisions
- Legal entity and its relationship to ledgers
- Legal entity and its relationship to balancing segments
- Legal entity and its relationship to consolidation rules
- Legal entity and its relationship to intercompany transactions
- Legal entity and its relationship to worker assignments and legal employer
- Legal entity and payroll reporting
- Legal reporting units

The Importance of Using Legal Entities on Transactions

All of the assets of the enterprise are owned by individual legal entities. Oracle Fusion Financials allow your users to enter legal entities on transactions that represent a movement in value or obligation.

For example, a sales order creates an obligation on the legal entity that books the order to deliver the goods on the acknowledged date. The creation also creates an obligation on the purchaser to receive and pay for those goods. Under contract law in most countries, damages can be sought for both:

- Actual losses, putting the injured party in the same state as if they had not entered into the contract.
- What is called loss of bargain, or the profit that would have made on a transaction.

In another example, if you revalued your inventory in a warehouse to account for raw material price increases, the revaluation and revaluation reserves must be reflected in your legal entity's accounts. In Oracle Fusion Applications, your inventory within an inventory organization is managed by a single business unit and belongs to one legal entity.

Legal Entity and Its Relationship to Business Units

A business unit can process transactions on behalf of many legal entities. Frequently, a business unit is part of a single legal entity. In most cases, the legal entity is explicit on your transactions. For example, a payables invoice has an explicit legal entity field. Your accounts payables department can process supplier invoices on behalf of one or many business units.

In some cases, your legal entity is inferred from your business unit that is processing the transaction. For example, Business Unit ACM UK has a default legal entity of InFusion UK Ltd. When a purchase order is placed in ACM UK, the legal entity InFusion UK Ltd is legally obligated to the supplier. Oracle Fusion Procurement, Oracle Fusion Project Portfolio Management, and Oracle Fusion Supply Chain applications rely on deriving the legal entity information from the business unit.<

Legal Entity and Its Relationship to Divisions

The division is an area of management responsibility that can correspond to a collection of legal entities. If wanted, you can aggregate the results for your divisions by legal entity or by combining parts of other legal entities. Define date-effective hierarchies for your cost center or legal entity segment in your chart of accounts to facilitate the aggregation and reporting by division. Divisions and legal entities are independent concepts.

Legal Entity and Its Relationship to Ledgers

One of your major responsibilities is to file financial statements for your legal entities. Map legal entities to specific ledgers using the Oracle Fusion General Ledger Accounting Configuration Manager. Within a ledger, you can optionally map a legal entity to one or more balancing segment values.

Legal Entity and Its Relationship to Balancing Segments

Oracle Fusion General Ledger supports up to three balancing segments. Best practices recommend one segment represents your legal entity to ease your requirement to account for your operations to regulatory agencies, tax authorities, and investors. Accounting for your operations means you must produce a balanced trial balance sheet by legal entity. If you account for many legal entities in a single ledger, you must:

1. Identify the legal entities within the ledger.
2. Balance transactions that cross legal entity boundaries through intercompany transactions.
3. Decide which balancing segments correspond to each legal entity and assign them in Oracle Fusion General Ledger Accounting Configuration Manager. Once you assign one balancing segment value in a ledger, then all your balancing segment values must be assigned. This recommended best practice facilitates reporting on assets, liabilities, and income by legal entity.

Represent your legal entities by at least one balancing segment value. You may represent it by two or three balancing segment values if more granular reporting is required. For example, if your legal entity operates in multiple jurisdictions in Europe, you might define balancing segment values and map them to legal reporting units. You can represent a legal entity with more than one balancing segment value. Do not use a single balancing segment value to represent more than one legal entity.

In Oracle Fusion General Ledger, there are three balancing segments. You can use separate balancing segments to represent your divisions or strategic business units to enable management reporting at the balance sheet level for each. This solution is used to empower your business unit and divisional managers to track and assume responsibility for their asset utilization or return on investment. Using multiple balancing segments is also useful when you know at the time of implementation that you are disposing of a part of a legal entity and want to isolate the assets and liabilities for that entity.

Implementing multiple balancing segments requires every journal entry that is not balanced by division or business unit, to generate balancing lines. You cannot change to multiple balancing segments after you begin using the ledger because your historical data is not balanced by the new balancing segments. Restating historical data must be done at that point.

If your enterprise regularly spins off businesses or holds managers accountable for utilization of assets, identify the business with a balancing segment value. If you account for each legal entity in a separate ledger, no requirement exists to identify the legal entity with a balancing segment value.

While transactions that cross balancing segments don't necessarily cross legal entity boundaries, all transactions that cross legal entity boundaries must cross balancing segments. If you make an acquisition or are preparing to dispose of a portion of your enterprise, you may want to account for that part of the enterprise in its own balancing segment even if the portion is not a separate legal entity. If you do not map legal entities sharing the same ledger to balancing segments, you cannot distinguish them using intercompany functionality or track individual equity.

Legal Entity and Its Relationship to Consolidation Rules

In Oracle Fusion Applications you can map legal entities to balancing segments and then define consolidation rules using your balancing segments. You are creating a relationship between the definition of your legal entities and their role in your consolidation.

Legal Entity and Its Relationship to Intercompany Transactions

Use Oracle Fusion Intercompany feature to create intercompany entries automatically across your balancing segments. Intercompany processing updates legal ownership within the enterprise's groups of legal entities. Invoices or journals are created as needed. To limit the number of trading pairs for your enterprise, set up intercompany organizations and assign then to your authorized legal entities. Define processing options and intercompany accounts to use when creating intercompany transactions and to assist in consolidation elimination entries. These accounts are derived and automatically entered on your intercompany transactions based on legal entities assigned to your intercompany organizations.

Intracompany trading, in which legal ownership isn't changed but other organizational responsibilities are, is also supported. For example, you can track assets and liabilities that move between your departments within your legal entities by creating departmental level intercompany organizations.

> 💡 **Tip:** In the Oracle Fusion Supply Chain applications, you can model intercompany relationships using business units, from which legal entities are derived.

Legal Entity and Its Relationship to Worker Assignments and Legal Employer

Legal entities that employ people are called legal employers in the Oracle Fusion Legal Entity Configurator. You must enter legal employers on worker assignments in Oracle Fusion HCM.

Legal Entity and Payroll Reporting

Your legal entities are required to pay payroll tax and social insurance such as social security on your payroll. In Oracle Fusion Applications, you can register payroll statutory units to pay and report on payroll tax and social insurance for your legal entities. As the legal employer, you might be required to pay payroll tax, not only at the national level, but also at the local level. You meet this obligation by establishing your legal entity as a place of work within the jurisdiction of a local authority. Set up legal reporting units to represent the part of your enterprise with a specific legal reporting obligation. You can also mark these legal reporting units as tax reporting units, if the legal entity must pay taxes as a result of establishing a place of business within the jurisdiction.

Related Topics

- Creating Legal Entities in the Enterprise Structures Configurator: Points to Consider

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What's a payroll statutory unit?

Payroll statutory units are legal entities that are responsible for paying workers, including the payment of payroll tax and social insurance. A payroll statutory unit can pay and report on payroll tax and social insurance on behalf of one or many legal entities, depending on the structure of your enterprise. For example, if you are a multinational, multiple company enterprise, then you register a payroll statutory unit in each country where you employ and pay people. You can optionally register a consolidated payroll statutory unit to pay and report on workers across multiple legal employers within the same country. You associate a legislative data group with a payroll statutory unit to provide the correct payroll information for workers.

What's a legal employer?

A legal employer is a legal entity that employs workers. You define a legal entity as a legal employer in the Oracle Fusion Legal Entity Configurator.

The legal employer is captured at the work relationship level, and all assignments within that relationship are automatically with that legal employer. Legal employer information for worker assignments is also used for reporting purposes.

What's a tax reporting unit?

Use a tax reporting unit to group workers for the purpose of tax and social insurance reporting. A tax reporting unit is the Oracle Fusion Human Capital Management (HCM) version of the legal reporting unit in Oracle Fusion Applications.

To create a tax reporting unit, you use the Oracle Fusion Legal Entity Configurator to define a legal entity as a payroll statutory unit. When you identify a legal entity as a payroll statutory unit, the application transfers the legal reporting units that are associated with that legal entity to Oracle Fusion HCM as tax reporting units. You can then access the tax reporting unit using the Manage Legal Reporting Unit HCM Information task.

If you identify a legal entity as a legal employer, and not as a payroll statutory unit, you must enter a parent payroll statutory unit. The resulting legal reporting units are transferred to Oracle Fusion HCM as tax reporting units, but as children of the parent payroll statutory unit that you entered, and not the legal entity that you identified as a legal employer.

Planning Legal Reporting Units: Points to Consider

Each of your legal entities has at least one legal reporting unit. Legal reporting units can also be referred to as establishments. You can define either domestic or foreign establishments. Define legal reporting units by physical location, such as sales offices, or by logical unit, such as groups of employees subject to different reporting requirements. For example, define logical legal reporting units for both salaried and hourly paid employees.

Another example of logical reporting units is in Oracle Fusion Human Capital Management (HCM) where you use legal reporting units to model tax reporting units. A tax reporting unit is used to group workers for the purpose of tax reporting.

Planning Legal Reporting Units

Plan and define your legal reporting units at both the local and national levels if you operate within the administrative boundaries of a jurisdiction that is more granular than country. For example, your legal entity establishes operations in a country that requires reporting of employment and sales taxes locally as well as nationally. Therefore, you need more than one legally registered location to meet this legal entity's reporting requirements in each local area. Additionally, legal entities in Europe operate across national boundaries, and require you to set up legal reporting units for the purposes of local registration in each country. There can be multiple registrations associated with a legal reporting unit. However, only one identifying registration can be defined by the legal authority used for the legal entity or legal reporting unit and associated with the legal reporting unit.

Designing an Enterprise Configuration: Example

This example illustrates how to set up an enterprise based on a global company operating mainly in the US and the UK with a single primary industry.

Scenario

InFusion Corporation is a multinational enterprise in the high technology industry with product lines that include all the components that are required to build and maintain air quality monitoring systems for homes and businesses. Its primary locations are in the US and the UK, but it has smaller outlets in France, Saudi Arabia, and the United Arab Emirates (UAE).

Enterprise Details

In the US, InFusion employs 400 people and has company revenue of 120 million US dollars.. Outside the US, InFusion employs 200 people and has revenue of 60 million US dollars.

Analysis

InFusion requires three divisions.

- The US division covers the US locations.

- The Europe division covers UK and France.

- Saudi Arabia and the UAE are covered by the Middle East division.

InFusion requires legal entities with legal employers, payroll statutory units, tax reporting units, and legislative data groups for the US, UK, France, Saudi Arabia, and UAE, to employ and pay its workers in those countries.

InFusion requires a number of departments across the enterprise for each area of business, such as sales and marketing, and a number of cost centers to track and report on the costs of those departments.
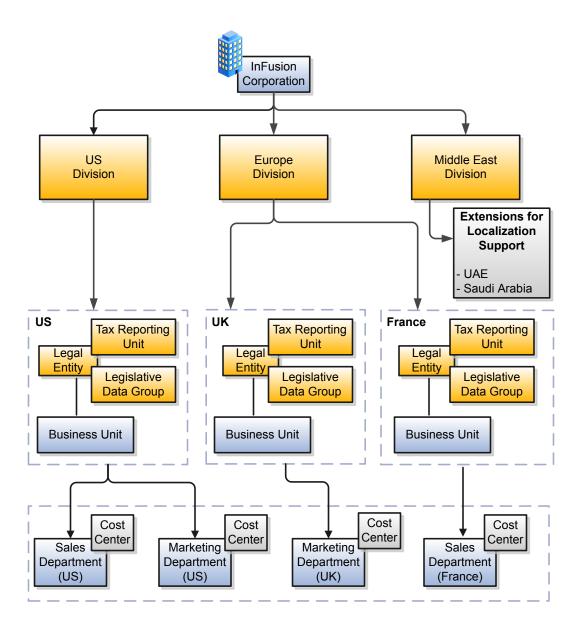
InFusion has general managers responsible for business units within each country. Those business units may share reference data. Some reference data can be defined within a reference data set that multiple business units may subscribe to. Business units are also required for financial purposes. Financial transactions are always processed within a business unit.

Resulting Enterprise Configuration

Based on this analysis, InFusion requires an enterprise with multiple divisions, ledgers, legal employers, payroll statutory units, tax reporting units, legislative data groups, departments, cost centers, and business units.

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This figure illustrates the enterprise configuration that results from the analysis of InFusion Corporation.

Related Topics

- Enterprise Structures: Overview

- Modeling Your Enterprise Management Structure in Oracle Fusion: Example

5 Management Reporting Structures

Divisions: Explained

Managing multiple businesses requires that you segregate them by their strategic objectives and measure their results.

Responsibility to reach objectives can be delegated along the management structure. Although related to your legal structure, the business organizational hierarchies do not reflect directly the legal structure of the enterprise. The management entities and structure can include:

- Divisions and subdivisions
- Lines of business
- Other strategic business units
- Their own revenue and cost centers

These organizations can be included in many alternative hierarchies and used for reporting, as long as they have representation in the chart of accounts.

Divisions

A division refers to a business-oriented subdivision within an enterprise, in which each division organizes itself differently to deliver products and services or address different markets. A division can operate in one or more countries, and can be many companies or parts of different companies that are represented by business units.

A division is a profit center or grouping of profit and cost centers, where the division manager is responsible for achieving business goals including profits. A division can be responsible for a share of the company's existing product lines or for a separate business. Managers of divisions may also have return on investment goals requiring tracking of the assets and liabilities of the division. The division manager generally reports to a top corporate executive.

By definition a division can be represented in the chart of accounts. Companies can use product lines, brands, or geographies as their divisions: their choice represents the primary organizing principle of the enterprise. This may coincide with the management segment used in segment reporting.

Oracle Fusion Applications supports a qualified management segment and recommends that you use this segment to represent your hierarchy of business units and divisions. If managers of divisions have return on investment goals, make the management segment a balancing segment. Oracle Fusion applications permit up to three balancing segments. The values of the management segment can be business units that roll up in a hierarchy to report by division.

Historically, divisions were implemented as a node in a hierarchy of segment values. For example, Oracle E-Business Suite has only one balancing segment, and often the division and legal entity are combined into a single segment where each value stands for both division and legal entity.

Use of Divisions in Oracle Fusion Human Capital Management (HCM)

Divisions are used in HCM to define the management organization hierarchy, using the generic organization hierarchy. This hierarchy can be used to create organization-based security profiles.

Business Units: Explained

A business unit is a unit of an enterprise that performs one or many business functions that can be rolled up in a management hierarchy. A business unit can process transactions on behalf of many legal entities. Normally, it has a manager, strategic objectives, a level of autonomy, and responsibility for its profit and loss. Roll business units up into divisions if you structure your chart of accounts with this type of hierarchy.

In Oracle Fusion Applications you do the following:

- Assign your business units to one primary ledger. For example, if a business unit is processing payables invoices, then it must post to a particular ledger. This assignment is required for your business units with business functions that produce financial transactions.

- Use a business unit as a securing mechanism for transactions. For example, if you run your export business separately from your domestic sales business, then secure the export business data to prevent access by the domestic sales employees. To accomplish this security, set up the export business and domestic sales business as two separate business units.

The Oracle Fusion Applications business unit model provides the following advantages:

- Enables flexible implementation
- Provides consistent entity that controls and reports on transactions
- Shares sets of reference data across applications

Business units process transactions using reference data sets that reflect your business rules and policies and can differ from country to country. With Oracle Fusion Application functionality, you can share reference data, such as payment terms and transaction types, across business units, or you can have each business unit manage its own set depending on the level at which you want to enforce common policies.

In countries where gapless and chronological sequencing of documents is required for subledger transactions, define your business units in alignment with your legal entities to ensure the uniqueness of sequencing.

In summary, use business units for:

- Management reporting
- Transaction processing
- Transactional data security
- Reference data sharing and definition

Brief Overview of Business Unit Security

A number of Oracle Fusion Applications use business units to implement data security. You assign roles like Accounts Payable Manager to users to permit them to perform specific functions, and you assign business units for each role to users to give them access to data in those business units. For example, users which have been assigned a Payables role for a particular business unit, can perform the function of payables invoicing on the data in that business unit. Roles can be assigned to users manually using the Security Console, or automatically using provisioning rules. Business Units can be assigned to users using the Manage Data Access for Users task in Setup and Maintenance.

Related Topics
- Reference Data Sets and Sharing Methods: Explained

Business Functions: Explained

A business unit can perform many business functions in Oracle Fusion Applications.

Business Functions

A business function represents a business process, or an activity that can be performed by people working within a business unit and describes how a business unit is used. The following business functions exist in Oracle Fusion applications:

- Billing and revenue management
- Collections management
- Customer contract management
- Customer payments
- Expense management
- Incentive compensation
- Marketing
- Materials management
- Inventory management
- Order fulfillment orchestration
- Payables invoicing
- Payables payments
- Procurement
- Procurement contract management
- Project accounting
- Receiving
- Requisitioning
- Sales

Although there is no relationship implemented in Oracle Fusion Applications, a business function logically indicates a presence of a department in the business unit with people performing tasks associated with these business functions. A business unit can have many departments performing various business functions. Optionally, you can define a hierarchy of divisions, business units, and departments as a tree over HCM organization units to represent your enterprise structure.

> ✎ **Note:** This hierarchy definition is not required in the setup of your applications, but is a recommended best practice.

Your enterprise procedures can require a manager of a business unit to have responsibility for their profit and loss statement. In such cases, any segment that allows the identification of associated revenue and costs can be used as a profit center identification. The segment can be qualified as a cost center segment.

However, there are cases where a business unit is performing only general and administrative functions, in which case your manager's financial goals are limited to cost containment or recovering of service costs. For example, if a shared service center at the corporate office provides services for more commercially-oriented business units, it does not show a profit and therefore, only tracks its costs.

In other cases, where your managers have a responsibility for the assets of the business unit, a balance sheet can be produced. The recommended best practice to produce a balance sheet is to setup the business unit as a balancing segment in the chart of accounts. The business unit balancing segment can roll up to divisions or other entities to represent your enterprise structure.

When a business function produces financial transactions, a business unit must be assigned to a primary ledger, and a default legal entity. Each business unit can post transactions to a single primary ledger, but it can process transactions for many legal entities.

The following business functions generate financial transactions and will require a primary ledger and a default legal entity:

- Billing and revenue management

- Collections management

- Customer payments

- Expense management

- Materials management

- Payables invoicing

- Project accounting

- Receiving

- Requisitioning

Business Unit Hierarchy: Example

For example, your InFusion America Company provides:
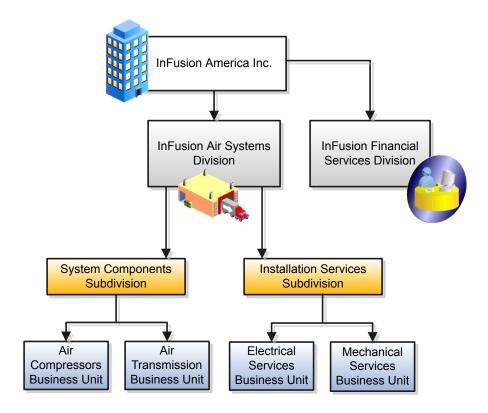
- Air quality monitoring systems through your division InFusion Air Systems

- Customer financing through your division InFusion Financial Services

The InFusion Air Systems division further segments your business into the System Components and Installation Services subdivisions. Your subdivisions are divided by business units:

- System Components by products: Air Compressors and Air Transmission

- Installation Services by services: Electrical and Mechanical

Oracle Fusion applications facilitates independent balance sheet rollups for legal and management reporting by offering up to three balancing segments. Hierarchies created using the management segment can provide the divisional results. For example, it is possible to define management segment values to correspond to business units, and arrange them in a hierarchy where the higher nodes correspond to divisions and subdivisions, as in the Infusion US Division example above.

Business Functions and Departments: How They Fit Together

A business unit running a business function indicates that the business unit has a department performing that function.

For example, the business unit running the accounts payable business function has at least one accounts payable department.

Another example is a business unit running a sales business function. This business unit has both sales and marketing departments.

Sales and marketing department hierarchies are maintained in the Oracle Sales Cloud service using the resource manager functionality. The department hierarchy used by Human Capital Management (HCM) can overlap, align with, or differ from the Oracle Sales Cloud sales organization hierarchy in both the number of levels and the organizational lines.

Shared Service Centers: Explained

Oracle Fusion Applications enables defining relationships between business units to outline which business unit provides services to the other business units.

Service Provider Model

The service provider model centralizes the following business functions:

- Procurement

  - Services business units that enable the Requisitioning business function.
  - Processes requisitions and negotiates supplier terms for client business units.

- Payables Payment

  - Services business units that enable the Payables Invoicing business function.
  - Processes payments for client business units.

- Customer Payments

  - Services business units that enable the Billing and Revenue Management business function.
  - Processes payments for the transactions of client business units assigned the Billing and Revenue Management business function.

This functionality is used to frame service level agreements and drive security. The service provider relationships provides you with a clear record of how your business operations are centralized. For other centralized processing, business unit security is used (known in Oracle EBS as Multi-Org Access Control). This means that users who work in a shared service center have the ability to get access and process transactions for many business units.

Related Topics
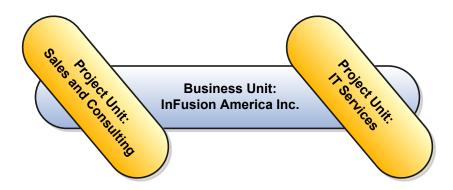
- Centralized Payment Processing Across Business Units: Explained

Project Units: Explained

Project units are operational subsets of an enterprise that conduct business operations using projects and need to enforce consistent project planning, management, analysis, and reporting. Project units often represent lines of business, such as Consulting Services, Sales, and Research and Development. You must set up at least one project unit to use in Oracle Fusion Project Portfolio Management.

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You can maintain independent setup data for each project unit while sharing a single approach to financial management across all project units. The following diagram shows two project units that share a common approach to financial management and data. Each project unit maintains separate reference data for managing projects.

General Properties

General property options include the default reference data set to be used for any new reference data object associated with the project unit. You can override the default set for each reference data object. The method of project number creation, either manual or automatic, and daily or weekly full time equivalent hours for reporting purposes, are also included in general properties.

Set Assignments

You assign sets to project units to determine how reference data is shared across different lines of business in a company. A project unit is a set determinant for the following objects.

- Project definition, which includes set-enabled reference data for the project definition such as class code, financial plan type, project role, and project status.

- Project transaction types, which include set-enabled reference data for project transactions such as project expenditure type and project work type.

Set assignment configuration includes the following options for each project unit.

- Reference set value: By default, the set for each reference data object is from the default set specified for the project unit.

- Reference data objects: For the project definition and project transaction types.

Related Business Units

You associate business units with a project unit to identify the business units that are accountable for financial transactions of projects in each project unit. You can change the project unit and business unit association if the combination has not been used on a project or project template. If a business unit is not associated with any project unit, then the business unit is valid for all project units.

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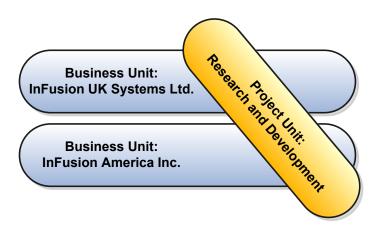
Business Units and Projects: Explained

Business units are subsets of an enterprise that perform one or more business functions and can be consolidated in both a managerial and legal hierarchy. Project accounting is an example of a business function that's set up by business unit. Other examples are billing and revenue management, customer contract management, and payables invoicing.

Business units are defined centrally. During implementation, you must enable the Project Accounting business unit for use with Project Financial Management applications.

You can partition financial data using business units while sharing a single approach to project management across all business units. The following diagram shows two business units, one from the United Kingdom (UK) and one from the United States (US). These business units have the same research and development processes, so a single project unit is used by both business units to facilitate common project management practices.

Project Setup

Each business unit that you enable requires implementing project setup options for the following areas:

- Project and task owning organizations are associated with the business unit to restrict these organizations in project creation flow.

    > ❗ **Important:** To own projects or tasks, an organization must be classified as project and task owning organization, belong to the hierarchy associated with the business unit, and be active on the system date. The project type class must be permitted to use the organization to create projects.

- Project expenditure organizations are associated with the business unit to restrict which organizations can incur costs on the project.

- Project costing establishes calendar, asset, overtime, and processing options for project-related costs.

- Project units are associated with business units to restrict the business units that can handle project transactions. When a project unit isn't associated with a business unit, any business unit in your enterprise can process project transactions.

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- Cross-charge transaction options define conversion rate and date types and cross-charge transaction processing methods.

- Customer contract management defines business function properties, such as currency conversion, cross-charge transaction, and billing options, for each contract business unit.

✎ **Note:** A project can be associated with only one business unit.

Reference Data Sharing

Assign sets to business units to determine how reference data is shared across applications. A business unit is a set determinant for the following objects:

- Project accounting definition, including set-enabled reference data such as project type.

- Project and contract billing, including set-enabled reference data such as invoice format.

- Project rates, including set-enabled reference data such as rate schedules.

What's the difference between a business unit and a project unit?

Use business units to control and report on financial transactions. For each business unit, you configure fundamental operating settings to control project setup, expenditure processing, and cross-charge transaction processing.

Use project units to enforce consistent project management practices for projects across multiple business units. For each project unit, you configure project management settings such as the default set assignment, project numbering series, full-time equivalent hours, related business units, and reporting options.

What's the difference between business units in Oracle PeopleSoft and Oracle Fusion Applications?

Oracle PeopleSoft business units and Oracle E-Business Suite operating units have been combined to create the new Oracle Fusion Applications business unit functionality.

In Oracle PeopleSoft Enterprise, a business unit housed the configuration of only one business function.

A business unit can be configured for multiple business functions in Oracle Fusion Applications. The advantage is you no longer have to name multiple business units with the same name as you did in PeopleSoft Enterprise.

In PeopleSoft Enterprise, business units can be consolidated in a hierarchy. You can see the results of a single business unit or a set of business units. PeopleSoft Enterprise also enables you to produce financial statements for a business unit.

In Oracle Fusion Applications, this is accomplished by creating a business unit representation in a chart of accounts and building appropriate hierarchies.

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What's the difference between business units in Oracle E-Business Suite and Oracle Fusion Applications?

In Oracle E-Business Suite, operating units are used to determine in which ledger a given subledger transaction is accounted and to partition set up reference data, processing and security.

In Oracle Fusion Applications, enable business units with all their business functions to replace your operating units in the Oracle E-Business Suite. Oracle Fusion Applications provide the additional functionality of assigning a manager to the business unit.

Modeling Your Business Units in Your Enterprise Structure in Oracle Fusion: Example

This example uses a fictitious global company to demonstrate the business unit analysis that can occur during the enterprise structure configuration planning process.

Scenario

Your company, InFusion Corporation, is a multinational conglomerate that operates in the United States (US) and the United Kingdom (UK). InFusion has purchased an Oracle Fusion Enterprise Resource Planning (ERP) solution including Oracle Fusion General Ledger and all of the Oracle Fusion subledgers. You are chairing a committee to discuss creation of a model for your global enterprise structure including both your US and UK operations.

InFusion Corporation

InFusion Corporation has 400 plus employees and revenue of 120 million US dollars. Your product line includes all the components to build and maintain air quality monitoring systems for homes and businesses. You have two distribution centers and three warehouses that share a common item master in the US and UK. Your financial services organization provides funding to your customers for the start-up costs of these systems.

Analysis

The following are elements you must consider in creating your business units for your global enterprise structure.

- At which level do you track profit and loss (revenue and expenses) and strategic objectives?

- Do you require balance sheet for your management entities? Is capital utilization reported on the level of business units?

- Do you use business units and balancing segments to represent your businesses and divisions?
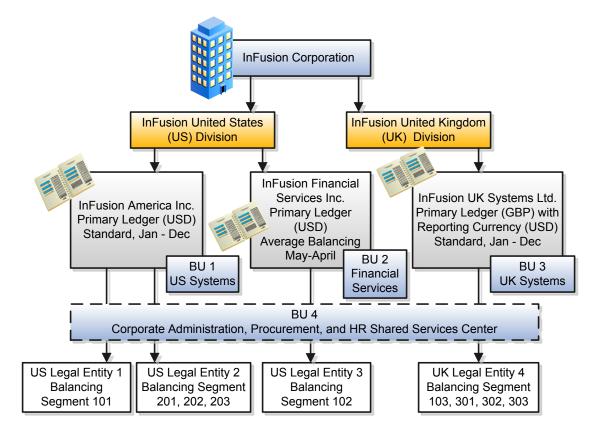
- Do you secure data by a segment representing each department or legal entity or both to produce useful, but confidential management reports?

- Is your procurement centralized, or do individual business units perform the procurement function?

- Can your business units process transactions on behalf of many legal entities?

- How do you want to represent your business units and divisions in the chart of accounts?

- How will your business units be represented in ledgers?

Global Enterprise Structure Model With Business Unit

The following figure summarizes the model that your committee has designed and uses numbers to provide a sample representation of your structure. The model includes the recommendation to create four separate business units (BU):

- InFusion America Inc. has BU 1: US Systems and BU 4: Corporate Processing Shared Service Center

- InFusion Financial Services Inc. has BU 2: Financial Services

- InFusion UK Services Ltd. has BU 3: UK Systems

Business Units 1, 2, and 3 record the transactions of their respective legal entities. Business Unit 4 processes the corporate level transactions, including payable, procurement and human resource functions for the entire enterprise. The implementation of BU 4 reduces administrative costs, provides consistent enforcement of company policies, and improves efficiency across the organization.

6 **Financial Reporting Structures**

Representing Your Enterprise Structure in Your Financial Reporting Structure: Overview

Represent your enterprise structures in your chart of accounts to track and report on your financial objectives and meet your reporting requirements. The benefit of representing your enterprise in the chart of accounts is the functionality which includes multidimensional reporting with its Essbase tool. Segments included in the chart of accounts become dimensions in Essbase. The recorded data is automatically loaded into the Essbase cube when you post your journal entries. The Essbase tool includes powerful functionality for analysis and reporting on your financial data.

Chart of Accounts: Explained

The chart of accounts is the underlying structure for organizing financial information and reporting. An entity records transactions with a set of codes representing balances by type, expenses by function, and other divisional or organizational codes that are important to its business.

A well-designed chart of accounts provides the following benefits:

- Effectively manages an organization's financial business.
- Supports the audit and control of financial transactions.
- Provides flexibility for management reporting and analysis.
- Anticipates growth and maintenance needs as organizational changes occur.
- Facilitates an efficient data processing flow.
- Enables delegation of responsibility for cost control, profit attainment, and asset utilization.
- Measures performance against corporate objectives by your managers.

The chart of accounts facilitates aggregating data from different operations, from within an operation, and from different business flows, thus enabling the organization to report using consistent definitions to their stakeholders in compliance with legislative and corporate reporting standards and aiding in management decisions.

Best practices include starting the design from external and management reporting requirements and making decisions about data storage in the general ledger, including thick versus thin general ledger concepts.

Thick Versus Thin General Ledger: Critical Choices

Thick versus thin general ledger is standard terminology used to describe the amount of data populated and analysis performed in your general ledger. Thick and thin are the poles; most implementations are somewhere in between. Here are some variations to consider:

- A general ledger used in conjunction with an enterprise profitability management (EPM) product, which has data standardized from each operation, is a thin general ledger. Use this variation if your solution is project-based, and

Oracle Fusion Project Portfolio Management is implemented. More detailed reporting can be obtained from the Projects system. In the thin general ledger, business units, divisions, and individual departments are not represented in the chart of accounts.

- A thick general ledger:

    o Has segments representing all aspects.

    o Captures every detail of your business.

    o Runs frequent posting.

    o Defines many values in each segment.

    A thick general ledger is designed to serve as a repository of management data for a certain level of management. For example, a general ledger designed to provide management data to supervise operations, such as daily sales, without invoice details.

- A primary and secondary ledger, with one thick general ledger and the other a thin general ledger, provides dual representation to meet reporting requirements.

Thin General Ledger

With a thin general ledger, you use the general ledger for internal control, statutory reporting, and tracking of asset ownership. You minimize the data stored in your general ledger. A thin general ledger has many of the following characteristics:

- Minimal chart of accounts

    o Short list of cost centers

    o Short list of natural accounts

        - Short list of cost accounts
        - Summary level asset and liability accounts
    o Low number of optional segments

- Infrequent posting schedule

A thin general ledger:

- Has natural accounts at a statutory reporting level, for example, payroll expense, rent, property taxes, and utilities.

- Has cost centers at the functional expense level, such as Research and Development or Selling, General, and Administrative, rather than at department or analytic levels.

- Omits business unit, division, and product detail.

One example of an industry that frequently uses a thin general ledger is retail. In a retail organization, the general ledger tracks overall sales numbers by region. A retail point of sales product tracks sales and inventory by store, product, supplier, markup, and other retail sales measures.

Thick General Ledger

With a thick general ledger, you use the general ledger as a detailed, analytic tool, performing analytic functions directly in the general ledger. Data is broken down by many reporting labels, and populated frequently from the subledgers.

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You maximize the data stored in the general ledger. A thick general ledger has many of the following characteristics:

- Maximum use of the chart of accounts
    - Long list of natural accounts
    - Long list of cost centers
        - Long list of costing accounts
        - Detailed asset and liability accounts
- Frequent posting schedule

A thick general ledger had details for cost of goods sold and inventory balances and track property plant and equipment at a granular level. Cost centers represent functional expenses, but also roll up to departmental or other expense analysis levels. Using product and location codes in optional segments can provide reporting by line of business. Posting daily, at the individual transaction level, can maximize the data stored in the general ledger.

One example of an industry that frequently uses a thick general ledger is electronic manufacturers. Detail on the revenue line is tagged by sales channel. Product is structured differently to provide detail on the cost of goods sold line, including your bill of materials costs. The general ledger is used to compare and contrast both revenue and cost of goods sold for margin analysis.

Other Considerations

Consider implementing a thick ledger if there are business requirements to do any of the following:

- Track entered currency balances at the level of an operational dimension or segment of your chart of accounts, such as by department or cost center
- Generate financial allocations at the level of an operational dimension or segment
- Report using multiple layered and versions of hierarchies of the operational dimension or segment from your general ledger

Consider implementing a thin ledger in addition to a thick ledger, if there are additional requirements for:

- Minimal disclosure to the authorities in addition to the requirements listed above. For example, in some European countries, fiscal authorities examine ledgers at the detailed account level.
- Fiscal only adjustments, allocations, and revaluations, which don't impact the thick general ledger.

The important consideration in determining if a thick ledger is the primary or secondary ledger is your reporting needs. Other considerations include how the values for an operational dimension or segment are derived and the amount of resources used in reconciling your different ledgers. If values for an operational dimension or segment are entered by the user, then a thick primary ledger is the better choice.

However, if values for the operational segment are automatically derived from attributes on transactions in your subledger accounting rules, then use a thick secondary ledger. This decision affects the amount of:

- Storage and maintenance needed for both the general ledger and subledger accounting entries
- System resources required to perform additional posting
- In summary, you have:
    - Minimum demand on storage, maintenance, and system resources with the use of a thin ledger
    - Greater demand on storage, maintenance, and system resources with the use of a thick ledger
    - Greatest demand on storage, maintenance and system resources with the use of both thick and thin ledgers

> ✏ **Note:** Generally speaking, there is a trade-off between the volume of journals and balances created and maintained versus system resource demands. Actual performance depends on a wide range of factors including hardware and network considerations, transaction volume, and data retention policies.

Summary
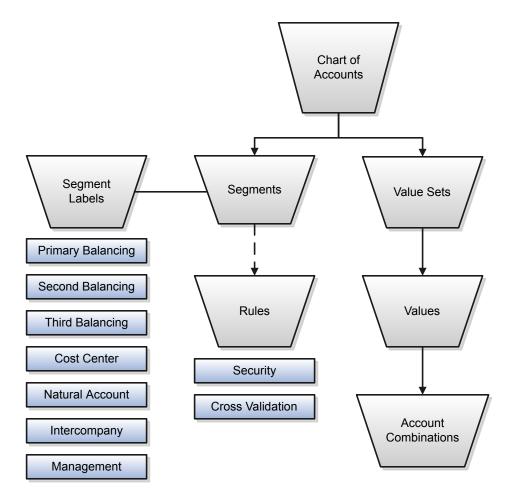
The factors you should consider in your decision to use a thick or thin general ledger for your organization, are your:

- Downstream EPM system and its capabilities

- Business intelligence system and its capabilities

- Subledger systems and their capabilities and characteristics, including heterogeneity

- General ledger reporting systems and their capabilities

- Maintenance required for the thick or thin distributions and record keeping

- Maintenance required to update value sets for the chart of accounts segments

- Preferences of the product that serves as a source of truth

- Level at which to report profitability including gross margin analysis

- Industry and business complexity

Chart of Accounts: How Its Components Fit Together

The important elements in a basic chart of accounts in Oracle Fusion Applications included a structure that defines the account values, segments and their labels, and rules (security and validation). Account combinations link the values in the segments together and provide the accounting mechanism to capture financial transactions.

Chart of Accounts

The chart of accounts defines the number and attributes of various segments, including:

- Order of segments
- Width of segments
- Prompts
- Segment labels, such as balancing, natural account, and cost center.

The chart of accounts further defines:

- Combination of value sets associated with each segment
- Type of segment
- Default values for the segments
- Additional conditions designating the source of the values using database tables
- Required and displayed properties for the segments

Segments

A chart of accounts segment is a component of the account combination. Each segment has a value set attached to it to provide formatting and validation of the set of values used with that segment. The combination of segments creates the account combination used for recording and reporting financial transactions. Examples of segments that may be found in a chart of accounts are company, cost center, department, division, region, account, product, program, and location.

Value Sets and Values

The value sets define the attributes and values associated with a segment of the chart of accounts. You can think of a value set as a container for your values. You can set up your flexfield so that it automatically validates the segment values that you enter against a table of valid values. If you enter an invalid segment value, a list of valid values appears automatically so that you can select a valid value. You can assign a single value set to more than one segment, and you can share value sets across different flexfields.

> ⚠️ **Caution:** You must use Independent validation only for the Accounting Key Flexfield value sets. Other validations prevent you from using the full chart of accounts functionality, such as data security, reporting, and account hierarchy integration. Dependent values sets are not supported.

Segment Labels

Segment labels identify certain segments in your chart of accounts and assign special functionality to those segments. Segment labels were referred to as flexfield qualifiers in Oracle E-Business Suite. Here are the segment labels that are available to use with the chart of accounts.

- **Balancing**: Ensures that all journals balance for each balancing segment value or combination of multiple balancing segment values to use in trial balance reporting. The three balancing segment labels are: primary, second, and third balancing. The primary balancing segment label is required.

- **Cost Center**: Facilitates grouping of natural accounts by functional cost types, accommodating tracking of specific business expenses across natural accounts. As cost centers combine expenses and headcount data into costs, they are useful for detailed analysis and reporting. Cost centers are optional, but required if you are accounting for depreciation, additions, and other transactions in Oracle Fusion Assets, and for storing expense approval limits in Oracle Fusion Expense Management.

- **Natural Account**: Determines the account type (asset, liability, expense, revenue, or equity) and other information specific to the segment value. The natural account segment label is required.

- **Management**: Optionally, denotes the segment that has management responsibility, such as the department, cost center, or line of business. Also can be attached to the same segment as one of the balancing segments to make legal entity reporting more granular.

- **Intercompany**: Optionally, assigns the segment to be used in intercompany balancing functionality.

> ✏️ **Note:** All segments have a segment qualifier that enables posting for each value. The predefined setting is Yes to post.

Account Combinations

An account combination is a completed code of segment values that uniquely identifies an account in the chart of accounts, for example 01-2900-500-123, might represent InFusion America (company)-Monitor Sales (division)-Revenue (account)-Air Filters (product).

Rules

The chart of accounts uses two different types of rules to control functionality.
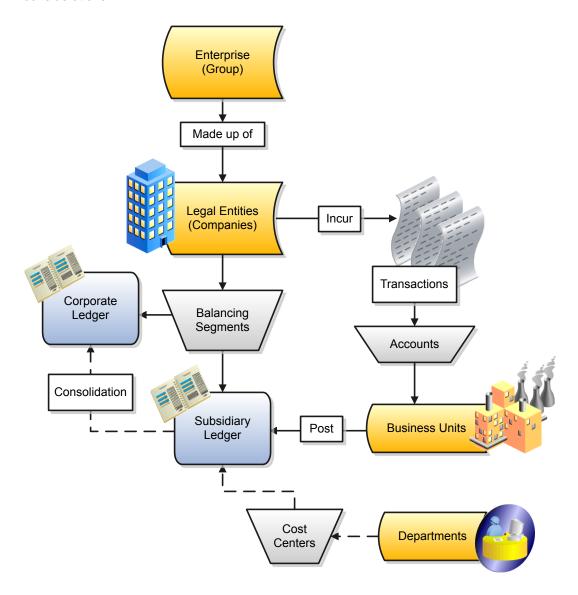
- **Security rules**: Prohibit certain users from accessing specific segment values. For example, you can create a security rule that grants a user access only to his or her department.

- **Cross-validation rules**: Control the account combinations that can be created during data entry. For example, you may decide that sales cost centers 600 to 699 should enter amounts only to product sales accounts 4000 to 4999.

Financial Enterprise Structure: How It Fits Together

Oracle Fusion Applications are an integrated suite of business applications that connects and automates the entire flow of the business process across both front and back-office operations and addresses the needs of a global enterprise. The process of designing the enterprise structure, including the accounting configuration, is the starting point for an implementation. This

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process often includes determining financial, legal, and management reporting requirements and examining consolidation considerations.

Accounting Configuration Components

The accounting configuration components are:

- Ledgers: The main record-keeping structure. A ledger records the transactional balances by defining a chart of accounts with a calendar and currency, and accounting rules, implemented in an accounting method. The ledger is associated with the subledger transactions for the business units that are assigned to it, and provides context and accounting for them.

- Balancing Segments: Use these chart of accounts element to represent and track both legal and management entities. The primary balancing segment is used to represents your legal entities. The Second and Third balancing segments are used to implement management reporting and analysis. Balancing segments provide automatic

balancing functionality by legal entity for journal entries, including intercompany and intracompany entries, suspense posting, and rounding imbalances.

- Cost Centers: The component that aggregates elements of natural expenses to identify functional costs. A cost center can be the smallest segment of an organization for which costs are collected and reported. Not all cost centers represent organizations. A manager is assigned responsibility for cost control and is assigned both a department and a cost center; in which case the cost center and department might be identified with each other. However, a finance department manager might have separate cost centers for finance cost and audit costs and a Research and Development department manager might have separate cost centers for research and development.

  Cost centers are represented by segment values in the chart of accounts that indicate the functional areas of your business, such as accounting, facilities, shipping, or human resources. You might keep track of functional areas at a detailed level, but produce summary reports that group cost centers into one or more departments. Cost center values are also used by Oracle Fusion Assets to assist the managers in tracking locations and accounting for assets assigned to their departments.

- Accounts: The code in the chart of accounts that uniquely identifies each type of transactions recorded in the ledger and subledgers. The account segment is mapped to a dimension in the GL Balances Cube to enable reporting and inquiry. This functionality uses Oracle Fusion Business Intelligence to analyze and drill into expense and revenue transactions.

Representing Legal Entities, Business Units, Departments in Chart of Accounts

The following list provides information about how to represent legal entities, business units, and departments in chart of accounts.

- Representing Legal Entities in the Chart of Accounts: Legal entity is the term used in Oracle Fusion Applications for registered companies and other organizations recognized in law as having a legal existence and as parties with given rights and responsibilities.

  Legal entities are created in the applications and then assigned balancing segment values, sometimes called company codes in your ledgers during accounting configuration.

- Representing Business Units in the Chart of Accounts: A business unit (BU) is part of an enterprise managed by a manager with profit and loss responsibility. The business unit is generally tracked in the chart of accounts. A business unit can be represented by a single ledger. For example, in countries where you need document sequencing for unique transaction sequencing within a legal entity, you can have a single ledger with a single business unit and legal entity.

  A business unit can also be identified in the chart of accounts as a:

  - Management segment value
  - Balancing segment value
  - Roll up of cost center segments using hierarchies

  For example, a business unit manager is responsible for working capital utilization or overall asset utilization. You identify the business unit as a balancing segment value, to enable calculation of ratios for various utilization measurements.

  A business unit is assigned to a primary ledger, as well as a default legal entity when the business unit is configured. A BU identifies the primary ledger that subledger transactions are posted to, facilitating the use of more than one BU

per general ledger. Each business unit posts transactions to a single primary ledger. For example, a shared service center handles all the procurement functions for the entire company. The procurement transactions are posted to the business unit's ledger with intercompany entries to other ledgers as needed.

- Representing Departments in the Chart of Accounts: A department is an organizational structure with one or more operational objectives or responsibilities that exist independently of its manager and that has one or more employees assigned to it. The manager of a department is typically responsible for business deliverables, personnel resource management, competency management, and occasionally, for cost control and asset tracking.

    In Oracle Fusion Applications, departments can be set up in Oracle Fusion Human Capital Management (HCM). If wanted, they can also be represented by a unique segment in the chart of accounts or a group of cost center values.

Modeling Your Financial Reporting Structure in Oracle Fusion: Example

This example uses a fictitious global company to demonstrate the analysis that can occur during the financial reporting structure planning process.

Scenario

Your company, InFusion Corporation, is a multinational conglomerate that operates in the United States (US) and the United Kingdom (UK). InFusion has purchased an Oracle Fusion Enterprise Resource Planning (ERP) solution including Oracle Fusion General Ledger and all of the Oracle Fusion subledgers. You are chairing a committee to discuss creation of a model for your global financial reporting structure including your chart of accounts for both your US and UK operations.

InFusion Corporation

InFusion Corporation has 400 plus employees and revenue of 120 million US dollars. Your product line includes all the components to build and maintain air quality monitoring systems for homes and businesses. You have two distribution centers and three warehouses that share a common item master in the US and UK. Your financial services organization provides funding to your customers for the start-up costs of these systems.

Analysis

The following are elements you must consider in creating your model for your financial reporting structure.

- Your company is required to report using US Generally Accepted Accounting Principles (GAAP) standards and UK Statements of Standard Accounting Practice and Financial Reporting Standards. How many ledgers do you plan to have to achieve proper statutory reporting?

- Your financial services line of business has a different year end. Do you need a different calendar? Your financial services entity must report with average balance sheets. This feature of Oracle Fusion General Ledger provides you

with the ability to track average and end-of-day balances, report average balance sheets, and create custom reports using both standard and average balances.

- Your corporate management requires reports showing total organizational performance with drill-down capability to the supporting details. Do you need multiple balancing segment hierarchies to achieve proper rollup of balances for reporting requirements?

- Legal entity balancing options: Do you produce financial statements by one or more than one legal entity? Can you record multiple legal entities in one ledger or do you require multiple ledgers? Are you upgrading to Oracle Fusion Applications or a new install? If an upgrade, is your current financial reporting structure meeting your reporting needs?

Global Financial Reporting Model

The following figure and table summarize the model that your committee has designed and uses number values to provide a sample representation of your financial reporting structure. The model includes the following recommendations:
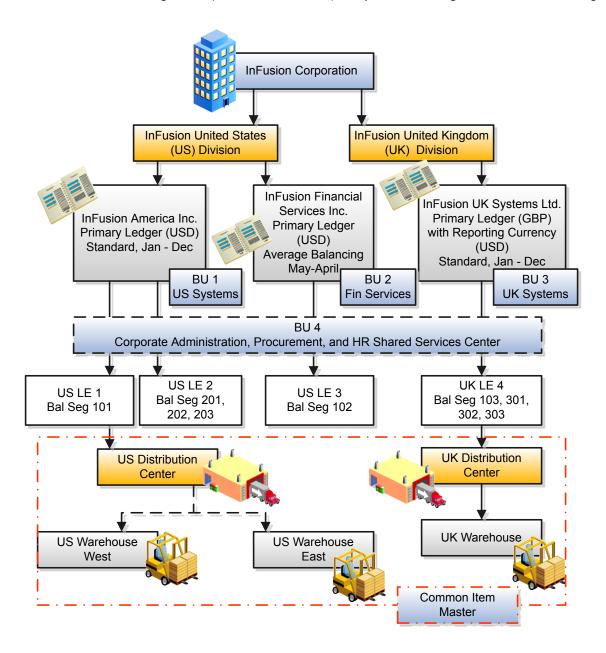
- Creation of three separate ledgers representing your separate legal entities:

  o InFusion America Inc.

  o InFusion Financial Services Inc.

  o InFusion UK Services Ltd.

- Data security is controlled by balancing segment values using Oracle Fusion General Ledger data access sets

Recommendations for the chart of accounts design include:

- Segments required for cost centers with hierarchical rollups to departments providing reporting at both the detail (cost center) and summary (department) level.

- Accounts configured to provide drill down capability to the subledger transactions, enabling analysis of data.

Decision	InFusion America, Inc.	InFusion Financial Services, Inc.	InFusion UK Systems, Ltd.
Type of Ledgers	Primary	Primary	Primary with the use of Reporting Currency functionality
Legal Entity Codes	US Legal Entity 1: US Corporate US Legal Entity 2: US Systems	US Legal Entity 3: US Financial Services	UK Legal Entity 4: UK Systems
Balancing Segments	101: US Corporate	102: US Financial Services	103: UK Systems

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Decision	InFusion America, Inc.	InFusion Financial Services, Inc.	InFusion UK Systems, Ltd.
	201: US Systems Components		301: Components
	202: US Systems Installations		302: UK Systems Installations
	203: US Systems Maintenance		303: UK Systems Maintenance
Currencies for Reporting	US Dollar (USD)	US Dollar (USD)	Great Britain Pounds Sterling (GBP)
			US Dollar (USD)
Calendar Ending Date	December 31st	April 30th	December 31st
Business Units (BU)*	BU 1: US Systems	BU 2: Financial Services	BU 3: UK Systems
	BU 4: Corporate (Shared Service Center)		
Balances Storage Method	Standard Balances	Average and Standard Balances	Standard Balances
Locations represented by cost centers in the chart of accounts.	Headquarters US Distribution Center (BU 1)	Headquarters	UK Distribution Center (BU 3)
	US Warehouse West		UK Warehouse
	US Warehouse East		

✎ **Note:** In the chart of accounts, cost centers, with hierarchical rollups, represent business units. InFusion Corporation is also a legal entity but is not discussed in this example.

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7   Cost Centers and Departments

Cost Centers and Departments: Explained

The two important components to be considered in designing your enterprise structure are cost centers and departments.

A cost center represents the smallest segment of an organization for which you collect and report costs. A department is an organization with one or more operational objectives or responsibilities that exist independently of its manager and has one or more workers assigned to it.

Cost Centers

A cost center represents the destination or function of an expense rather than the nature of the expense which is represented by the natural account. For example, a sales cost center indicates that the expense goes to the sales department.

A cost center is generally attached to a single legal entity. To identify the cost centers within a chart of accounts structure use one of these two methods:

- Assign a cost center value in the value set for each cost center. For example, assign cost center values of PL04 and G3J1 to your manufacturing teams in the US and India. These unique cost center values allow easy aggregation of cost centers in hierarchies (trees) even if the cost centers are in different ledgers. However, this approach requires defining more cost center values.

- Assign a balancing segment value with a standardized cost center value to create a combination of segment values to represent the cost center. For example, assign the balancing segment values of 001 and 013 with cost center PL04 to represent your manufacturing teams in the US and India. This creates 001-PL04 and 013-PL04 as the cost center reporting values. The cost center value of PL04 has a consistent meaning. This method requires fewer cost center values to be defined. However, it prevents construction of cost center hierarchies using trees where only cost center values are used to report results for a single legal entity. You must specify a balancing segment value in combination with the cost center values to report on a single legal entity.

Departments

A department is an organization with one or more operational objectives or responsibilities that exist independently of its manager. For example, although the manager may change, the objectives do not change. Departments have one or more workers assigned to them.

A manager of a department is typically responsible for:

- Controlling costs within their budget

- Tracking assets used by their department

- Managing employees, their assignments, and compensation

The manager of a sales department may also be responsible for meeting the revenue targets.

The financial performance of departments is generally tracked through one or more cost centers. In Oracle Fusion Applications, departments are defined and classified as Department organizations. Oracle Fusion Human Capital Management (HCM) assigns workers to departments, and tracks the headcount at the departmental level.

The granularity of cost centers and their relationship to departments varies across implementations. Cost center and department configuration may be unrelated, identical, or consist of many cost centers tracking the costs of one department.

Department Classifications: Points to Consider

A department can be classified as a project organization, sales and marketing organization, or cost organization.

Oracle Fusion Human Capital Management (HCM) uses trees to model organization hierarchies. It provides predefined tree structures for department and other organizational hierarchies that can include organizations with any classification.

Project Organization

Classify departments as a project owning organization to enable associating them with projects or tasks. The project association is one of the key drivers for project access security.

In addition, you must classify departments as project expenditure organizations to enable associating them to project expenditure items. Both project owning organizations and project expenditure organizations can be used by Oracle Fusion Subledger Accounting to derive accounts for posting Oracle Fusion Projects accounting entries to Oracle Fusion General Ledger.

Sales and Marketing Organization
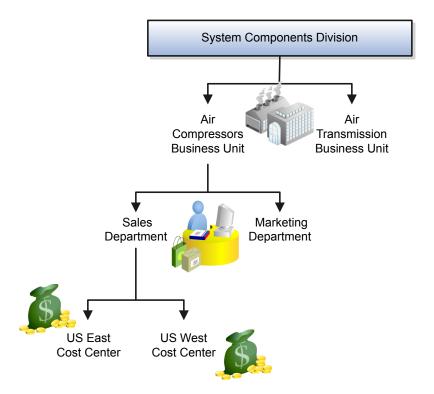
In Oracle Sales Cloud, you can define sales and marketing organizations. Sales organization hierarchies are used to report and forecast sales results. Salespeople are defined as resources assigned to these organizations.

In some enterprises, the HCM departments and hierarchies correspond to sales organizations and hierarchies. Examining the decision on how to model sales hierarchies in relationship to department hierarchies when implementing Customer Relationship Management to eliminate any possible redundancy in the definition of the organizations is important.

The following figure illustrates a management hierarchy, in which the System Components Division tracks its expenses in two cost centers, Air Compressors and Air Transmission. At the department level, two organizations with a classification of Department are defined, the Marketing Department and Sales Department. These two departments can be also identified as a Resource Organizations, which enable assigning resources, such as salespeople, and other Oracle Sales Cloud specific

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information to them. Each department is represented in the chart of accounts by more than one cost center, enabling granular as well as hierarchical reporting.

Cost Organization

Oracle Fusion Costing uses a cost organization to represent a single physical inventory facility or group of inventory storage centers, for example, inventory organizations. This cost organization can roll up to a manager with responsibility for the cost center in the financial reports.

A cost organization can represent a costing department. Consider this relationship when determining the setup of departments in HCM. No system dependencies are required for these two entities, cost organization and costing department, to be set up in the same way.

What's a project and task owning organization?

Every project is owned by an organization that's used for reporting, security, and accounting. An organization can own specific types of projects, such as indirect projects, capital projects, billable projects, and capital contract projects. For an organization to be eligible to be a project or task owning organization, you must assign the organization the Project Task Owning Organization classification. Also, the organization must be assigned to the hierarchy that you specify in the project implementation options for the business unit. Assign project and task owning organizations to project units to specify which organizations are available to own the project.

What's a project expenditure organization?

A project expenditure organization can incur expenditures for projects and be used as a planning and budgeting resource. Before you use an organization for expenditures, you must assign it to the Project Expenditure Organization classification. If you use organization hierarchies, assign the expenditure organization to the hierarchy specified in the implementation options for the business unit.
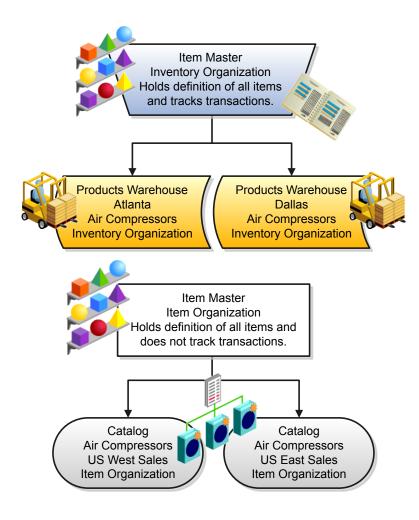
8 **Facilities**

Item Master Organization: Explained

An item master organization lists and describes items that are shared across several inventory organizations or item organizations.

The following example shows the choice between inventory organizations that track inventory transactions, stored in two warehouses, and item organizations that just track items, listed in two sales catalogs.

For the most efficient processing, you should:

- Have a single item master.

- Include an item and its definition of form, fit, and function only once in the item master.

- Separate the item master organization from organizations that store and transact items.

Note: Oracle Fusion permits multiple item masters, however, use this capability cautiously. If you acquire a company, there may be value in keeping the old item master for a transition period. If you manage your subsidiaries as separate businesses, there may be reduced value in a single item master.

Item Organization: Explained

An item organization defines an item when inventory balances are not stored and inventory storage or inventory movement is not reflected in the Oracle Fusion Applications. For example, you would use an item organization in a retail scenario, if you need to know the items that are listed by and sold through each retail outlet even though inventory and transactions are recorded in another system. In Oracle Sales Cloud, item organizations are used to define sales catalogs.

Note:
- Items belong to an item organization.
- Item attributes that are associated with financial and accounting information are hidden from the item if it exists within the item organization.
- Item organizations can be changed by administrators to an inventory organization by updating the necessary attributes. There is no difference in the way items are treated in these two types of organizations except that there cannot be any financial transactions in the downstream applications for items that are assigned to an item organization.

Inventory Organization: Critical Choices

In Oracle Fusion, storage facilities, warehouses, and distribution centers are implemented as inventory organizations.

Inventory organizations are:

- Managed by a business unit, with the materials management business function enabled.
- Mapped to a legal entity and a primary ledger.

Two types of inventory organizations exist.

- Manufacturing facilities
- Storage facilities

Storage and manufacturing facilities are related to other organizational entities through a business unit that stores, manufactures, and distributes goods through many factories, warehouses, and distribution centers. The material parameters are set for both the facilities, enabling movement of material in the organization. This business unit has the business function of Materials Management enabled. Oracle Fusion Applications permit many inventory organizations to be assigned to one business unit.
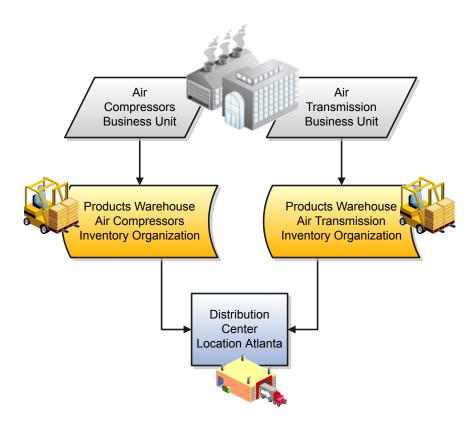
Note: Currently, Oracle Fusion Applications do not include manufacturing capabilities, so set up your manufacturing facilities outside of Oracle Fusion applications.

Distribution Center as an Inventory Organization

A distribution center can store inventory that is the responsibility of different business units. In this situation, assign an inventory organization to each business unit as a representation of the inventory in the distribution center. The multiple inventory organizations representing the inventory are defined with the same location to show that they are a part of the same distribution center.

In the following figure the two business units, Air Compressors and Air Transmission, share one distribution center in Atlanta. The two inventory organizations, Air Compressors and Air Transmission represent the inventory for each business unit in the Atlanta distribution center and are both assigned the Atlanta location.
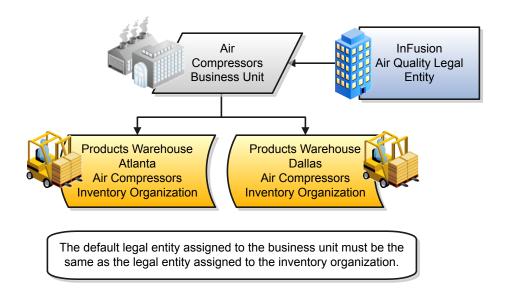
Legal Entities Own Inventory Organizations

A legal entity owns the inventory located in a storage or manufacturing facility. This ownership is assigned through the relationship of the inventory organization representing the inventory and the legal entity assigned to the inventory organization. The legal entity assigned to the inventory organization shares the same primary ledger as the inventory organization's business unit.

The inventory is tracked in the inventory organization owned by the legal entity of which the business unit is part. All transactions are accounted for in the primary ledger of the legal entity that owns the inventory.

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Understanding Enterprise Structures

The figure below illustrates the inventory owned by InFusion Air Quality legal entity. The InFusion Air Quality legal entity is associated with the Air Compressors business unit, which is associated with the two Air Compressors inventory organizations. Therefore, InFusion Air Quality legal entity owns the entire inventory in both the Dallas and Atlanta locations.

Facility Schedules Are Associated with Inventory Organizations

A prerequisite to defining an inventory organization is to define a facility schedule. Oracle Fusion Applications permit you to associate an inventory organization with a schedule.

Facility schedules permit creating workday calendars for inventory organizations that are used in the Oracle Fusion Supply Chain Management product family. For example, use workday calendars in the scheduling of cycle counts and calculating transit time.

Cost Organization: Explained

Cost organizations are used to establish cost accounting policies, data defaults, and user security policies for Oracle Fusion Costing. A cost organization can potentially be spread across several physical locations or inventory organizations.

For example, you created inventory organizations for your manufacturing facility, finished goods warehouse, and distribution centers. Then, you used average costs for your items in the manufacturing facility and the finished goods warehouse, but used standard costs for the same items after they have moved to the distribution centers. In this case, your enterprise has three inventory organizations, but only two cost organizations.

Accounting and business needs determine the different cost organizations, inventory organizations, and cost book combinations required, as well as the cost profiles used to calculate transaction costs.

All inventory organizations grouped under a cost organization must belong to the same legal entity. For every cost organization, you must designate one of its inventory organizations as the item validation organization, which means that all items in the cost organization use the item validation organization's units of measure for cost calculations. Define one or more cost organizations to meet your operational structure and reporting needs.

Note: A cost organization generally represents a costing department. Take costing departments into consideration when determining the setup of departments in Oracle Fusion Human Capital Management (HCM). No system dependencies on cost organizations and costing departments are require the same setup.

9 **Reference Data**

Reference Data Sets and Sharing Methods: Explained

Oracle Fusion Applications reference data sharing feature is also known as SetID. The reference data sharing functionality supports operations in multiple ledgers, business units, and warehouses. As a result, there is a reduction in the administrative burden and the time to implement new business units. For example, you can share sales methods, or transaction types across business units. You may also share certain other data across asset books, cost organizations, or project units.

The reference data sharing features use reference data sets to which reference data is assigned. The reference data sets group assigned reference data. The sets can be understood as buckets of reference data assigned to multiple business units or other application components.

Reference Data Sets

You begin this part of your implementation by creating and assigning reference data to sets. Make changes carefully as changes to a particular set affect all business units or application components using that set. You can assign a separate set to each business unit for the type of object that is being shared. For example, assign separate sets for payment terms, transaction types, and sales methods to your business units.

Your enterprise can determine that certain aspects of your corporate policy can affect all business units. The remaining aspects are at the discretion of the business unit manager to implement. This allows your enterprise to balance autonomy and control for each business unit. For example, your enterprise holds business unit managers accountable for their profit and loss, but manages working capital requirements at a corporate level. In such a case, you can let managers define their own sales methods, but define payment terms centrally. In this example:

- Each business unit has its own reference data set for sales methods.

- One central reference data set for payment terms is assigned to all business units.

The reference data sharing is especially valuable for lowering the cost of setting up new business units. For example, your enterprise operates in the hospitality industry. You are adding a new business unit to track your new spa services. The hospitality divisional reference data set can be assigned to the new business unit to quickly set up data for this entity component. You can establish other business unit reference data in a business unit-specific reference data set as needed.

Reference Data Sharing Methods

Variations exist in the methods used to share data in reference data sets across different types of objects. The following list identifies the methods:

- Assignment to one set only, no common values allowed. This method is the simplest form of sharing reference data that allows assigning a reference data object instance to one and only one set. For example, Asset Prorate Conventions are defined and assigned to only one reference data set. This set can be shared across multiple asset books, but all the values are contained only in this one set.

- Assignment to one set only, with common values. This method is the most commonly used method of sharing reference data that allows defining reference data object instance across all sets. For example, Receivables Transaction Types are assigned to a common set that is available to all the business units. You need not explicitly

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assign the transaction types to each business unit. In addition, you can assign a business unit-specific set of transaction types. At transaction entry, the list of values for transaction types includes the following:

- Transaction types from the set assigned to the business unit.

- Transaction types assigned to the common set that is shared across all business units.

- Assignment to multiple sets, no common values allowed. The method of sharing reference data that allows a reference data object instance to be assigned to multiple sets. For instance, Payables Payment Terms use this method. It means that each payment term can be assigned to one or more than one set. For example, you assign the payment term Net 30 to several sets, but assign Net 15 to a set specific only to your business unit. At transaction entry, the list of values for payment terms consists of only the set that is assigned to the transaction's business unit.

✎ **Note:** Oracle Fusion Applications contains a reference data set called Enterprise. Define any reference data that affects your entire enterprise in this set.

What reference data objects can be shared across business units?

The following list contains the reference data objects for the Oracle Fusion Applications that can be shared across business units and the method in which the reference data for each is shared.

Application Name	Reference Data Object	Method of Sharing
Trading Community Model	Customer Account Relationship	Assignment to one set only, no common values allowed
Trading Community Model	Customer Account Site	Assignment to one set only, no common values allowed
Trading Community Model	Salesperson	Assignment to one set only, no common values allowed
Opportunity Management	Sales Method Group	Assignment to one set only, with common values
Work Management	Assessment Templates	Assignment to one set only, with common values
Enterprise Contracts	Contract Types	Assignment to one set only, with common values
Sales	Sales Method	Assignment to one set only, with common values
Common Components	Activity Templates	Assignment to one set only, with common values

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Application Name	Reference Data Object	Method of Sharing
Payables	Payment Terms	Assignment to multiple sets, no common values allowed
Receivables	Accounting Rules	Assignment to one set only, with common values
Receivables	Aging Buckets	Assignment to one set only, with common values
Receivables	Auto Cash Rules	Assignment to one set only, with common values
Receivables	Collectors	Assignment to one set only, with common values
Receivables	Lockbox	Assignment to one set only, with common values
Receivables	Memo Lines	Assignment to one set only, with common values
Receivables	Payment Terms	Assignment to one set only, with common values
Receivables	Remit To Address	Assignment to one set only, with common values
Receivables	Revenue Contingencies	Assignment to one set only, with common values
Receivables	Transaction Source	Assignment to one set only, with common values
Receivables	Transaction Type	Assignment to one set only, with common values
Advanced Collections	Collections Setups	Assignment to one set only, with common values
Advanced Collections	Dunning Plans	Assignment to one set only, with common values
Tax	Tax Classification Codes	Assignment to multiple sets, no common values allowed
Human Resources	Departments	Assignment to one set only, with common values

Application Name	Reference Data Object	Method of Sharing
Human Resources	Jobs	Assignment to one set only, with common values
Human Resources	Locations	Assignment to one set only, with common values
Human Resources	Grades	Assignment to one set only, with common values
Project Billing	Project and Contract Billing	Assignment to multiple sets, no common values allowed
Project Foundation	Project Accounting Definition	Assignment to one set only, no common values allowed
Project Foundation	Project Rates	Assignment to one set only, with common values
Order Management	Hold Codes	Assignment to one set only, with common values
Order Management	Orchestration Process	Assignment to one set only, with common values

What reference data objects can be shared across asset books?

The following list contains the reference data objects for Oracle Fusion Assets that can be shared across asset books and the method in which the reference data for each is shared.

Application Name	Reference Data Object	Method of Sharing
Assets	Bonus Rules	Assignment to one set only, no common values allowed
Assets	Depreciation Ceilings	Assignment to one set only, no common values allowed
Assets	Depreciation Methods	Assignment to one set only, with common values
Assets	Asset Descriptions	Assignment to one set only, no common values allowed

Application Name	Reference Data Object	Method of Sharing
Assets	Property Types	Assignment to one set only, with common values
Assets	Prorate Conventions	Assignment to one set only, no common values allowed
Assets	Asset Queue Names	Assignment to one set only, with common values
Assets	Retirement Types	Assignment to one set only, with common values
Assets	Unplanned Types	Assignment to one set only, with common values

What reference data objects can be shared across cost organizations?

The following list contains the reference data objects for Oracle Fusion Cost Management that can be shared across cost organizations and the method in which the reference data for each is shared.

Application Name	Reference Data Object	Method of Sharing
Cost Management	Cost Structure	Assignment to one set only, no common values allowed

What reference data objects can be shared across project units?

The following table contains the reference data objects for Oracle Fusion Project Foundation that can be shared across project units and the method in which the reference data for each is shared.

Application Name	Reference Data Object	Method of Sharing
Project Foundation	Project Definition	Assignment to multiple sets, no common values allowed
Project Foundation	Project Transaction Types	Assignment to multiple sets, no common values allowed

Items and Supplier Site Reference Data Sharing: Explained

Some products, such as items and supplier sites, required special logic for reference data sharing and have implemented their own domain-specific ways for sharing data.

Items

If you share your items across warehouses or manufacturing facilities, you can access them through a common item master. Configure one or multiple item masters for your enterprise, based your enterprise structure. A single item master is recommended because it provides simpler and more efficient maintenance. However, in rare cases, it may be beneficial to keep multiple item masters. For example, if you acquire another enterprise and want to continue to operate your lines of business separately, maintaining a second item master might be the best decision.

Suppliers Sites

You can approve particular suppliers to supply specified commodities and authorize your business units to buy from those suppliers when the need arises. For example, you might be a household cleaning products manufacturer and need dyes, plastics, and perfumes to make your products. You purchase from a central supplier 70% of your perfume supplies with an additional supplier, in reserve, from whom you purchase the remaining 30%. At the same time, each of your business units purchases plastics and dyes from the same supplier, but from different local supplier sites to save transportation costs.

To implement business unit-specific supplier sites, Oracle Fusion Procurement supports a method for defining suppliers sites as owned and managed by the business unit responsible for negotiating the supplier terms. Your other business units that have a service provider relationship defined with your procurement business unit subscribe to the supplier sites using the supplier site assignments feature. In addition, Procurement allows sharing of the following procurement data objects across business units:

- Supplier qualification data, such as approved supplier lists

- Catalog content, such as agreements, smart forms, public shopping lists, and content zones

- Procurement configuration data

10 **Shared Service Centers**

Shared Service Center: Points to Consider

Oracle Fusion applications supports shared service centers in two ways. First, with business unit security, which allows your shared service centers personnel to process transactions for other business units called clients. This was the foundation of Multi Org Access Control in the Oracle E-Business Suite.

Second, the service provider model expands on this capability to allow a business unit and its personnel in a shared service center to work on transactions of the client business units. It is possible to view the clients of a service provider business unit, and to view service providers of a client business unit.

Your shared service centers provide services to your client business units that can be part of other legal entities. In such cases, your cross charges and recoveries are in the form of receivables invoices, and not merely allocations within your general ledger, thereby providing internal controls and preventing inappropriate processing.

For example, in traditional local operations, an invoice of one business unit cannot be paid by a payment from another business unit. In contrast, in your shared service center environment, processes allowing one business unit to perform services for others, such as paying an invoice, are allowed and completed with the appropriate intercompany accounting. Shared service centers provide your users with access to the data of different business units and can comply with different local requirements.

Security

The setup of business units provides you with a powerful security construct by creating relationships between the functions your users can perform and the data they can process. This security model is appropriate in a business environment where local business units are solely responsible for managing all aspects of the finance and administration functions.

In Oracle Fusion applications, the business functions your business unit performs are evident in the user interface for setting up business units. To accommodate shared services, use business unit security to expand the relationship between functions and data. A user can have access to many business units. This is the core of your shared service architecture.

For example, you take orders in many businesses. Your orders are segregated by business unit. However, all of these orders are managed from a shared service order desk in an outsourcing environment by your users who have access to multiple business units.

Benefits

In summary, large, medium, and small enterprises benefit from implementing share service centers. Examples of functional areas where shared service centers are generally implemented include procurement, disbursement, collections, order management, and human resources. The advantages of deploying these shared service centers are the following:

- Reduce and consolidate the number of control points and variations in processes, mitigating the risk of error.

- Increase corporate compliance to local and international requirements, providing more efficient reporting.

- Implement standard business practices, ensuring consistency across the entire enterprise and conformity to corporate objectives.

- Establish global processes and accessibility to data, improving managerial reporting and analysis.

- Provide quick and efficient incorporation of new business units, decreasing startup costs.

- Establish the right balance of centralized and decentralized functions, improving decision making.

- Automate self-service processes, reducing administrative costs.

- Permit business units to concentrate on their core competencies, improving overall corporate profits.
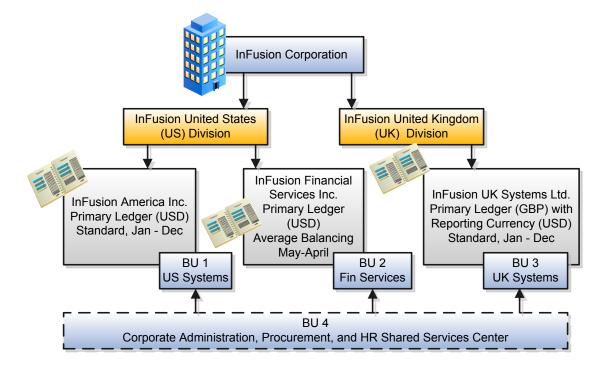
Service Provider Model: Explained

In Oracle Fusion applications, the service provider model defines relationships between business units for a specific business function, identifying one business in the relationship as a service provider of the business function, and the other business unit as its client.

Procurement Example

The Oracle Fusion Procurement product family has taken advantage of the service provide model by defining outsourcing of the procurement business function. Define your business units with requisitioning and payables invoicing business functions as clients of your business unit with the procurement business function. Your business unit responsible for the procurement business function takes care of supplier negotiations, supplier site maintenance, and purchase order processing on behalf of your client business units. Subscribe your client business units to the supplier sites maintained by the service providers, using a new procurement feature for supplier site assignment.

In the InFusion example below, business unit four (BU4) serves as a service provider to the other three business units (BU1, BU2, and BU3.) BU4 provides the corporate administration, procurement, and human resources (HR) business functions, thus providing cost savings and other benefits to the entire InFusion enterprise.

Glossary

assignment

A set of information, including job, position, pay, compensation, managers, working hours, and work location, that defines a worker's or nonworker's role in a legal employer.

balancing segment

A chart of accounts segment used to automatically balance all journal entries for each value of this segment.

business function

A business process or an activity that can be performed by people working within a business unit. Describes how a business unit is used.

business unit

A unit of an enterprise that performs one or many business functions that can be rolled up in a management hierarchy.

chart of accounts

The account structure your organization uses to record transactions and maintain account balances.

cost book combination

Decides which cost book a cost organization uses for different financial reporting purposes.

cost center

A unit of activity or a group of employees used to assign costs for accounting purposes.

cost organization

A grouping of inventory organizations that indicates legal and financial ownership of inventory, and which establishes common costing and accounting policies.

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cost profile

Defines the cost accounting policies for items, such as the cost method and valuation structure.

department

A division of a business enterprise dealing with a particular area of activity.

determinant

A value that specifies the use of a reference data set in a particular business context.

division

A business-oriented subdivision within an enterprise. Each division is organized to deliver products and services or address different markets.

document sequence

A unique number that is automatically or manually assigned to a created and saved document.

flexfield

A flexible data field that you can customize to contain one or more segments or store additional information. Each segment has a value and a meaning.

flexfield segment

An extensible data field that represents an attribute and captures a value corresponding to a predefined, single extension column in the database. A segment appears globally or based on a context of other captured information.

inventory organization

A logical or physical entity in the enterprise that tracks inventory transactions and balances, stores definitions of items, and manufactures or distributes products.

item organization

Item definition where inventory balances are not stored and movement of inventory is not tracked in the applications. Item attributes that carry financial and accounting information are hidden.

item validation organization

An inventory organization whose primary or secondary unit of measure is used as the costing unit of measure for the item in the cost organization to which that inventory organization belongs. The item master organization can also be designated as the item validation organization.

legal authority

A government or legal body that is charged with powers such as the power to make laws, levy and collect fees and taxes, and remit financial appropriations for a given jurisdiction.

legal employer

A legal entity that employs people.

legal entity

An entity identified and given rights and responsibilities under commercial law through the registration with country's appropriate authority.

legal reporting unit

The lowest level component of a legal structure that requires registrations. Used to group workers for the purpose of tax and social insurance reporting or represent a part of your enterprise with a specific statutory or tax reporting obligation.

legislative data group

A means of partitioning payroll and related data. At least one legislative data group is required for each country where the enterprise operates. Each legislative data group is associated with one or more payroll statutory units.

line of business

Set of one or more highly related products which service a particular customer transaction or business need. Refers to an internal corporate business unit.

manufacturing facilities

Employed in the making of goods for sale such as a factory or plant.

natural account

Categorizes account segment values by account type, asset, liability, expense, revenue, or equity, and sets posting, budgeting, and other options.

organization

A unit of an enterprise that provides a framework for performing legal, managerial, and financial control and reporting. Organizations can be classified to define their purpose, for example, as departments, divisions, legal entities, and can own projects and tasks, or incur project expenses.

payroll statutory unit

A legal entity registered to report payroll tax and social insurance. A legal employer can also be a payroll statutory unit, but a payroll statutory unit can represent multiple legal employers.

primary ledger

Main record-keeping ledger.

project and task owning organization

An organization that can own projects and tasks for the purpose of reporting, security, and accounting.

project expenditure organization

An organization that can incur expenditures and hold financial plans for projects.

project type

Controls basic project configuration options, such as burdening, billing, and capitalization options, and class categories that are inherited by each project associated with the project type.

project unit

An operational subset of an enterprise, such as a line of business, that conducts business operations using projects, and needs to enforce consistent project planning, management, analysis, and reporting.

reference data object

Business objects such as project types, rates schedules, and financial plan types that can be shared across organizations. Define reference data sets if you want to group the values you define for these objects and share them with certain or all organizations.

reference data set

Contains reference data that can be shared across a number of business units or other determinant types. A set supports common administration of that reference data.

registration

The record of a party's identity related details with the appropriate government or legal authorities for the purpose of claiming and ensuring legal and or commercial rights and responsibilities.

service provider model

A business unit that provides specific business functions for another business unit.

set

Classified and grouped reference data that organizational entities share.

storage facilities

Commercial building for storage of goods such as a warehouse.

strategic business unit

A division or product line within an enterprise that has its own distinct mission and competitors, and operates somewhat independently. Strategic business units (SBUs) allow the owning company to defined external markets and conduct strategic planning related to products and markets. The SBU can also respond quickly to changing economic or market situation.

tree

Information or data organized into a hierarchy with one or more root nodes connected to branches of nodes. A tree must have a structure where each node corresponds to data from one or more data sources.

value set

A set of valid values against which values entered by an end user are validated. The set may be tree structured (hierarchical).

work relationship

An association between a person and a legal employer, where the worker type determines whether the relationship is a nonworker, contingent worker, or employee work relationship.