Welcome to the Webinar!

Oracle EBS Chart of Accounts Structure Changes: What & What NOT To Do

Webinar dial-in number: +1 (415) 655-0069
Access Code  980-673-159
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We will begin shortly...
Today’s Speakers

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Your Moderator
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Housekeeping

- All phone lines have been muted
- Please use the Question Panel
- There will be a short poll
- We are recording this webinar
- Polls results and recording will be provided in a follow-up email as well as any questions we don’t have time to answer
- If you want CPE credit for this webinar, you must answer all of the polling questions.
In Today’s Webinar

• Explore the five fundamental criteria for a successful CoA structure
• Reduce costs, streamline reporting and provide global visibility
• Manage data transformation to the new CoA structure
• Handle custom code transformation
eprentise Can...

- Consolidate Multiple EBS Instances
- Change Underlying Structures and Configurations
  - Chart of Accounts, Other Flexfields
  - Inventory Organizations
  - Operating Groups, Legal Entities, Ledgers
  - Calendars
  - Costing Methods
- Resolve Duplicates, Change Sequences, IDs
- Separate Data

...So Our Customers Can:

- Reduce Operating Costs and Increase Efficiencies
  - Shared Services
  - Data Centers
- Adapt to Change
  - Align with New Business Initiatives
  - Mergers, Acquisitions, Divestitures
  - Pattern-Based Strategies
    - Make ERP an Adaptive Technology
- Avoid a Reimplementation
- Reduce Complexity and Control Risk
- Improve Business Continuity, Service Quality and Compliance
- Establish Data Quality Standards and a Single Source of Truth
Chart of Accounts Basics: The Flexfield

Example Structure
Segments, Values, Code Combinations

<table>
<thead>
<tr>
<th>Company</th>
<th>Business Unit</th>
<th>Cost Center</th>
<th>Region</th>
<th>Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>100</td>
<td>150</td>
<td>East</td>
<td>1111</td>
</tr>
<tr>
<td>02</td>
<td>100</td>
<td>210</td>
<td>West</td>
<td>2222</td>
</tr>
</tbody>
</table>

01.100.150.East.1111 Code Combination
Chart of Accounts Basics: Segments

- The EBS accounting flexfield accommodates up to 30 segments for categorizing transactions
- Structurally analogous to columns in a table
- Have defined lengths for the values they contain
- Answering the questions **Who**, **What**, **Where**, **Why**, and possibly **How** helps identify segments that will give your accounting flexfield the ability to classify each transaction
- **Common segment examples:** Cost Center, Department, Fund, Location, Product Line
Flexfields in the Form

- Code Combinations
- Accounting Key Flexfield
- Value Descriptions
Chart of Accounts Basics: Hierarchy

• The accounting flexfield incorporates parent-child relationships among values

• Roll-up Groups
  • A collection of parent values for a given segment
  • Used to create summary accounts
  • The most detail is at the lowest level

• Summary Accounts
  • Hierarchical rollup of children and/or parents
  • Faster reporting
  • Account balance inquiries
POLL QUESTION 1

• Which version EBS are you currently on?
  • 11i (11.5.x)
  • 12.0.x
  • 12.1.x
  • 12.2.x
  • Other
5 Fundamental Criteria for a Good COA

1. There is only one type of information in each segment, and only one segment for each type of information.

2. Information in the chart of accounts is not repeated from other modules.

3. There is enough room to expand within each segment.

4. Summary accounts and rollup groups fall naturally within ranges.

5. You are able to report on critical business components with standard reports without resorting to spreadsheets. FSGs and other reports should be easy to create.
Criteria 1: One Type of Information per Segment, and Only One Segment for Each Type of Information

- Information should not overlap across segments.

- If each segment contains one (and only one) type of information, you:
  - Reduce the maintenance of keeping information accurate in two places
  - Reduce the possibility of introducing errors into your accounting

- Case: If your cost center has the same type of information as a business unit segment, there is no need to implement both.

- Case: You shouldn’t have a Department segment value such as **HR - Sacramento, CA** if there is also a Location segment in the chart.
Criteria 2: Information Not Repeated

• The accounting flexfield should not repeat information that exists in other modules of EBS.
  • Reduced maintenance and errors (similar to Criteria 1)

• Case: If you are implementing Oracle Projects modules, there is no need to have a project segment in your accounting flexfield.

• Case: If you are implementing Receivables, then there is no need for a customer segment.
Criteria 3: Enough Room to Expand

- Define your segment lengths to be long enough to accommodate future values added.

  **Note:** Although it likely won’t be an issue, the maximum number of characters for a code combination string is 240, so there are upper limits on how long you can define your segments.

- When designing values be sure to allow enough room for future growth within each rollup group
  - Increment by at least 5 within each group
  - Increment by 10 if the group is likely to be a high growth area.

- **Example:** If you have a location segment, allow enough room to add ten additional values between each of your lowest levels. Your Location segment hierarchy might look like this:
  10000 US
    11000 Midwest
      11100 Detroit Metropolitan Area
        11110 Ann Arbor
        11120 Canton
        11130 Plymouth
  20000 Canada
Criteria 4: Use Logical Ranges

• Ranging your values logically promotes streamlined reporting, security, and maintenance.
  • Include a whole range of values in your rule (cross validation, security) and FSG report definitions
  • Exclude specific values if needed
  • Minimize the number of cross validation rules needed (under 50 using logical ranges compared to hundreds or thousands when not using logical ranges)

• Use numbers only randomly.
  • Avoid using intelligent numbers
  • For items with embedded intelligent numbers like Products, introduce non-intelligent numbers as well
CVR Implications on CoA Design

• **Out of Range** — Cross-validation rules can get messy if your chart of accounts values are not organized in logical ranges.

• Rule elements are much more complex due to the inability to rely on value ranges for exclusion.

• **Example Goal:** Prevent revenue account values between 30000 and 40000 from being used with any department values other than the following 5 values (we’ll begin with the familiar global Include element):
  - 3001
  - 5057
  - 6124
  - 8537
  - 9905

<table>
<thead>
<tr>
<th>INCLUDE</th>
<th>Low Value</th>
<th>High Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>00000</td>
<td>999999</td>
</tr>
<tr>
<td>Department</td>
<td>000</td>
<td>999</td>
</tr>
<tr>
<td>Account</td>
<td>000000</td>
<td>999999999</td>
</tr>
<tr>
<td>Product Line</td>
<td>000</td>
<td>999</td>
</tr>
<tr>
<td>Intercompany</td>
<td>000</td>
<td>999</td>
</tr>
</tbody>
</table>
Example Goal: Prevent revenue account values between 30000 and 40000 from being used with any department values other than the following 5 values (we’ll begin with the familiar global Include element):

| 3001 | 5057 | 6124 | 8537 | 9905 |

This statement prevents all departments greater than 3001 and less than 5057 from being used:

This statement prevents all departments below 3001 from being used:

This statement prevents all departments greater than 5057 and less than 6124 from being used:

This statement prevents all departments greater than 6124 and less than 8537 from being used:

This statement prevents all departments greater than 8537 and less than 9905 from being used:

And finally, this statement prevents all departments greater than 9905 from being used:

<table>
<thead>
<tr>
<th>EXCLUDE</th>
<th>Low Value</th>
<th>High Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>000</td>
<td>999</td>
</tr>
<tr>
<td>Department</td>
<td>9906</td>
<td>9999</td>
</tr>
<tr>
<td>Account</td>
<td>30000</td>
<td>40000</td>
</tr>
<tr>
<td>Product Line</td>
<td>000</td>
<td>ZZZ</td>
</tr>
<tr>
<td>Intercompany</td>
<td>000</td>
<td>999</td>
</tr>
</tbody>
</table>
Criteria 5: No Reliance on Spreadsheets

• Be able to get the information you need from built-in EBS reports.
  • Real-time value
  • No errors introduced by use of spreadsheets
  • Streamlined workflow, lower resource requirements, and reduced maintenance
  • No need to integrate with 3rd party reporting applications

• Capitalize on a master row set for FSG reports.
  • Allows you to generate different reports without having to rewrite each report
A Global Chart of Accounts

- Primary ledger is single source of truth for all accounting, reconciliation, and analytical reporting
- Consistency but flexibility to accommodate different requirements
- External reporting without relying on a separate financial consolidation system
- Drill down to individual transactions in the subledgers without translation
- Transparency (3 - 5 years) to meet IFRS standards and international auditing requirements
- Common metrics and reporting structures with common interpretation

Enterprise Visibility with Subledger Accounting and Secondary Ledgers
A Global Chart of Accounts - Reduced Costs

• Reduce complexity of configurations
  • Cross validation rules
  • Security rules
  • Reporting within ranges
• No conversions required for data warehouse queries, drill-down to subledgers, ad-hoc reporting
• Facilitate movement to shared service centers
  • Single COA to manage
  • Standardized training
• Enterprise governance and control of new combinations
  • Reduce redundancies
R12 Features - Ledger Sets

- Open/Close periods
- Create journals
- Allocations across ledgers
- Recurring journals for all ledgers
- Elimination sets for all ledgers
- Translate and revalue balances

- View information without changing responsibilities
- View journals and account balances across ledgers
- Submit standard reports
- Create financial statements that include data for multiple ledgers
Global CoA Design Recommendations

- Add an intercompany segment - take advantage of AGIS
- Add a segment to accommodate local requirements
  - Ranges, rollups defined for each country to use
    - Local bank accounts
    - Statutory reporting
  - Location segment (optional) but helps with security, cross validation
- Implement other modules for detailed tracking at a local level (through an OU)
  - Project Accounting
  - Collections
- Implement Multiple Reporting Currencies, secondary ledgers to report in different currencies
Leveraging the Chart of Accounts for Global Operations

• Two ways to handle local/regulatory requirements
  • Separate Segment
    • Each country can use a range of values for their statutory requirements

<table>
<thead>
<tr>
<th>Analysis Segment Ranges</th>
<th>Values</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>000000-001000</td>
<td>France</td>
<td>000321 Crédit Agricole Bank Account</td>
</tr>
<tr>
<td></td>
<td></td>
<td>000544 Droits D'enregistrement Tax</td>
</tr>
<tr>
<td>001001-002000</td>
<td>Italy</td>
<td>001321 Intesa Sanpaolo Bank Account</td>
</tr>
<tr>
<td>002001-003000</td>
<td>UK</td>
<td>002321 Barclays Bank Account</td>
</tr>
<tr>
<td></td>
<td></td>
<td>002584 VAT Tax</td>
</tr>
</tbody>
</table>

• Secondary Ledger
POLL QUESTION 2

How many Charts of Accounts does your organization have?

- 1
- 2-5
- 6-10
- More than 10
- Don’t know
Chart of Accounts Restructuring: Impact Analysis

Binyamin Kamilar
Oracle EBS Solution Lead
Panaya Snapshot

* First and Leader in Oracle & SAP SaaS-based Testing and Upgrade automation software
* Selling globally in 60+ countries
* 1,000+ customers, 2,000+ successful ERP projects
* Strong partner network
* Significantly reduce (up to 50%) the costs and risks of upgrades, custom changes, and patches.
Panaya Quality Management Cloud

Scope & Accelerate changes in Enterprise Applications, Cutting Cost & Risk

Change Impact Simulation
- Oracle R12 upgrades, point-release upgrades
- Oracle patches
- Chart-of-Account (CoA) changes
- Custom-code releases

Code Remediation

Collaborative Test Management & Test Acceleration
- Automated test script creation
- Automated documentation and test evidence
- Accelerated manual testing
- ALM integration (HPQC, Oracle ATS)

“Cloud Wisdom” - transforming common practices to best practices
Typical ERP System

- Massive code base, configuration-centric
  - 160,000 application screens
  - 400,000,000 lines of standard code
  - Avg 3,000,000 customer lines of code

- Mission Critical
  - 365 X 24 uninterrupted operation
Analyze the Impact on Customizations

FIND IT  Identify every code object impacted by CoA segment changes

FIX IT  Correct the impacted custom code components

TEST IT  Prioritize testing based on CoA change impact (direct and indirect)
GL Rules (Cross-validation, Mass alloc., Security)
Plan and manage rule setup changes

EVALUATE & PLAN
- Identify how many rules and elements are “touching” each segment
- Assess difficulty of each rule element change based on impacted segment combinations
- Quantify key planning factors (*task count by complexity*, *workload by skill level*)

TRACK & MANAGE
- Create a project task for each rule change, prioritized by impact severity
- Use project management tools to track and manage tasks
The Testing Dilemma - succumb to risk or cost?

- **High Risk / Low Cost**
  - Test Business Critical Only

- **Low Risk / High cost**
  - Test Everything
  - Test Business Critical & Everything Impacted and Used

The "Compromise" Line
What to Test?

• Identify and test all (and only) components (custom and standard) that are impacted (*unit testing*)

• Identify and test all the critical business processes that use CoA (*functional testing*)
POLL QUESTION 3

When are you planning to change your Chart of Accounts structure?

- No plans to change
- Within the next 6 months
- Within the next 6-12 months
- Within more than a year
- Don’t know
Conclusions: CoA Design

• Use the transition to R12 to redesign your COA if it is not optimized or to adopt a single COA if your organization is currently using multiple charts.

• As you are redesigning your COA, focus on the 5 fundamental criteria.
  • One type of information per segment and only one segment for each type of information
  • No repeated information from other EBS modules
  • Leave room for future expansion and flexibility
  • Use logical ranges
  • Make sure you can get the reporting you need straight from the flexfield structure

• Design your chart with Ledger Sets, Secondary Ledgers, Subledger Accounting, AGIS in mind.
Conclusions: A CoA Change delivers business value

- Planning is critical
- Understand and quantify the impact on custom and standard functionality
- Enable technical upgrade instead of re-implementation
- Avoid surprises - identify and test impacted areas
Questions
Thank You!

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