

Inter and Intra Company Accounting in R12 – A Deep Dive

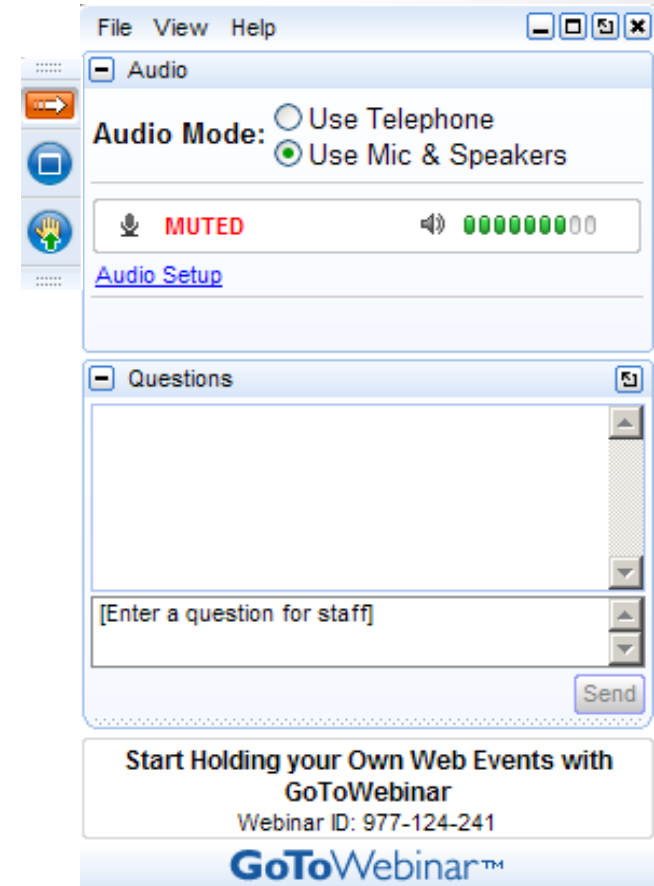
A man in a light blue dress shirt and a dark blue patterned tie stands in a server room. He has his arms crossed and is looking towards the camera with a slight smile. The server racks are visible in the background, creating a perspective effect.

Presented by: Thomas Simkiss

Nov. 12, 2013

Webinar Mechanics





- Open and close your panel.
- View, select, and test your audio.
- Submit text questions.
- Raise your hand.
- 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.






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

Company Overview: Established 2006 • 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

Overview

- Introductions
- Oracle System Entities
- Legal Entities
- Inter and Intra Company Accounting
- Business Scenarios
- The Solutions
- Q & A

About Thomas Simkiss



- 17 years Oracle Experience as an end user and implementation consultant
- Over 55 Full Cycle Implementations
- Chief Operating Office at BizTech
- Prior Presentations:
 - Account Generators in the Order to Cash Cycle – *Collaborate 07*
 - Introduction to the Subledger Accounting Engine on Oracle R12 – *Collaborate 08*
 - Using Bi Publisher to Format Electronic Outbound Payments – *Collaborate 09*
 - Multiperiod Accounting: A Users Guide – *Collaborate 10*
 - Creative Accounting: Use of a Project Segment in Your COA – *Collaborate 11*



About BizTech

- Leading Mid-Atlantic Oracle Platinum Partner and IT Services firm focused on Oracle Applications and Technology solutions
 - Over 400 successful Oracle implementations over the past 15 years
- Based in King of Prussia, PA with offices in New Jersey, New York City and Washington DC
- Service Fortune 500 companies, organizations and government agencies
- 100 + Oracle certified and experienced consultants

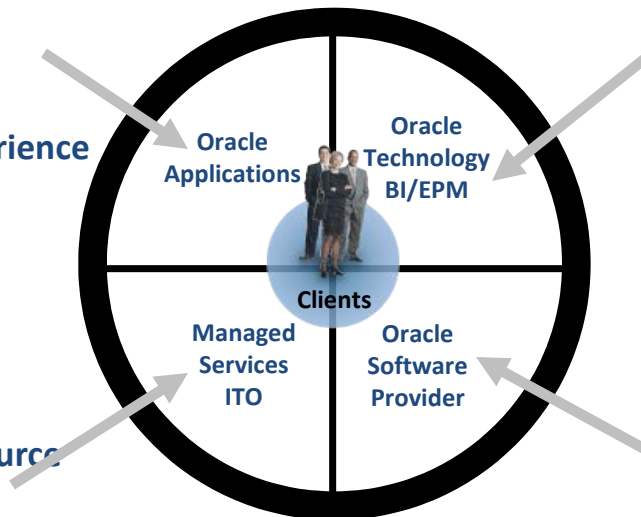
Client-Centric Practice Areas

Oracle Applications

- Full Portfolio of Oracle Applications Solutions
- Implementation, Upgrade, Migration
- Since 1990 MPL6 to R12 Experience
- Over 400 successful implementations to date

Managed Services and IT Outsourcing

- Remote or Onsite services
- Full portfolio of Oracle Applications and Technologies
- World-Class Data Center with 24x7 Support
- Instant capacity, operational focused business model



Oracle Technology and Business Intelligence

- End to end service offering in BI and EPM
- Fully staffed team of Data Architects and DBAs
- Solid experience in RAC, HA and HS designs
- Understand full Oracle technology stack

Oracle Software Provider

- Full Portfolio of Oracle License Resell
- Help Clients Optimize License models
- RapidApp BI Software for the agile enterprise
- RapidApp Auditor to manage change and GRC

- Government Reporting Legal Entity (GRLE)
- Legal Entity
- Ledgers
- Operating Units
- Inventory Organization
- Human Resources Organization

- A legal entity is a discrete legal personality characterized by the legal environment in which it operates. As stated previously, legal entities have the right to own property, the right to trade, and the responsibility to comply with appropriate laws. They also often have the responsibility to account for themselves (balance sheet, income statement, specified reports) to company regulators, taxation authorities, and owners according to rules specified in the relevant legislation.

- 3 C's have been replaced by the 4 C's
 - Chart of Accounts
 - Calendar
 - Currency
 - Convention (Accounting convention)
 - Accrual Basis
 - Cash Basis
 - Encumbrance Accounting
 - IFRS

Poll Question

In the financial applications of Oracle's E-Business Suite, an Operating Unit (OU) is a system organization that:

1. Stores subledger data separately from the data associated with other OUs that support a particular ledger ("Partitions").
2. Administers subledger rules such as those associated with transaction types, sequencing schemes, and other sales tax or VAT regulations ("Complies").

3. Administers user access to the data for processing and reporting ("Secures").
4. Applies to subledger business transaction and document data and associated data such as customer details. Subledger accounting data is not tagged with OU identification unless you elect to do so. General ledger data is not managed through OUs.
5. Is not product specific and automatically links all subledger products that post to a specific ledger.

Inter and Intra Company Accounting

- Balancing Segment is a required segment of the COA
- Legal Entities (if defined) **MUST** be assigned a Balancing Segment Value
- Transactions between Balancing Segments can be either Inter or Intra Company

- Transactions between two or more legal entities is defined as **INTERCOMPANY**
 - ❑ Intercompany accounts may be defined at the legal entity level

- Transactions between two or more balancing segments **WITHIN A SINGLE** legal entity is defined as **INTRACOMPANY**
 - ❑ Intracompany accounts may be defined for each balancing segment value

- Vertically integrated real estate owner, operator, developer and advisor
- Realty Co manages approximately 1200 properties in the United States, Canada, and Mexico
- Each a separate a distinct legal entity with its own required reports, both internal and external, tax filing requirements, and local and regional reporting and analysis

- The requirement was to allow each and every of 1200 entities to transact with one another as required, however, Realty Co wanted to use “Clearing” Companies to run most of the transactions between, thus not having to track potentially thousands of intercompany balances and transactions.

- Configure ONLY those legal entities required for subledger transactions

Accounting Setups >
Accounting Options: THR Primary Ledger

✓ TIP Each required setup step must be completed before you can complete your accounting setup. Return to Accounting Setups

Show Key Notation
* Indicates required setup step

Legal Entities

Legal Entity	Country	Legal Entity Identifier	Balancing Segment Value	Update Balancing Segment Values	View Details
THR Chicago LLC	US		None Specified		
THR Chicago Land LLC	US		3500		
THR Development Mgmt LP	US		None Specified		
THR Development Mgmt, Inc.	US		None Specified		
THR Dolphin Corp.	US		None Specified		
THR E Walk LLC	US		None Specified		
THR Illinois Corp.	US		None Specified		
THR Los Angeles LLC	US		None Specified		
THR Management Holdings Corp.	US		None Specified		
THR Management LP	US		2000,2010,2020,2030,2040...		

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Poll Question

Intracompany Accounting Setup

- Once a Legal Entity has a Balancing Segment Value (or multiple Balancing Segment Values) assigned to it, at least one Intracompany Balancing Rule must be defined.

Accounting Setups | Legal Entities

Accounting Setups > Accounting Options: THR Primary Ledger > Intracompany Balancing Rules >

Legal Entity


Cancel Apply

Primary Ledger **THR Primary Ledger**
Chart of Accounts **THR_ACCOUNTING_FLEXFIELD**
Currency **USD**

Subledger Accounting Method **THR_ACCRUAL**
Calendar **THR_CALENDAR**

Balancing Rules

Create Rule

Rule	Legal Entity	Source	Category	Status	Update
Other-Other	THR Management LP	Other	Other	Enabled	

Intracompany Accounting Setup

- **NOTE:** if you use cash management and the automated sweep feature. Oracle uses the Intracompany account as a CLEARING account to sweep across legal entities. So even if you are not using Intracompany accounting, this setup may be required.

Source and Category Balancing Details

Accounting Setups > Legal Entities

Accounting Setups > Accounting Options: THR Primary Ledger > Intracompany Balancing Rules > Legal Entity >

Legal Entity: THR Management LP

* Indicates required field

Source and Category

TIP Define rules for the Source 'Other' and the Category 'Other' for each combination of Ledger-Legal Entity to act as the default rule for that Ledger-Legal Entity. This rule will be used if a journal with no rule is encountered during Balancing.

* Ledger	THR Primary Ledger	Legal Entity	THR Management LP
Chart of Accounts	THR_ACCOUNTING_FLEXFIELD	Source	Other
Currency	USD	Category	Other
Status	Enabled <input type="button" value="v"/>		

Additional Information Context:

Rules of Precedence

Balancing rules are evaluated by the system in the following order:

1. BSV-BSV
2. BSV-All Other
3. All Other-BSV
4. All Other-All Other

Balancing Details **Options**

TIP The All Other-All Other is the default rule.

Additional Information Context:

*Debit Balancing Segment Value	*Credit Balancing Segment Value	Debit Account	Credit Account	Delete
All Other <input type="button" value="v"/>	All Other <input type="button" value="v"/>	2010-000-121900-2000-000-0- <input type="button" value="v"/> <small>Company-Cost Center-Account-IC-Activity-Billable Flag-Future1-Future2</small>	2010-000-201900-2000-000-0- <input type="button" value="v"/> <small>Company-Cost Center-Account-IC-Activity-Billable Flag-Future1-Future2</small>	<input type="button" value="v"/>

Source and Category Options

Accounting Setups | Legal Entities

Accounting Setups > Accounting Options: THR Primary Ledger > Intracompany Balancing Rules > Legal Entity >

Legal Entity: THR Management LP

* Indicates required field

Source and Category

TIP Define rules for the Source 'Other' and the Category 'Other' for each combination of Ledger-Legal Entity to act as the default rule for that Ledger-Legal Entity. This rule will be used if a journal with no rule is encountered during Balancing.

* Ledger	THR Primary Ledger	Legal Entity	THR Management LP
Chart of Accounts	THR_ACCOUNTING_FLEXFIELD	Source	Other
Currency	USD	Category	Other
Status	<input type="button" value="Enabled"/>		

Additional Information Context

Rules of Precedence

Balancing rules are evaluated by the system in the following order:

1. BSV-BSV
2. BSV-All Other
3. All Other-BSV
4. All Other-All Other

Balancing Details | Options

TIP If you select the default option Manually Entered Clearing Balancing Segment Value, you must specify the Clearing Balancing Segment Value for each journal. Use this option for Sources and Categories that process journals from the General Ledger.

Level of Summarization Summary Net
 Detail

Clearing Balancing Segment Value Use for All Journals
 Use for Many-to-Many Journals Only

Default Options

The Default Option can be used only with Many-to-Many journals.

Default Clearing Balancing Segment Value



- Mary Road is a trading firm that operates around the clock and around the globe. They bring a deep understanding of markets, a scientific approach, and innovative technology to bear on the problem of trading profitably in the world's highly competitive financial markets. Mary Road has offices in the US, Europe, and Asia.



- Mary Road has 16 legal entities in five ledgers in three countries. Mary Road needed the ability to transact among and between all 16 legal entities at any time, without using a clearing company.



- Single Legal Entity to Balancing Segment Mapping

Accounting Setups > Legal Entities

Accounting Setups >
Accounting Option: Primary Ledger

✓ TIP Each required setup step must be completed before you can complete your accounting setup. [Return to Accounting Setups](#)

Show Key Notation
* Indicates required setup step

Legal Entities

Add Legal Entity

Previous 1-10 of 16 Next 5

Legal Entity	Country	Legal Entity Identifier	Balancing Segment Value	Update Balancing Segment Values	View Details
	US		110		
	US		120		
	US		195		
	US		125		
	US		135		
	US		140		
	US		105		
	US		210		
	US		115		
	US		200		

Add Legal Entity

Previous 1-10 of 16 Next 5

Poll Question

Intercompany Accounts (not segment)

- One Legal Entity setup for EACH Legal Relationship

* Indicates required field

Primary Ledger
Chart of Accounts
Currency
Transacting Legal Entity

US-Primary Ledger
ACCOUNTING_FLEXFIELD

Subledger Accounting Method
Calendar
US Accrual

Intercompany Accounts				
*Transacting Balancing Segment Value	*Trading Partner Legal Entity	Trading Partner Ledger	*Trading Partner Balancing Segment Value	Define
105			All Other	
105		Primary Ledger	110	
105		Primary Ledger	120	
105		Primary Ledger	195	
105		Primary Ledger	125	
105		Primary Ledger	135	
105		3-Primary Ledge	500	
105		3-Primary Ledge	505	
105		Primary Ledger	140	
105		Primary Ledger	300	

[Add Another Row](#)

Setup for Company 105 to transact with Company 110

Accounting Setups > Accounting Options: US-Primary Ledger > Intercompany Accounts > Define Relationships: >

Define Accounts: From Legal Entity

Cancel Apply

* Indicates required field

Ledger Chart of Accounts Currency USD I-Primary Ledger ACCOUNTING_FLEXFIELD Subledger Accounting Method Calendar CALENDAR JS Accrual

* Indicates required field

Intercompany Receivables Accounts

Additional Information Context: [Dropdown]

Account	Account Description	*Start Date	End Date	Use for Balancing	Delete
105-104110-000-00-0000-000-	105-104110-000-00-0000-000-00000 <small>COMPANY-NATURAL ACCOUNT-CLEARING FIRM-LOCATION-ALLOCATION BASE-FUTURE1-FUTURE2</small>	01-Jan-1951 <small>(example: 28-Feb-2012)</small>	<input type="text"/>	<input checked="" type="radio"/>	

Add Another Row

Intercompany Payables Accounts

Additional Information Context: [Dropdown]

Account	Account Description	*Start Date	End Date	Use for Balancing	Delete
105-204110-000-00-0000-000-	105-204110-000-00-0000-000-00000 <small>COMPANY-NATURAL ACCOUNT-CLEARING FIRM-LOCATION-ALLOCATION BASE-FUTURE1-FUTURE2</small>	01-Jan-1951 <small>(example: 28-Feb-2012)</small>	<input type="text"/>	<input checked="" type="radio"/>	

Add Another Row

Setup for additional Legal Entities

- If different values (accounts) are needed for each Legal Entity, each Legal Entity with which your transact should be defined.
- Oracle does NOT automatically create reciprocal setups
 - You will need to manually create the Intercompany setups for 105 to 110 and 110 to 105

- Legal Entities are meaningful in R12
- LOT's of Legal Entities? Only configure those that are REQUIRED
- Inter and Intra Company Accounting is more powerful and flexible in R12

Any Questions?



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