

## Questions to Consider When You Implement Oracle Assets

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During the implementation of Oracle Assets, several issues will arise and numerous decisions must be made. Each implementation is unique and each will have unique issues. In this presentation, we will discuss important decisions and common issues that arise during an assets implementation, how Oracle Assets handles each issue, and the consequences of your setup decisions.

Setup steps can be shared with other applications; they can be required or optional within Oracle Assets. In this presentation, we will not discuss each of the setup steps; rather, we will review the major decisions made during the implementation of Oracle Assets.

### **Shared Setup Steps**

To implement Oracle Assets, it is necessary to complete setups for related applications. For example, you must define a set of books in the general ledger before you can proceed with most of the Asset Setup Steps. The Inventory unit of measure classes and unit of measure setup steps are necessary only if you use units-of-production depreciation.

If you are using the Payables application, you will establish the numbering schemes for your suppliers and employees during the Payables setup process. You will also set up your suppliers during the Payables setup. If you wish to associate assets with invoices in Payables, it is necessary to set up your suppliers first.

If you wish to assign assets to employees, it is necessary to add employees either in the Human Resources application or in Assets. Also, if you wish to use Security by Book, you will need to set up your organizations and the organization hierarchy in either Human Resources or Assets.

### **Key Flexfields**

A flexfield is a field made up of segments. It appears as a pop-up window that contains a prompt for each segment. Each segment has a name and a set of valid values. There are two types of flexfields: key flexfields and descriptive flexfields. Every Oracle Application has at least one key flexfield; Oracle Assets has three:

- Category Flexfield
- Asset Key Flexfield
- Location Flexfield

### Asset Categories

Asset Categories are used to group assets that share common accounting rules and depreciation parameters. When you add an asset, Oracle uses the category information to

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assign default accounts and depreciation rules to the asset. You can override these values if you wish, or you can accept the defaults to quickly add the asset.

Accounts for asset cost, depreciation, accumulated depreciation, construction in progress and other transactions are maintained at the category level. For example, assume that your company has the following natural account values for property on your balance sheet:

- Land
- Buildings
- Computers
- Furniture and Fixtures
- Vehicles
- Leasehold Improvements

You should set up a major category segment that corresponds to each of these accounts. Valid values for the major category segment are:

- Land
- Building
- Computer
- Furniture
- Vehicle
- LHI

For some of the categories, you may want to break your assets down into further sub-categories. For example, in the computer category, you might have desktop computers, servers, your computer network and software. In vehicles, you may have delivery vans and cars used by your sales force. If this is the case, you should use a second segment for your category flexfield. The second segment allows you to further distinguish your assets, as well as apply different depreciation defaults and accounting rules if you wish.

When you set up your asset categories, you assign default depreciation rules for all of your depreciation books. This makes it easy to ensure that the appropriate depreciation rules are applied when you mass copy your assets to the tax books. It is important to work closely with your tax department when planning your asset categories.

### Asset Key Flexfield

The Asset Key Flexfield is used to group assets into non-financial categories such as project number or department number. The asset key is useful for querying assets in the Asset Workbench. It is an optional flexfield.

### Location Flexfield

The Location Flexfield is used primarily for property tax reporting. It is also very useful to use the location flexfield to query assets. You need a state segment at a minimum. Other common segments used for the Location Flexfield include city, county, country, building, floor, department and school district.

### Shorthand Aliases

One feature that you should consider when adding locations is the use of a shorthand alias. For example, rather than entering the flexfield CO.JEFFERSON.GOLDEN.HQ, you could establish a shorthand alias so that when you enter HQ, Oracle automatically populates the

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entire location flexfield. Shorthand aliases can be used for any key flexfield to simplify data entry. If you decide to use shorthand aliases, make sure you update the profile option Flexfields: Shorthand Entry to allow for the use of aliases.

### System Controls

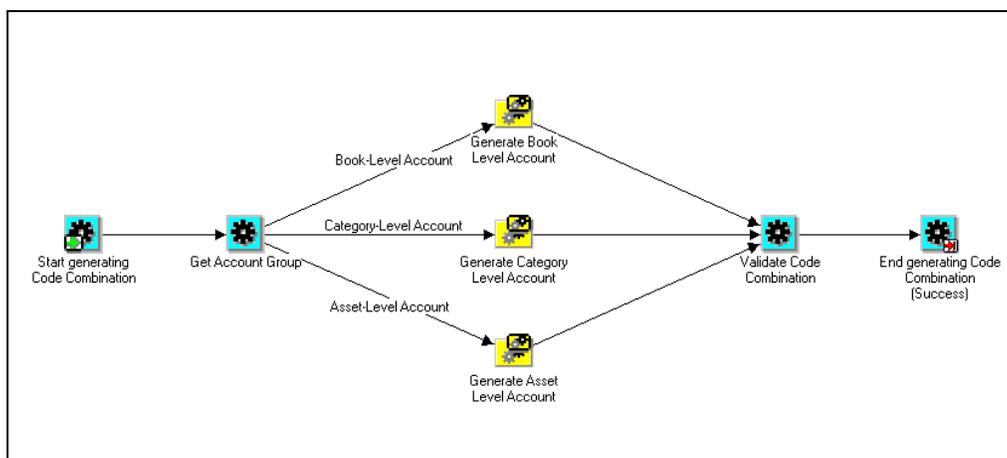
System Controls include your company name as it should appear on your asset reports, asset numbering scheme and the name of the flexfield structures for each of the key flexfields. You also specify the oldest date placed in service for your assets.

The starting number for your assets is very important. If you are converting from another system, consider a starting number greater than the number of assets you want to convert so converted assets keep the same number from the previous system. For example, if you are converting 10,000 assets, you may want to enter 11,000 as the starting number to reserve the numbers 1 to 10,000 for manual asset numbering.

If you want to use assets with letters in the asset number, you will need to enter the asset number manually. Automatic numbering does not support the use of letters. Also, Oracle has reserved the numbers between 1,000,000,000 and 2,000,000,000 for manual numbering. Oracle Assets does not support asset numbers that exceed 2,000,000,000.

### Account Generator

Account Generator uses Oracle Workflow to derive account code combinations for asset entries in the Oracle General Ledger. It is important for you to understand how Account Generator derives each segment value and account combination during the setup process. If the default Account Generator process meets your accounting needs, there is no need to make any modifications to the workflow. However, if you need to modify the process, you should work with your developer to properly create a custom workflow. The following diagram depicts the default Account Generator Workflow process:



*Account Generator Process*

Before you can customize your Account Generator Workflow, you must set up your accounting flexfield in General Ledger. For purposes of our discussion of Account Generator, assume the accounting flexfield structure:

Company.Department.Account.Sub-account.Product

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The first step in the Account Generator Process (after start) is to determine the account group into which your transaction falls. The group is used to determine the method used to derive each segment value for your account code combination. For book level accounts, account generator will follow the top path in the diagram, for category level, account generator will follow the middle path; and for asset level, account generator will follow the bottom path. Transactions are grouped as follows:

<b><i>Book Level</i></b>	<b><i>Category Level</i></b>	<b><i>Asset Level</i></b>
<ul style="list-style-type: none"> <li>• Cost of Removal Clearing</li> <li>• Cost of Removal Gain</li> <li>• Cost of Removal Loss</li> <li>• Deferred Depreciation Expense</li> <li>• Deferred Depreciation Reserve</li> <li>• Depreciation Adjustment</li> <li>• Intercompany Accounts Payable</li> <li>• Intercompany Accounts Receivable</li> <li>• Net Book Value Retired Gain</li> <li>• Net Book Value Retired Loss</li> <li>• Proceeds of Sale Clearing</li> <li>• Proceeds of Sale Gain</li> <li>• Proceeds of Sale Loss</li> <li>• Revaluation Reserve</li> <li>• Retired Gain</li> <li>• Revaluation Reserve</li> <li>• Retired Loss</li> </ul>	<ul style="list-style-type: none"> <li>• Asset Clearing</li> <li>• Asset Cost</li> <li>• Construction–In–Process Clearing</li> <li>• Construction–In–Process Cost</li> <li>• Depreciation Reserve</li> <li>• Revaluation Amortization</li> <li>• Revaluation Reserve</li> </ul>	<ul style="list-style-type: none"> <li>• Depreciation Expense</li> </ul>

For Book Level Transactions, segment values are derived as follows:

<b><i>Segment</i></b>	<b><i>Source</i></b>
Company	Asset Assignment
Department	Book Controls default account
Account	Book Controls
Sub-account	Book Controls default account
Product	Book Controls default account

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For Category Level Transactions, segment values are derived as follows:

<b><i>Segment</i></b>	<b><i>Source</i></b>
Company	Asset Assignment
Department	Book Controls default account
Account	Asset Category
Sub-account	Book Controls default account
Product	Book Controls default account

For Asset Level Transactions, segment values are derived as follows:

<b><i>Segment</i></b>	<b><i>Source</i></b>
Company	Asset Assignment
Department	Asset Assignment
Account	Asset Assignment
Sub-account	Asset Assignment
Product	Asset Assignment

### **Calendars**

Each depreciation book requires a depreciation calendar and a prorate calendar. The depreciation calendar determines the number of accounting periods in a fiscal year, and the prorate calendar determines the number of prorate periods in your fiscal year. Your corporate books can share the same calendar. A tax book can have a different depreciation calendar than its associated corporate book; however, this is not recommended. Your calendars must start with the period corresponding to the oldest date placed in service. You must set up at least one period before the current period. Oracle Assets automatically sets up the periods for the next fiscal year when you close the last period in your fiscal year.

### **Fiscal Years**

Set up all your fiscal years starting with the year of your oldest date placed in service. You can set up multiple fiscal year calendars, but related corporate and tax books must use the same fiscal year calendars. To set up your fiscal years, enter the start and end dates for each year starting with the year of the oldest date placed in service through one year past the current fiscal year.

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### Depreciation Calendars

If you use a depreciation calendar in a depreciation book from which you create journal entries for your general ledger, you must make the period names **identical** to the period names you have set up in your general ledger.

You can define any kind of calendar with any number of periods from daily to quarterly. For example, to define a 4-4-5 calendar, first, set up your fiscal years. Then, define your calendar with the appropriate start and end dates for each period. Oracle automatically assigns a period suffix to the period name or you can enter your own.

### Prorate Calendars

The prorate calendar is used to determine the depreciation period from which Assets will choose the depreciation rate. To set up the prorate calendar, enter the from and to dates to compare to an asset's date placed in service as well as the date the asset should begin to depreciate. For example, assume that you wish to use the Following Month convention on a calendar year basis. Your entries would look like this:

<b>From Date</b>	<b>To Date</b>	<b>Prorate Date</b>
01-Jan-2008	31-Jan-2008	01-Feb-2008
01-Feb-2008	29-Feb-2008	01-Mar-2008
01-Mar-2008	31-Mar-2008	01-Apr-2008
01-Apr-2008	30-Apr-2008	01-May-2008
01-May-2008	31-May-2008	01-Jun-2008
01-Jun-2008	30-Jun-2008	01-Jul-2008
01-Jul-2008	31-Jul-2008	01-Aug-2008
01-Aug-2008	31-Aug-2008	01-Sep-2008
01-Sep-2008	30-Sep-2008	01-Oct-2008
01-Oct-2008	31-Oct-2008	01-Nov-2008
01-Nov-2008	30-Nov-2008	01-Dec-2008
01-Dec-2008	31-Dec-2008	01-Jan-2009

If you decide to depreciate the asset when placed in service, assets will begin depreciating in the period placed in service using the rate from the following month. You can set up multiple prorate conventions for corporate and tax purposes. Typical conventions include same month, following month, mid-month, half year and mid-quarter.

### **Depreciation Books**

Assets are stored in Depreciation Books. You can have one corporate depreciation book, or you can set up multiple corporate books. Corporate books can be used to create journal entries to a single set of books on your general ledger, or multiple corporate books can be used to post journal entries to multiple sets of books on the general ledger. Each corporate book can be associated with multiple tax and budget books. When you define a depreciation book, be prepared to define the following:

- The name of your book. Typically, companies use a name like "CORP".
- A brief description of your book.
- The class for your book (Corporate, Tax or Budget).
- For tax books, the associated corporate book.
- The GL Set of Books you will post journals to.
- The name of the Depreciation Calendar.

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- The name of the Fiscal Year Calendar.
- The name of the Prorate Calendar.
- The name of the current open period. Refer to the "Converting Assets" section of this document for additional information related to the current open period.
- Whether to divide depreciation evenly across all periods or allocate based on number of days.
- Whether assets retired in the first year should be depreciated.

You also define accounting rules associated with your book such as:

- Do you want to allow amortized changes for this book?
- Do you want to allow mass changes for this book?
- What is the capital gain threshold for this book?
- If you allow revaluation, select the appropriate treatment for the depreciation reserve and YTD depreciation.
- For Tax Books, select the appropriate tax treatment for certain transactions.
- For Tax Books, select the types of transactions to be mass copied from the corporate book.

Natural Accounts to be used for book-level asset transactions are defined in book controls. These are the accounts used by account generator to populate the natural account segment of your accounting flexfield for retirements, Intercompany, deferred depreciation and any depreciation adjustments. The account generator defaults are used for various segments of your accounting flexfield as discussed in the Account Generator Section of this document.

Finally, you define the journal categories for your journal entries. There are default journal categories that are seeded with the Oracle Assets application. There is generally no reason to change the journal categories.

### **Depreciation Methods**

Oracle is delivered with many seeded depreciation methods and lives including common corporate depreciation methods such as straight-line and most tax methods such as MACRS. If you use depreciation methods or lives that are not seeded with the application, you can add new ones. Depreciation Methods can be calculated, table-based or formula-based.

#### Table-based Methods

When you select a table-based method, Oracle enables you to enter your rates for each period for the life of the asset. Simply enter the rates for each period of each year for the asset life you define. The rates must total 100% over the life of the asset. For the method displayed below (150% declining-balance with a three-year life), the rates vary based on the period the asset is placed in service.

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Year	Period	Annual Rate
1	1	.5
2	1	.25
3	1	.25
4	1	0
1	2	.45833
2	2	.27084
3	2	.25
4	2	.02083
1	3	.41667
2	3	.29166
3	3	.25
4	3	.04167

Remember that the prorate calendar points to the appropriate period in the depreciation rate tables based on the asset's date placed in service. For an asset placed in service in the first period using a current-month prorate convention, depreciation will be calculated using the Period 1 rates. For the same asset placed in service in the first period, depreciation is calculated using Period 2 rates if the Following Month prorate convention applies.

### Formula-based Methods

When all else fails, you can use formulas to define custom depreciation methods. This is particularly useful for short year depreciation. Building formulas does require some knowledge of SQL.

### **Security by Book**

To establish security for your depreciation books, it is necessary to set up an organization hierarchy. This setup step is shared with Oracle HRMS. If you do not currently use Oracle HRMS, define organizations using the HRMS setups provided with Oracle Assets. You must define the top and at least one subordinate organization. When you define the organizations, identify those that should be associated with a depreciation book. Then, assign the books that should be visible to that organization. Beginning with release 11.5.10, you can restrict access to tax books or corporate books. In prior releases, you are not able to restrict access to corporate books if the associated tax books must be visible to the user.

Next, you should define security profiles. The security profile identifies the top organization that can be viewed by users with that profile. You should work with your System Administrator to set up Assets responsibilities and assign the security profiles to those responsibilities.

### **Converting Assets**

#### Timing of your conversion

The timing of your conversion is critical to the success of your implementation. You need to answer the following questions:

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- Do I need to close my year-end on Oracle?
- How much information do I process each month?
- Can I run the systems in parallel?
- Can I convert at year-end?
- Will I convert accumulated depreciation?

Typically, it is best to convert at fiscal year end. If you set up your initial depreciation run as the last period of the prior fiscal year, you will be able to reconcile your asset cost and accumulated depreciation to your published financials. Also, your year-to-date additions, retirements and depreciation reports will be correct for the current fiscal year. You should discuss this decision with your tax department to ensure that they can get the numbers they need for tax purposes.

Another consideration is whether you will be converting accumulated depreciation. If you decide to convert depreciation, Oracle will not change the life-to-date depreciation amount unless you adjust the asset. If you decide not to convert accumulated depreciation, Oracle will calculate "catch-up" depreciation in the period you convert your assets and the entire depreciation amount will be charged to expense and included in year-to-date depreciation on your asset reports.

If you convert in mid-year, and you want to convert year-to-date depreciation as well as accumulated depreciation, keep in mind that the converted year-to-date depreciation **will not** be included in your asset reports.

### ADI

You can use the Asset Wizard in ADI to convert your assets. Using Asset Wizard enables your users to review the data easily and make changes. They can reconcile the converted assets in Excel prior to conversion. Asset Wizard loads the assets into the Mass Additions table and takes advantage of the power of Mass Additions to populate the Assets tables.

### Mass Additions

Rather than using Asset Wizard, you can load your conversion assets directly into the FA\_MASS\_ADDITIONS table. This allows you to use the power of the Post Mass Additions process, but facilitates converting a large number of assets quickly from your legacy system.

### **Tax Books**

You can create as many tax books as you need. For example, you may require a federal tax depreciation book, an AMT book, and a state tax depreciation book and a property tax book. With Oracle Assets you maintain asset information in your corporate book and then copy asset transactions to your tax books.

The conversion (current) period in your tax books should typically be the last period of a fiscal year. If you've been using your Corporate Book for a while, you must use the Initial Mass Copy process to copy the active assets to your tax books. Oracle will copy all of the assets from your corporate book excluding any assets retired during the current fiscal year and assets with a cost of zero on the Corporate Book. During the mass copy process, Oracle automatically assigns the appropriate depreciation rules for your tax book based on each asset's category.

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After the first period, use Periodic Mass Copy to copy additions, retirements and adjustments to the tax books. Make sure you've allowed for mass copy of these transactions in the Book Controls setup for your tax books. If the cost of an asset is the same across the corporate and tax books, adjustments will be copied. If cost is not the same, adjustments are not copied and a warning will appear in your mass copy log file. However, you can use the FA: Copy All Cost Adjustments profile option to allow the Mass Copy program to copy all cost adjustments, even when the cost is different in the corporate book and the associated tax books. Partial retirements are prorated when copied to the tax books if the cost basis is different.

### Tax Book Upload Interface

In this day and age, it is not unusual at all to have basis differences between your corporate and tax books. When you copy assets from the corporate to the tax books, the assets automatically use the cost from the corporate book and the depreciation rules from the asset category. Unfortunately, this may not be what you need when you're setting up your tax books.

The Tax Book Upload Interface allows you to override tax information copied from the corporate book via SQL. Once assets have been copied into your tax books, the Tax Book Upload Interface enables you to change basic financial information, such as year-to-date depreciation, accumulated reserve, cost, and salvage value, for an unlimited number of assets in the tax books. The Tax Book Upload Interface can only be used in the period you added the assets to your tax book. What this means is that you can adjust new assets after the initial mass copy and then any additions copied during periodic mass copy in subsequent periods.

You should work with your developer to set up the Tax Book Upload Interface for your conversion.

### **Conclusion**

In this paper, we have examined many items to consider during your implementation of Oracle Assets. There is a lot to think about. But, if you take the time to set the application up correctly, you will find that Oracle Assets is a very powerful tool. It can be used to track assets, calculate depreciation, remind you when maintenance should be performed, keep track of insurance values and warranties, perform physical inventories, and much more.