

The Power of Ledger Sets and Secondary Ledgers in Complying with New Regulations



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Webinar Mechanics

- Submit text questions.
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About eprentise

Getting the most out of your Oracle® E-Business Suite with Software that **Transforms** and **Optimizes** EBS



❑ TRANSFORM With Proven Out-of-the-Box Solutions That Align EBS With Your Business

- **Consolidation** merges and harmonizes one or more disparate, differently-configured, database instances into a single, fully-functional application
- **Divestiture** filters data when a company is carving out or selling off part of their business, to create a stand-alone fully functional environment for the divested entity with a limited data set
- **FlexField** changes the financial chart of accounts to support standardization and increase reporting reliability retaining all transactional history
- **Reorganization** changes or moves any configurations or set-ups and all related transactions. Reorganization is a broad category and includes software solutions for merging or separating organization units, ledgers, inventory organizations, or legal entities, calendar changes, currency changes, etc. Reorganization Software is used to comply with new regulatory or statutory changes, new organization structures, entry into new markets, and to support mergers, acquisitions, or divestitures.

❑ OPTIMIZE With Software That Gives You Visibility Into Your Operations

- **C Collection** analytics will identify potential problem areas with transactional data. The software increases the accuracy of the underlying data, provides data transparency, and allows EBS users to reduce costs, leverage opportunities across the enterprise, improve business processes and increase the confidence level of the users in their data, processes, and operations.
- **Automated Audit** is audit and assurance software for internal and external financial auditors and allows for drill-down from a balance sheet report into the transaction-level detail. The software covers hundreds of substantive procedures across all EBS modules for the entire enterprise domain and builds in consistent audit processes and workflows across the organization.

❑ Does not violate Oracle Support Agreement

Learning Objectives

- Objective 1:** Discuss significant changes in financial reporting requirements from regulatory agencies.
- Objective 2:** Demonstrate the basic mechanics of using Secondary Ledgers to address regulatory requirements.
- Objective 3:** Calculate the cost savings from using Secondary Ledgers to replace reporting spreadsheets.
- Objective 4:** Identify the EBS configuration requirements for effective use of Secondary Ledgers in R12.

Agenda

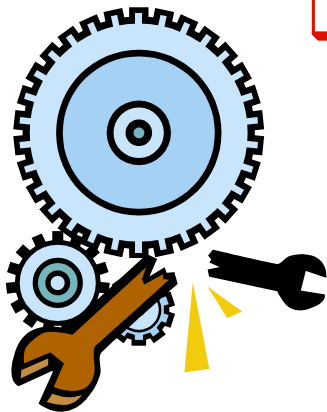
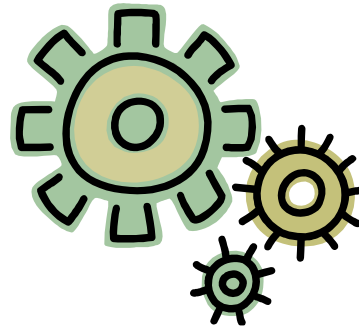
- ❑ The Challenges of Adjusting Entries for Reporting and Compliance
 - The Solution: Ledger Sets and Secondary Ledgers
- ❑ An Overview of Ledger Sets and Secondary Ledgers In R12
 - The Mechanics of Setting Up Secondary Ledgers
 - Ledger Sets
- ❑ Solving the Problems of Adjusting Journal Entries
- ❑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

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

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

The Solution: Ledger Sets and Secondary Ledgers

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

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.

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)

Journal Level Secondary Ledger

- ❑ Balance Level Secondary Ledger
- ❑ Journal Level Secondary Ledger
(affected through General Ledger Posting)
 - Account Balances
 - (Manual) Journal Entries

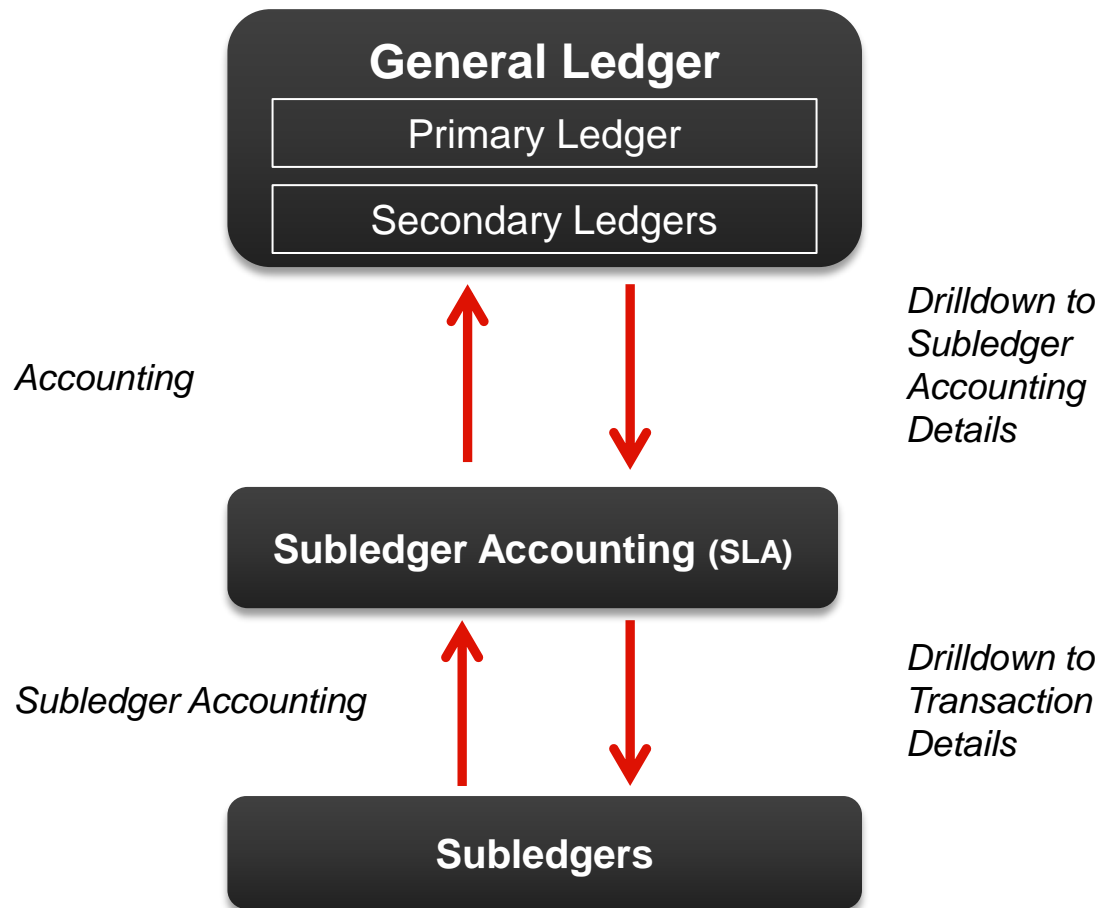
Secondary Ledgers – Subledger Level

- ❑ 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

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

Secondary Ledgers – Subledger Level



Secondary Ledgers – Adjustments Only Secondary Ledgers

- ❑ Balance Level Secondary Ledger
- ❑ Journal Level Secondary Ledger
- ❑ Subledger Level Secondary Ledger
- ❑ Adjustments Only Secondary Ledgers
 - Adjustment only secondary ledgers do not maintain a complete accounting picture but instead only reflect adjustments

Secondary Ledgers – Adjustments Only Secondary Ledgers

❑ Balance Level Secondary Ledger

❑ An alternative to the Journal Level Secondary Ledger for adjusting journal entries to the Primary Ledger

❑ Subledger Level Secondary Ledger

❑ Adjustments Only Secondary Ledgers

- Adjustment only secondary ledgers do not maintain a complete accounting picture but instead only reflect adjustments

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

The Mechanics of Setting Up a Secondary Ledger

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
		Date 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 [Create 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 [Tip]

* Default Rate Type [Tip]

* Retain Transaction Rate Type [Tip]

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 [Tip]

Enter a number between 1 and 999.

Journal Conversion Rules

* Post Journals Automatically from Source Ledger [Tip]

* Retain Journal Creator from Source Ledger [Tip]

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 checked="" type="text" value="Yes"/>	<input type="checkbox"/>
Move/Merge	Other	No	<input checked="" type="checkbox"/>
Move/Merge Reversal	Other	No	<input checked="" type="checkbox"/>
Revaluation	Other	No	<input checked="" type="checkbox"/>

[Add Another Row]

[Cancel] [Save for Later] [Complete]

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.

The Mechanics of Setting Up a Secondary Ledger Cont'd

EPRDEV Accounting Setup Manager

Accounting Setups | Legal Entities

Accounting Setups

The Accounting Setup Manager enables you to set up and implement your Oracle Financial Applications from one location. Each accounting setup you define includes the common setup components that control transaction processing Oracle Financial Applications.

Status Key: - Completed - In Progress - Not Started

Search

Search by

Create Accounting Setup Previous 10 71-80

Ledger	Type	Associated Primary Ledger	Status	Update Accounting Options
Vision Mexico Historical	Primary Ledger	Vision Mexico Historical	✓	
Vision Netherlands	Primary Ledger	Vision Netherlands	✓	
Vision Netherlands SL (USD)	Secondary Ledger	Vision Netherlands	✓	
Vision New Zealand	Primary Ledger	Vision New Zealand	✓	
Vision Norway	Primary Ledger	Vision Norway	✓	
Vision Norway Cash	Secondary Ledger	Vision Norway	✓	
Vision Operations (USA)	Primary Ledger	Vision Operations (USA)	✓	

- Navigation:
 - General Ledger Super User
 - Search for Ledger (Vision Operations (USA))
 - Update Accounting

The Mechanics of Setting Up a Secondary Ledger

Cont'd

Accounting Setups

Legal Entities

Accounting Setups >

Accounting Options: Vision Operations (USA)

TIP Each required setup step must be completed before you can complete your accounting setup.

[Show Key Notation](#)
 * Indicates required setup step

Legal Entities

Add Legal Entity

Legal Entity	Country	Legal Entity Identifier	Balancing Segment Value
Northlake Store	US	USSYS11000	75
Southshore Store	US	USSYS11001	76
Vision Canada	CA	CA12FJAKLRU43Q9Q847	77
Vision Canada - GRE2	CA	CA90220011	78
Vision Leasing	US	USVAT-64923649	79
Vision Operations	US	USSYS11005	01,02,03,70

Primary Ledger: Vision Operations (USA)

Setup Step	Description
* Vision Operations (USA)	Define and update the journal processing options for your ledger.
*Reporting Currencies	Create reporting currencies and update currency conversion and journal processing options.
Balancing Segment Value Assignments	Assign balancing segment values to the ledger.
Subledger Accounting Options	Define rules to generate your accounting entries from subledger transactions.
Operating Units	Define and maintain operating units for your primary ledger.
Intercompany Accounts	Define intercompany accounts to account for transactions across legal entities.
Intracompany Balancing Rules	Define intracompany balancing rules to balance entries between balancing segment values within the same legal entity or ledger.
Sequencing	Define and maintain accounting and reporting sequencing options for ledgers and reporting currencies.

Secondary Ledgers

Add Secondary Ledger

Details

Secondary Ledger

Data Conversion Level

The Mechanics of Setting Up a Secondary Ledger

Cont'd

EPRDEV Accounting Setup Manager

Accounting Setups | Legal Entities

Accounting Setups > Review Ledger: Vision Operations (USA) > Accounting Options: Vision Operations (USA) >

Add Secondary Ledgers

✓ **TIP** Secondary ledgers are optional, additional accounting representations of your primary ledger which differ in one or more of the following attributes: chart of accounts, ac

*Name	*Chart of Accounts	*Accounting Calendar	*Currency	Subledger Accounting Method	*Data Conversion Level
My AJE Ledger	Operations Account	Accounting	USD	Standard Accr	Adjustments Only
IAS Reporting Vision Ops	Operations Accounting Flex	Accounting	USD	Standard Accrual	Subledger

- Name: Your Choice
- Chart of Accounts (same as your primary ledger)
- Accounting Calendar (same as you primary ledger)
- USD
- Subledger Accounting Method (same as your primary ledger)
- Data Conversion Level- Adjustments Only

The Mechanics of Setting Up a Secondary Ledger *Cont'd*

Accounting Setups Legal Entities

Accounting Setups






The Accounting Setup Manager enables you to set up and implement your Oracle Financial Applications from one location. Each accounting setup you define includes the common setup components that control transaction processing across Oracle Financial Applications.

Status Key: ✓ - Completed ⚠ - In Progress ■ - Not Started

Search

Search by Ledger Go

Create Accounting Setup Previous 1-10 Next 10

Ledger	Type	Associated Primary Ledger	Status	Update Accounting Options
BAR RM Ledger	Primary Ledger	BAR RM Ledger	✓	
Deferred Rev	Secondary Ledger	Vision Operations (USA)	⚠	
FED Set of Books	Primary Ledger	FED Set of Books	✓	
GASB34	Secondary Ledger	Progress State and Local	✓	
IAS Reporting Vision Ops	Secondary Ledger	Vision Operations (USA)	✓	

- Navigation:
 - General Ledger Super User
 - Search for Ledger (Deferred Rev)
 - Update Accounting Options

The Mechanics of Setting Up a Secondary Ledger *Cont'd*

The screenshot displays the 'Accounting Setup Manager' interface for 'EPRDEV'. It features a navigation bar with 'Accounting Setups' and 'Legal Entities' tabs. Below the tabs is a progress bar with 'Ledger Definition' and 'Ledger Options' steps. The main content area is divided into several sections:

- Standard Information:**
 - Ledger: MY NEW ADJ
 - Short Name: MY NEW ADJ1093(USD)
 - Description:
 - Currency: USD
 - Chart of Accounts: Operations Accounting Flex
- Accounting Calendar:**
 - Accounting Calendar: Accounting
 - Period Type: Month
 - First Ever Opened Period: Dec-95
 - Number of Future Enterable Periods: 1
- Subledger Accounting Options:**
 - Subledger Accounting Method: Standard Accrual
 - Subledger Accounting Owner: Oracle
 - Journal Entry Language: American English
 - Entered Currency Balancing Account:
 - Use Cash Basis Accounting: Disabled
 - Balance Subledger Entries By Ledger Currency: Disabled
 - Ledger Currency Balancing Account:
- Additional Information:**
- Year End Processing:**
 - Retained Earnings Account: 01-000-3310-0000-000
 - Net Closing Balance Flag: Disabled

- Complete Accounting Setups
 - Default is fine except you must explicitly select your Retained Earnings account

The Mechanics of Setting Up a Secondary Ledger

Cont'd

Oracle Applications

File Edit View Folder Tools Window Help

Ledger Set

Ledger Set: Deferred Rev Ledger Set Short Name: DefRev

Description: Vision Operations and Deferred Rev Secondary Ledger

Chart of Accounts: Operations Accounting Flex

Calendar: Accounting Period Type: Month

Default Ledger: Vision Operations (USA)

Ledger/Ledger Set	Description	
Vision Operations (USA)	Vision Operations (USA) Ledger	
Deferred Rev	...	

- Navigation:
 - Set-up Financials-Ledger Set

The Mechanics of Setting Up a Secondary Ledger

Cont'd

Account Inquiry (Primary Ledger & Secondary Adj)

Ledger/Ledger Set

Name: Primary Ledger
Currency: INR

Accounting Periods

From: Feb-12
To: Feb-12

Currency

Type: Total
Entered:

Primary Balance Type

☒ Actual
☐ Budget
☐ Encumbrance

Secondary Balance Type

Factor:

Detail Balances (Primary Ledger) - 01.1000.3001.1000.1001

Balance Type: Actual
Currency Type: Total

Period	Currency	PTD	PTD Converted	YTD
Feb-12	INR	190.00		190.00

The Ledger Set is now available-

The above example is an account inquiry that shows the combined balance for both ledgers (primary and secondary)

<http://oracleapps88.blogspot.com/2014/10/oracle-secondary-ledger-setup-and-usage.html>

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

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 or
- 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 (Deferred Performance Obligation) 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.

Secondary Ledgers: Deferred Revenue Example

JE #1	
Sales	120,000
Deferred Revenue/ Performance Obligation	120,000

Adjustments-Only Secondary Ledger	
Deferred Revenue/ Performance Obligation	120,000
Sales	(120,000)

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

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

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

Questions?

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