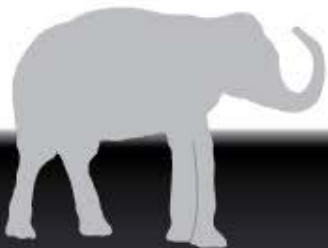


Secondary Ledgers: The Power of Adjustment Ledgers for Reporting and Compliance

Brian Lewis, CPA
eprintise
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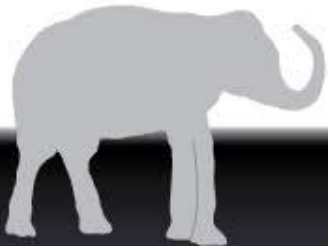
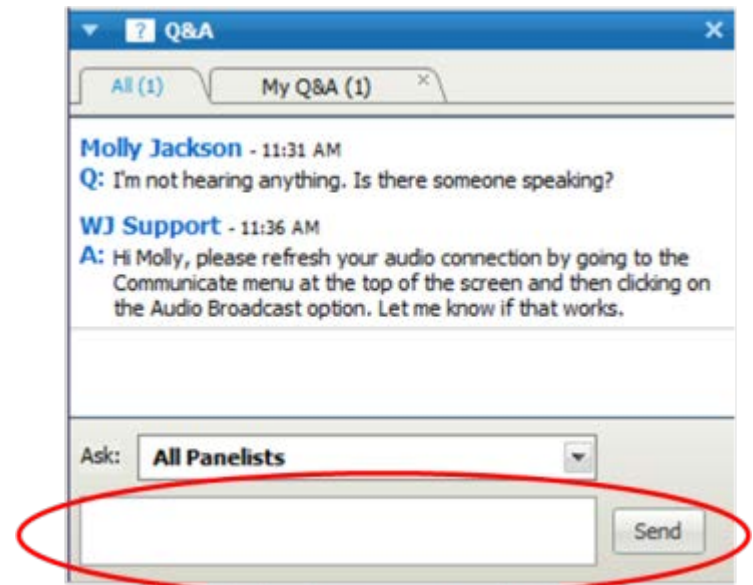
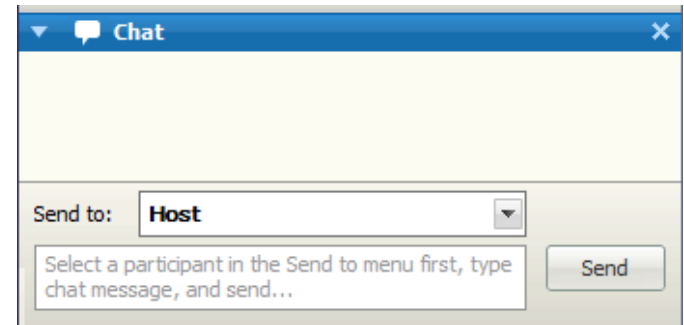


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Webinar Mechanics

- Submit text questions.
- Q&A addressed at the end of the session. Answers will be posted within two weeks on our new LinkedIn Group, EBS Answers: <http://www.linkedin.com/groups/EBS-Answers-4683349/about>
- Everyone will receive an email within 24 hours with a link to view a recorded version of today's session.
- Polling questions will be presented during the session. If you want CPE credit for this webinar, you must answer all of the polling questions.
- We will be sharing the responses from the poll questions, as well as webinar highlights, on Twitter – be sure to follow us (@eprentise)!

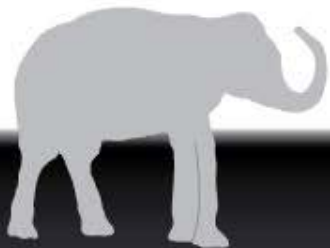


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Agenda

- 🐘 The Challenges of Adjusting Entries for Reporting and Compliance
 - The Solution: Ledger Sets and Secondary Ledgers
- 🐘 An Overview of Ledger Sets and Secondary Ledgers In R12
 - The Mechanics of Setting Up Secondary Ledgers
 - Ledger Sets
- 🐘 Solving the Problems of Adjusting Journal Entries
- 🐘 Streamlining Local and Statutory Reporting Requirements







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*e*prentise® : Transformation Software for E-Business Suite

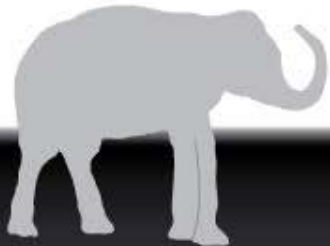
Company Overview: Incorporated 2007 • Helene Abrams, CEO

*e*prentise 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



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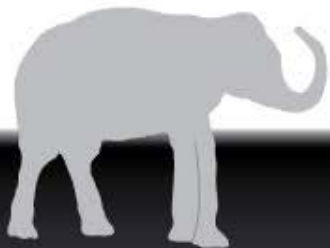
Learning Objectives

After this session you will be able to:

Objective 1: Discover the benefit of using adjusting ledgers versus adjusting entries

Objective 2: Understand the requirements of ledger sets and how they accelerate the close process

Objective 3: Understand how to use secondary ledgers and ledger sets to accommodate local and statutory reporting requirements



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The Challenge of Adjusting Entries for Reporting and Compliance

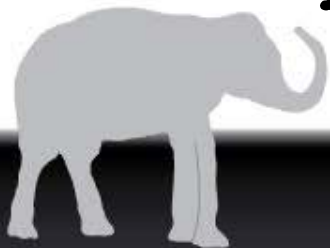
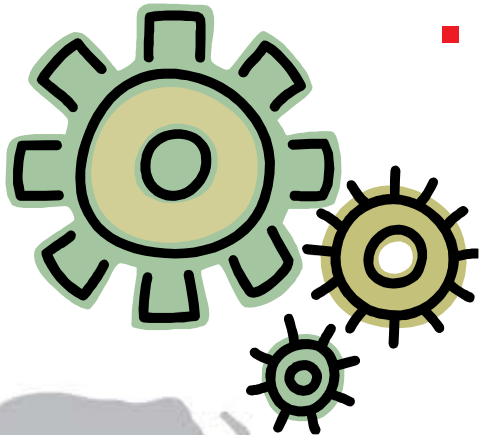
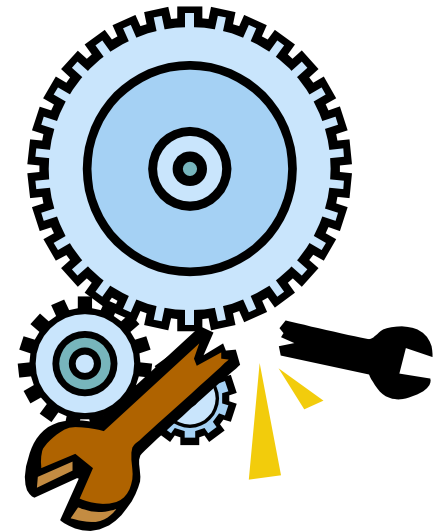
Ensuring a Complete, Correct, and Consistent Record

- Adequacy of Controls for Routine Data Processes

- Order-to-Cash
- Procure-to-Pay

- The Wrench in the Works – Adjusting Journal Entries

- More likely to contain errors
- Circumvent routine data processing controls
- Impede system transparency
- Incur additional audit effort



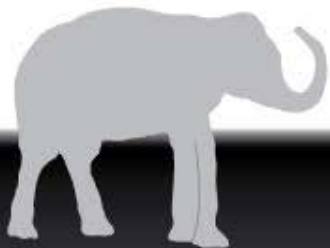
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Traditional Options Before R12

Prior to the introduction of Release 12, the only real options for adjusting journal entries were to:

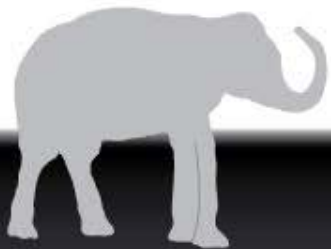
- 🐘 Make the entries directly to the primary ledger, requiring the ledger period be left open until all adjustments were made
- 🐘 If a company had defined adjusting periods on their calendar, then the normal period could be closed and with the adjusting entries being made to the primary ledger in a discrete period
 - Still doesn't solve many of the problems associated with adjusting journal entries



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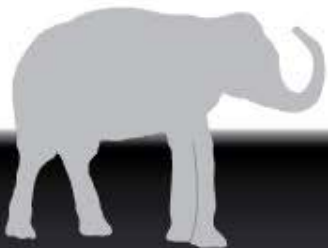
Poll Question



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The R12 Solution: Ledger Sets and Secondary Ledgers

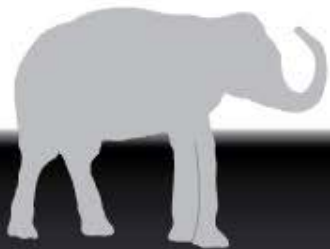


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Secondary Ledgers Can Be Maintained at One of Four Different Levels of Detail

1. Balance Level
2. Journal Level
3. Subledger Level
4. Adjustments Only Level



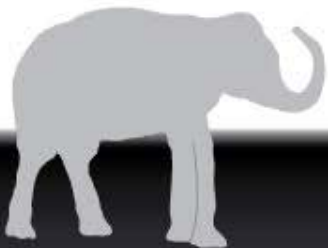
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Balance Level Secondary Ledger

IFRS/GAAP Example

- Account balances only in another accounting representation.
 - No drill-down to journal entries or subledgers
- Balances exist at reporting period dates only.
- G/L Consolidation.



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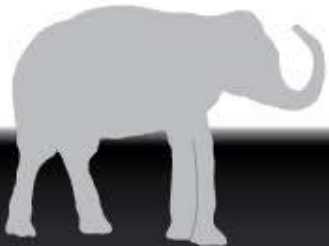
Balance Level Secondary Ledgers

Primary Ledger (US GAAP)

Secondary Ledger balances populated via Oracle General Ledger Consolidation are based on accounting rules.

NO JOURNAL ENTRY LEVEL DRILL DOWN.

Secondary Ledger (IFRS)



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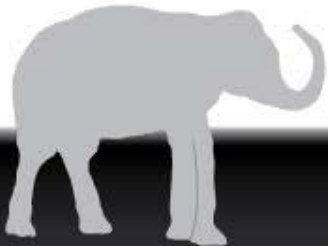


Journal Level Secondary Ledger

 Balance Level Secondary Ledger

 Journal Level Secondary Ledger
(affected through General Ledger Posting)




- Account Balances
- (Manual) Journal Entries

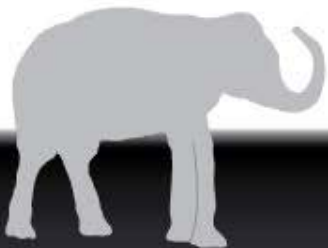


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Secondary Ledgers – Subledger Level

-  Balance Level Secondary Ledger
-  Journal Level Secondary Ledger
-  Subledger Level Secondary Ledger
 - Balance Level
 - Journal Entry Level
 - Subledger Level

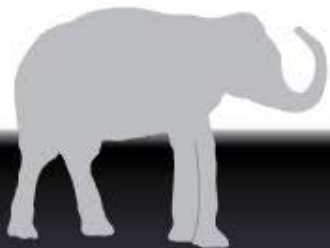


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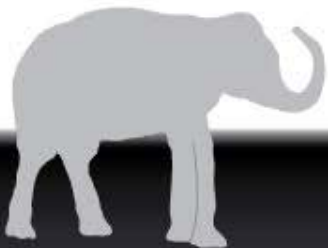
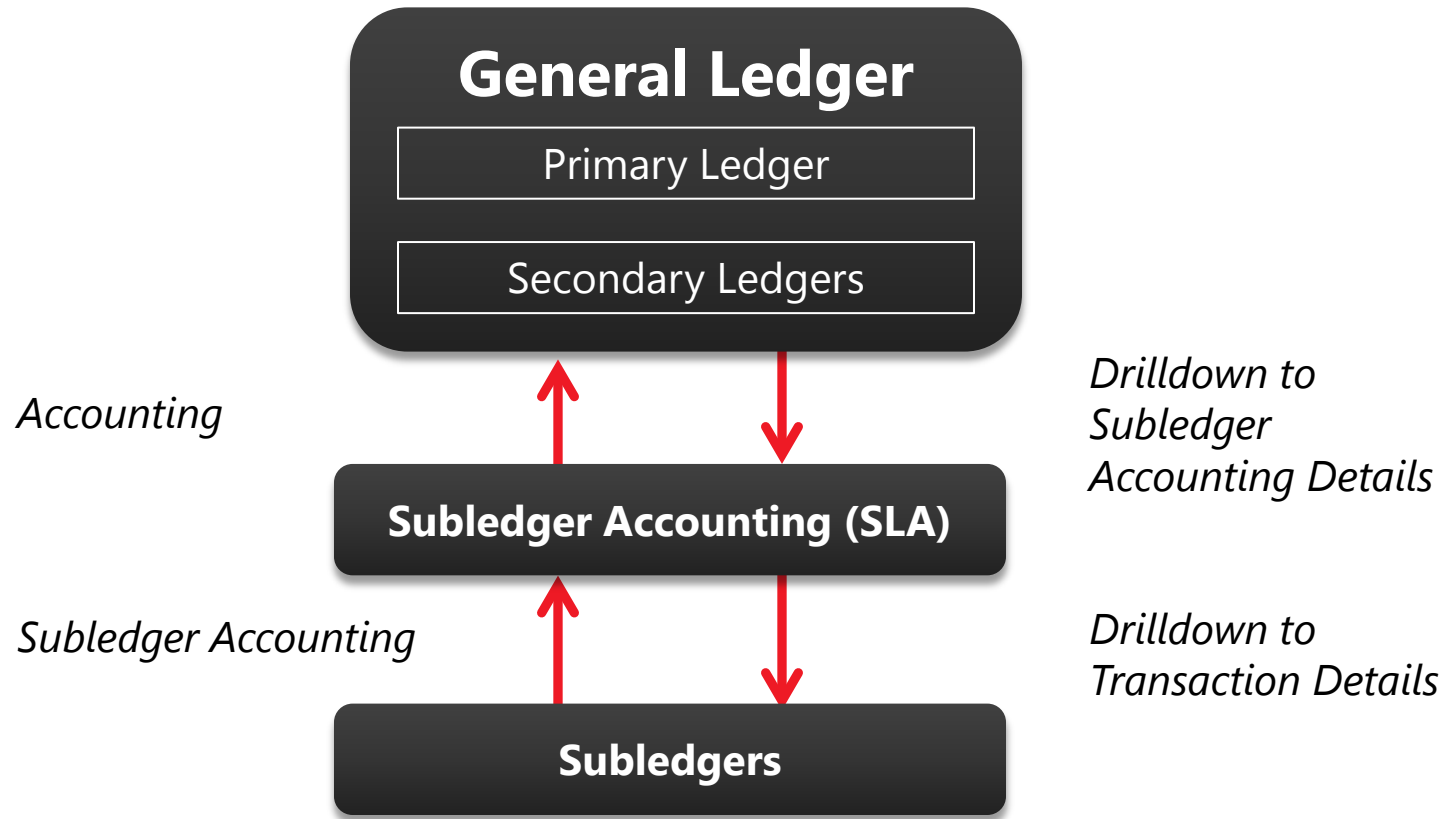


Secondary Ledgers – Subledger Level

- 🐘 Prior to R12: limited options available for companies requiring different regulatory chart of accounts
- 🐘 Could have created a GL Consolidation that allowed you to map to a different chart of accounts, but the GL financial consolidation would not have included the transaction detail of the subledgers
 - Reconciliation was a time-consuming process



Secondary Ledgers – Subledger Level

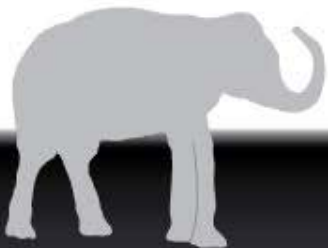


Secondary Ledgers – Adjustments Only

Secondary Ledgers

An alternative to the Journal Level Secondary Ledger for audit sensitive adjustments to the Primary Ledger

- 🐘 Adjustments Only Secondary Ledgers
 - Adjustment only secondary ledgers do not maintain a complete accounting picture but instead only reflect adjustments



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Accounting Setup > Accounting Setup: Vision Operations(USA)
Primary to Secondary Ledger Mapping

Cancel Save for Later Complete

Ledger Information

Primary Ledger	Vision Operations (USA)	Secondary Ledger	French Statutory
Chart of Accounts	Operations Accounting Flex	Chart of Accounts	French COA
Accounting Calendar	Monthly	Accounting Calendar	French Fiscal
Currency	USD	Currency	EUR
Subledger Accounting Method	Standard Accrual	Subledger Accounting Method	IAS
		Data Conversion Level	Journal
		Disable Conversion Date	01-Jan-2005

Chart of Accounts Mapping

TIP You must assign a Mapping if your primary and secondary ledgers use different charts of accounts.

* Mapping

Currency Conversion Rules

TIP The Source Representation can be your primary ledger or one of its reporting currencies at the Journal level. If you choose your primary ledger, journals will be converted directly from your primary ledger to this secondary ledger. If you choose a reporting currency, your journals will be converted directly from the primary ledger's reporting currency.

* Source Representation

* Default Rate Type

* Retain Transaction Rate Type

Choose Yes to retain the rate type from the original transaction

Error Handling

TIP If you choose Use Last Rate and do not specify a number, it will adversely affect system performance.

* If missing Conversion Rate Report Error Use Last Rate

* Number of Days to Find the Last Rate

Enter a number between 1 and 999.

Journal Conversion Rules

* Post Journals Automatically from Source Ledger

* Retain Journal Creator from Source Ledger

Journal Source and Category Conversion

TIP Specify the journals based on journal source and category combinations that you want automatically transferred to this Secondary Ledger by General Ledger Posting. "Other" represents all other journal sources and categories.

Journal Source	Journal Category	Transfer Journals to this Secondary Ledger	Remove
Other	Other	<input type="text" value="Yes"/>	<input type="button" value="X"/>
Move/Merge	Other	No	<input type="button" value="X"/>
Move/Merge Reversal	Other	No	<input type="button" value="X"/>
Revaluation	Other	No	<input type="button" value="X"/>

Cancel Save for Later Complete

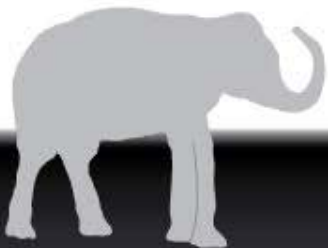
The Mechanics of Setting Up a Secondary Ledger

1. Define your primary ledger and its related secondary ledgers.
2. Define Create Accounting Rules to map the transactions that post to your primary ledger to transactions in your secondary ledgers.
3. When accounting is created, the journal entries are automatically generated for all the associated secondary ledgers based on the defined mapping rules from the primary ledger to the secondary ledgers.



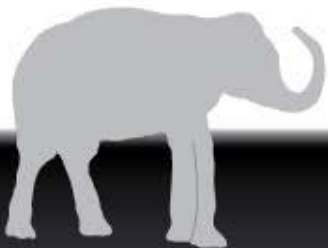
Ledger Sets

- 🐘 Allow you to group multiple ledgers together to achieve processing efficiencies
- 🐘 For example, you can:
 - Open or close periods for multiple ledgers simultaneously
 - Translate balances for all ledgers in a ledger set
 - Run recurring journals that update balances for multiple ledgers
 - Run consolidated financial reports that summarize balances across multiple ledgers in a ledger set
- 🐘 Note: All ledgers in a ledger set must have the same chart of accounts and accounting calendar/period type combination
 - Every ledger operating with a different chart of accounts or calendar cannot be included in a ledger set
 - Further, ledger sets will not work across multiple instances



Note:

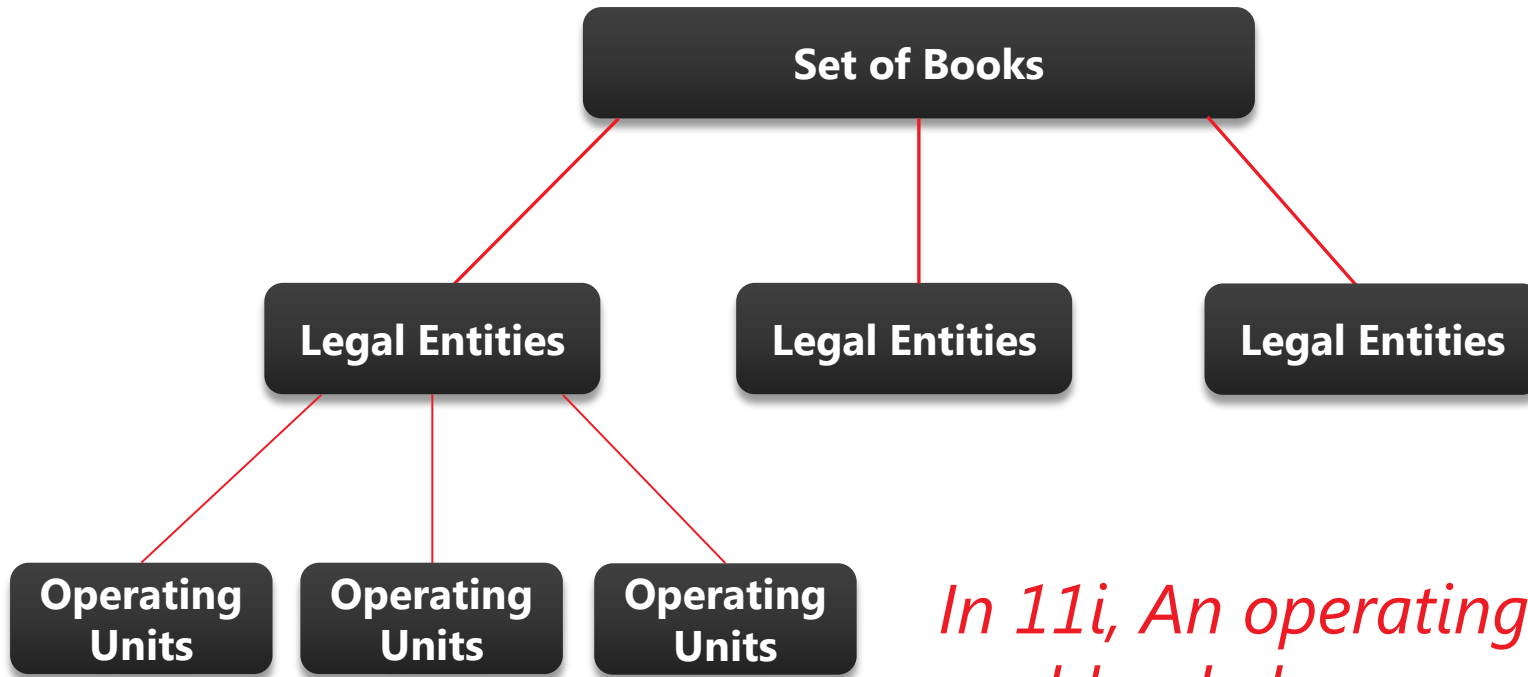
If an additional ledger is needed to perform accounting across legal entities or ledgers in different account setups, use a ledger in an accounting setup with **no** legal entity assigned. This can be used for multiple purposes, such as performing management reporting or consolidation across multiple legal entities.



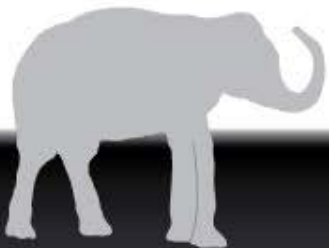
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Legal Entities in 11i



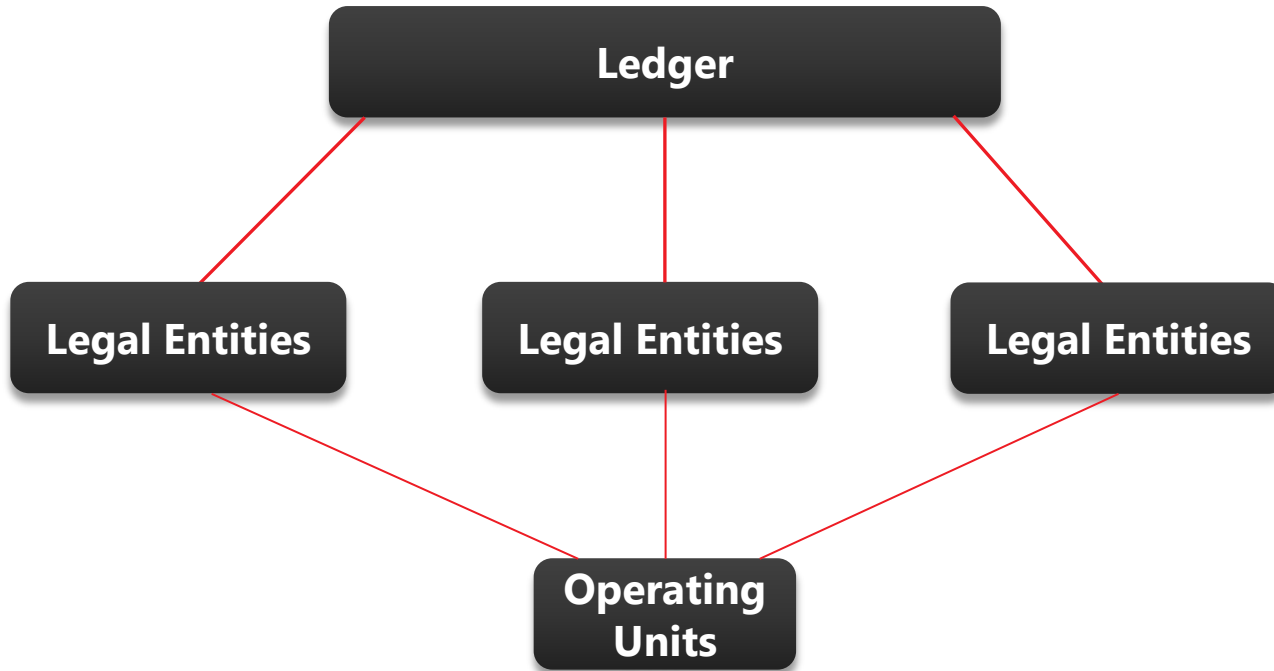
In 11i, An operating unit could only have one legal entity.



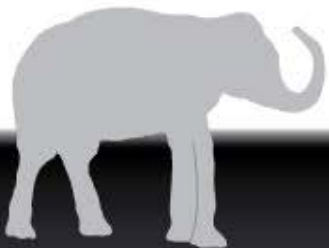
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Legal Entities in R12



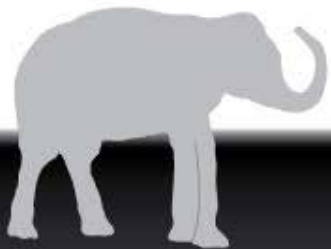
In R12, each operating unit can have multiple legal entities.



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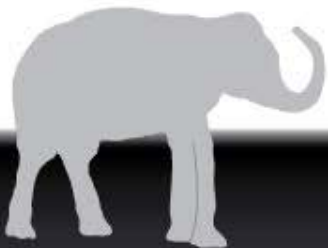
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Solving the Problems of Adjusting Journal Entries Using Adjustments Only Secondary Ledgers and Ledger Sets

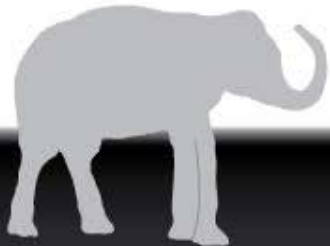


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Adjustment Journal Entries

- 🐘 Best Practices Proscribe Making AJEs Directly to the Primary Ledger
- 🐘 Primary Ledger Should Only Contain:
 - Transactions and balances from routine data processes
 - **Correcting** entries
 - Automatically generated allocations
 - One time write-offs
- 🐘 The Related Adjustments Ledger Should Contain:
 - Adjusting entries for accruals
 - Adjusting entries for deferrals
- 🐘 Reversing entries are generally not needed



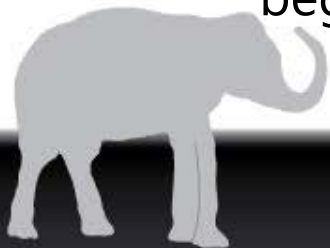
Types of Adjusting Journal Entries

Accruals

- Amounts for either expenses incurred for which the vendor has not invoiced
- In rare cases, can be revenue earned that has not been billed

Deferrals

- Entries made to ensure that revenue is not recognized before it is earned
 - Example: a full annual membership payment received in January must be deferred and then recognized over the year
- Also ensure that expenditures are not recognized early
 - Example: an annual insurance premium that is paid at the beginning of the year should be recognized evenly over the year



Adjustments Only Ledger

Deferred Revenue Example

A company books its sales as invoiced in the Accounts Receivable subledger. However, under GAAP rules, if the company had a service commitment for a period extending beyond the close of the reporting period, then an entry would have been made to defer part of the revenue or to reverse previously deferred revenue as income.



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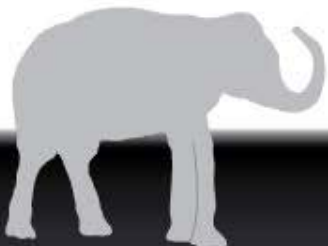


Secondary Ledgers

Deferred Revenue Example

JE #1	
Sales	120,000
Deferred Revenue	120,000

Adjustments-Only Secondary Ledger	
Deferred Revenue	120,000
Retained Earnings	120,000
Sales	(120,000)



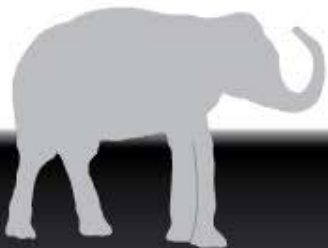
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Secondary Ledgers

Deferred Revenue Example

Account	Primary Ledger	Secondary Ledger	Combined
Cash	200,000		200,000
Accounts Receivable	400,000		400,000
Accounts Payable	300,000		300,000
Deferred Revenue		120,000	120,000
Retained Earnings	150,000	(120,000)	30,000
Stock and Other equity	150,000		150,000
Sales	350,000	(120,000)	230,000
Expenses	200,000		200,000



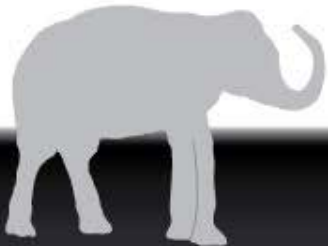
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Power User Ways to Use Ledger Sets and Adjustments Only Ledgers to Streamline Local and Statutory Reporting Requirements

Multiple Adjustments Only Ledgers and Ledger Sets

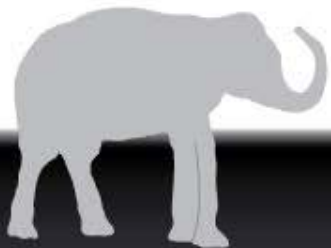
- 🐘 Segregation of Responsibility
 - Better Control Environment
- 🐘 Significantly Improve Adjustments Documentation
- 🐘 Reporting Becomes a Matter of Choosing Among Predefined Ledger Sets



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Poll Question

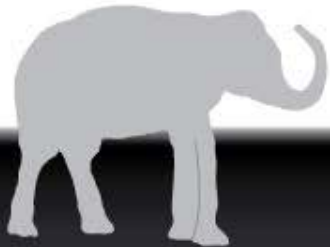


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Conclusion

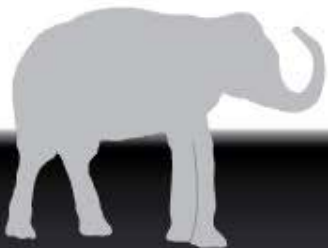
- 🐘 Of the new features in Oracle® E-Business Suite R12, the most powerful are ledger sets and secondary ledgers
- 🐘 When taken together, these features have the capability of eliminating the tedium and reducing the cost of ledger adjustments while improving internal control



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Questions?



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Thank You!

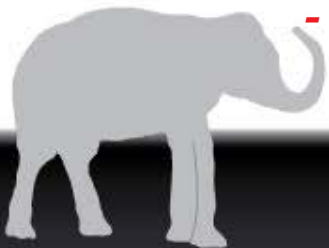
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Questions or comments? Tweet @eprintise and include #EBSquestions

Answers from this session will be posted within two weeks on our LinkedIn Group,
EBS Answers: <http://www.linkedin.com/groups/EBS-Answers-4683349/about>



- One World, One System, A Single Source of Truth -



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