

# Global Financials



## The European Challenge

# Cultural Landscape

## Europe Vs America

### Financial America

- 50 States, One Nation
- Business English
- Single Currency
- Financial Reporting Standards
- Unified Business Practices
- Federal Tax Baseline
- Variable State Taxes
- Variable Sales Tax

### Financial Europe

- 25 Member States
- 20 + Languages
- Euro & Transition Currencies
- No Unified Financial Reporting Standards
- No Unified Business Practices
- European VAT Rules
- Variable member State Taxes

# Fiscal Landscape

## Europe Vs America - Reporting Standards Challenges



### Federal America

- US General Accepted Accounting Standards (GAAP)
- Harmonized Annual Accounts Reporting Standards
- FAS Regulations
- Variable State based Taxation



### Federal Europe ?

- International Financial Reporting Standards – IFRS
- EU 8<sup>th</sup> Company Law Directive +
- Member State based Annual Accounts reporting Standards
- Proscribed Reporting Chart of Accounts in some Member States
- Proscribed Depreciation Methods in some Member States
- Variable member state based Taxation

# Global Accounting Standards

## R11i European Footprint

United States of America



European Union



Australia



### IFRS Vs FAS GAAP Differentials

- Leasing
- Finance Charges
- Pension Fund
- Amortisation
- Forex Gains/Losses

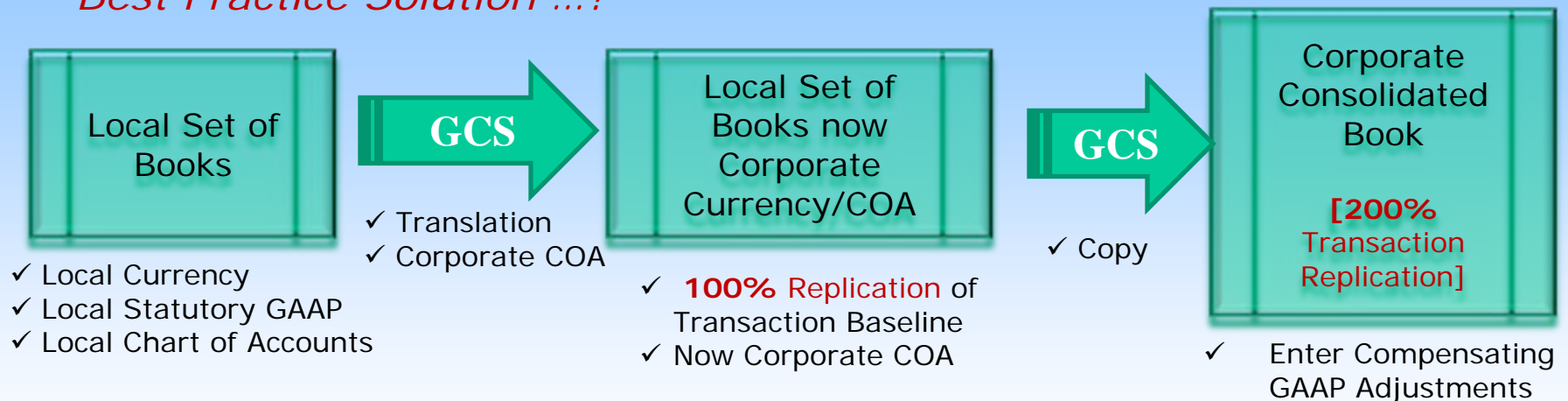
# Bridging the GAAP's

## European Controlling Factors

### General Ledger Design Considerations

- Proscribed reporting Chart of Accounts in France, Spain, Belgium, Hungary etc.
- Serialised Journal numbering
- Subledger prime audit trail
- Pending EC Directive based source system feeder transaction visibility and control (SOX equivalent)

### *Best Practice Solution ...?*



# Bridging the GAAP's

## European Controlling Factors

### General Ledger Design Considerations

- Leverage Statutory, Fiscal and Management reporting Dimensions within the same Prime Transaction set
- Avoid Replication with a 3 Way Chart of Accounts within the same set of books

| Function             | Entity | Cost Centre | Corp. Account | Local Stat Account | Intercompany | Project | Product | Analysis |
|----------------------|--------|-------------|---------------|--------------------|--------------|---------|---------|----------|
| Statutory            | ☑      |             |               | ☑                  |              |         |         |          |
| Corporate Fiscal     | ☑      | ☑           | ☑             |                    | ☑            |         |         |          |
| Corporate Management | ☑      | ☑           | ☑             | ☑                  | ☑            | ☑       | ☑       | ☑        |

#### STATUTORY & EXTERNAL REPORTING

Annual Financial Statement  
Balance Sheet & Notes  
Profit and Loss Account  
Source and Application of Funds  
VAT and Tax Reporting

#### CORPORATE FISCAL REPORTING

Cost Centre & Contribution Analyses,  
Intercompany trading, Inventory Control  
Group Accounts – Operating Statements  
Cashflow, Balance Sheet  
Internal Control Landscape

#### MANAGEMENT REPORTING

Who, Why What, When and Where ?  
Full Operational detailed analyses

# Statutory & Fiscal Reporting Challenges

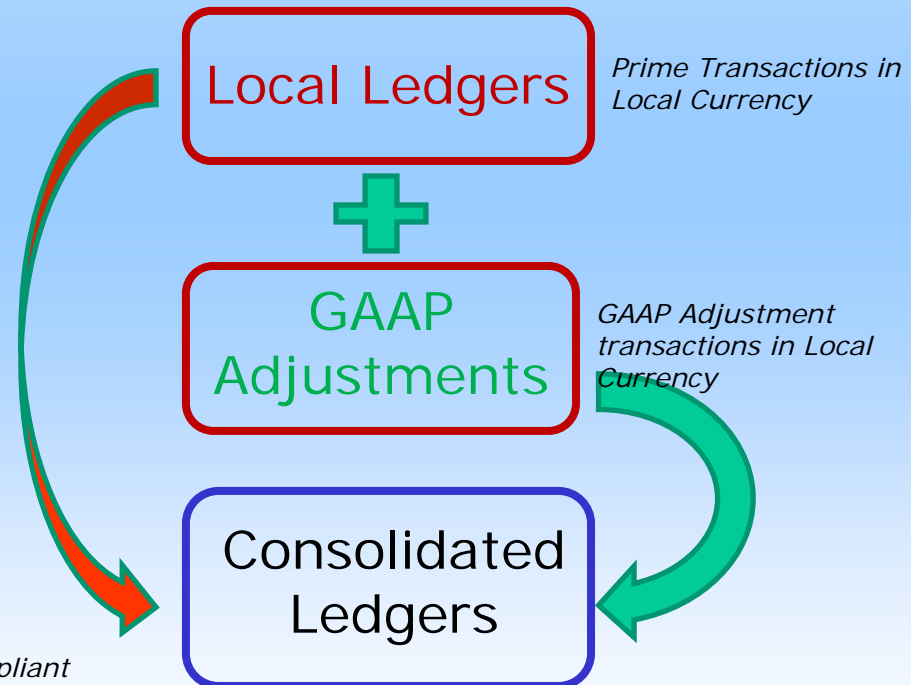
R11i European Footprint

*Can the GAAP's be bridged ?*

*Scenario: US Parent consolidation with Foreign Subsidiaries*

## European and Australian IFRS

- All Subledgers hold source accounting Prime Entries
- All Subledgers should reflect local Statutory and Fiscal Regulations
- GAAP Reporting Adjustments should be conducted via Adjustment Ledgers



*Result: GAAP compliant Transactions to Consolidated Group Reporting Ledger*

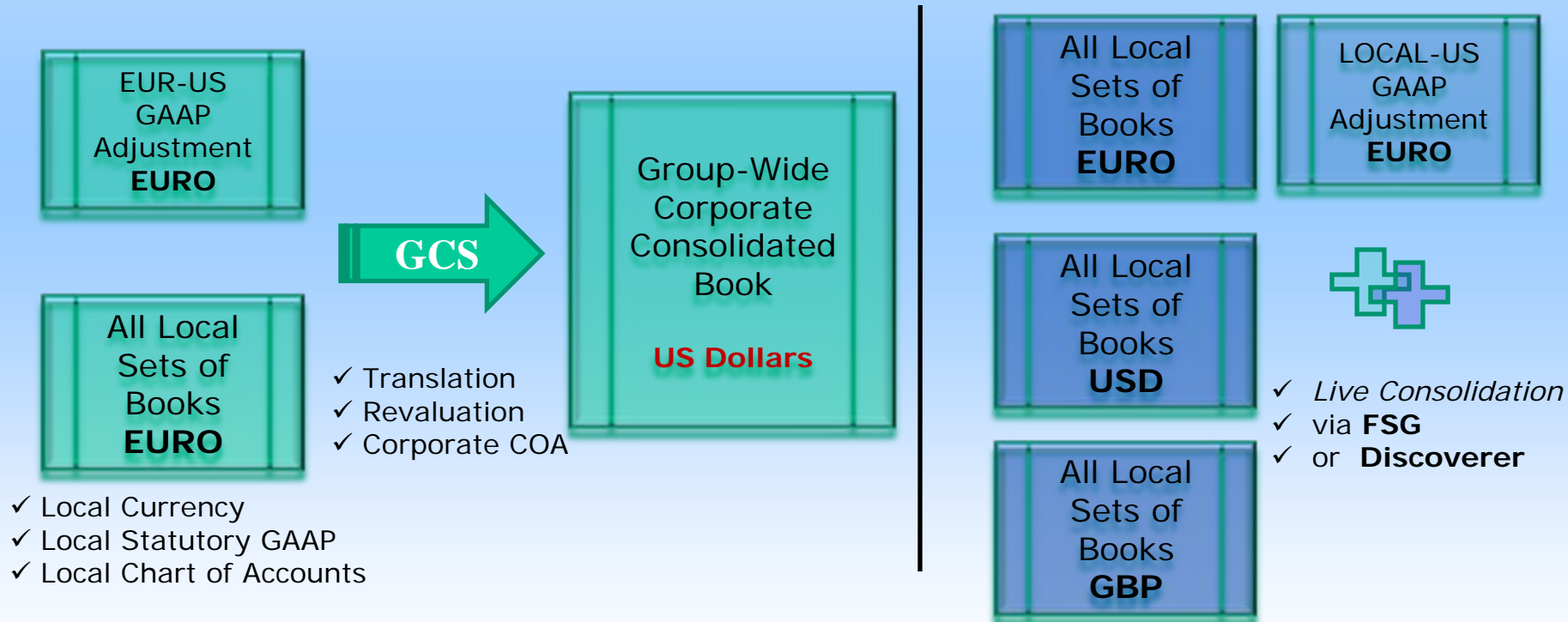
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# Bridging the GAAP's

## European Controlling Factors

### Ledger Reporting - Design Considerations

- Use of MRC Reporting ? – General Ledger / All Sub-Ledgers
- General Ledger 3 Way Reporting – Primary Replication only on Consolidation
- FSG / Discoverer Aggregation in Consolidation Currency





# Global Accounting Engine

## R11i European Footprint – Financial Ledgers

### Global Accounting Engine Support

- Support for France, Greece, Italy, Portugal and Spain
- Features: Draft Accounting, Subledger Archive, Legal Document Sequencing

### Globalisations & Localisations

- Language and primary legislative reporting support for the majority of European Countries
- New Accession countries are a Localisation consulting solution for Statutory reporting

| Country        | Globalization Reports | Consulting Solution |
|----------------|-----------------------|---------------------|
| Bulgaria       | Yes                   |                     |
| Czech Republic | Yes                   |                     |
| Denmark        | Yes                   |                     |
| Estonia        | No                    | Yes                 |
| Finland        | Yes                   |                     |
| Hungary        | Yes                   |                     |
| Latvia         | No                    |                     |
| Macedonia      | No                    | No                  |
| Poland         | Yes                   |                     |
| Romania        | No                    | Yes                 |
| Slovakia       | Yes                   |                     |
| Sweden         | Yes                   |                     |
| Switzerland    | Yes                   |                     |
| Ukraine.       | No                    | Yes                 |

# Global Accounting Engine

## R11i European Footprint – Financial Ledgers

### European Taxation – VAT

- ❑ What is VAT [Value Added Tax] ?
- ❑ Elements of VAT Calculations [Input, Output VAT; VAT Rules]
  
- ❑ VAT Convergence for new EU member States
  
- ❑ Supporting VAT Submissions [SIC Codes, Cross-Border Sales Reporting]
  - ❑ Purchasing
  - ❑ Order Management
  - ❑ Receivables
  
- ❑ Oracle Module support for Automated VAT Return calculation
  - ❑ Accounts Payable
  - ❑ Accounts Receivable
  - ❑ General Ledger

# Globalising the Business

## R11i European Footprint

### European Implementations – Lessons Learned

- ▶ **Centralised Solution Design and Deployment**  
Develop a Corporate Strategy for Global Deployment (Shared Services/Local)  
Centralised Server; Design for Service - Prior Preparation and Planning  
Defining and Refining the Solution  
Key Module Baseline Framework Build  
Inter-module Process Flow Documentation – Information Education
- ▶ **User Base and Cultural Challenges**  
Targeted Discovery Workshops for Scoping  
Business Process Re-Engineering  
Ownership and Education
- ▶ **Targeted & Translated Workbooks – Promoting Understanding**  
Step-by-Step Outline of all defined Business Processes (including SOX Flows)  
Screen-Shot with appended Process Instructions to ensure continued adherence

# Globalising the Business

## R11i European Footprint

### European Implementations – Lessons Learned

- ▶ **Product Stability – Technology Stack**  
Technology Maintenance Packs, MLS Issues/Delays with Patches  
Regression Testing / Standard Test Script packs for Maintenance Pack Validation
- ▶ **Product Stability – Functionality**  
Mature Vs Less Mature Products
- ▶ **Upgrade Strategy – How, Why and When**  
Behind the 8-Ball
- ▶ **Global treasury - Global Banking Solution**  
Impact on Project Complexity and Expense  
Cash Forecasting & Funds Flow Analyses

# Q&A

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