Nine Fundamental Criteria for a Good Chart of Accounts Design

A useful chart of accounts (COA) provides flexibility for recording and reporting financial information, allows uniform management, and enhances communication. These nine fundamental criteria for COA design in Oracle® E-Business Suite will allow your business to create a forward-thinking chart of accounts to optimize growth and flexibility, while minimizing maintenance.

01 Pass the "Mystery Accountant" Test

Do your segments answer the questions *Who, What, Where, Why,* and *How,* giving your accounting flexfield the ability to classify each transaction?

02 One Type of Information

Keeping information types unique to a single segment eliminates mistakes and solidifies consistency.

03 Information Not Repeated

Your accounting flexfield should not repeat information that exists in other modules of EBS.

04 Enough Room to Expand

In the design phase, overestimate your segment lengths to accommodate future values. What may seem like a lot today might be wholly inadequate in a few years.

05 No Reliance on Spreadsheets

Eliminating spreadsheets promotes a streamlined workflow, reduces resource requirements and maintenance, and removes the need to integrate your EBS environment with third-party applications.

06 Use Logical Ranges

Ranging values logically promotes streamlined reporting, security and maintenance.

07 Avoid Alpha Characters

Using alpha characters will create problems in sequencing and sorting data in reports, assigning codes, using ranges, and when creating rules. Some companies reserve them for Parent Accounts. Avoid if you can.

08 Make Use of an Analysis Segment

Use of an analysis or local segment can enable a global COA, despite different local regulatory requirements. Define a separate set of value ranges by country that triggers create accounting rules to make corresponding entries in your local statutory secondary ledgers.

09 Move to a Global Chart of Accounts

A single, global chart of accounts reduces the time spent compiling, reconciling, and consolidating data from disparate systems and spreadsheets and reduces the close time between the different modules and the general ledger.