

# Explore new features of R12 Ledger Architecture to achieve single global instance strategy

Nikhil Kumar

*Infosys Technologies Limited*

# Learning Objectives

- As a result of this presentation you will be able to:
  - Appreciate the need and benefits of R12 Ledger Architecture and how it helps to achieve Single Global Instance Strategy
  - Learn the various parameters and considerations for Global Single Instance
  - Understand the various R11i Legal Entities Modeling Scenarios and challenges
  - Learn the key concepts and terminology of R12 Ledger Architecture features

# Speaker's Qualifications

- Nikhil is a Principal Consultant in Enterprise Solutions Unit of Infosys Technologies Limited
- Nikhil has around 12 years of IT management & implementation experience including 8 years in Oracle Applications package implementation and migration projects in a global, distributed team model of a consulting service environment
- Nikhil is also a Certified Professional Consultant for Oracle E-Business Suites 11i Financials
- Infosys Technologies Limited (NASDAQ: INFY) is a global leader in Consulting and IT services
- Enterprise Solutions (ES) group at Infosys provides Consulting and End-to-End implementation solutions for almost all the ERP packages
- Oracle Applications practice in ES provides Oracle Consulting services to world's leading corporations across various industry verticals
- Infosys is a "Certified Advantage Partner (CAP- Worldwide)" of Oracle in i-Platform and E-Business Suite track

# Agenda

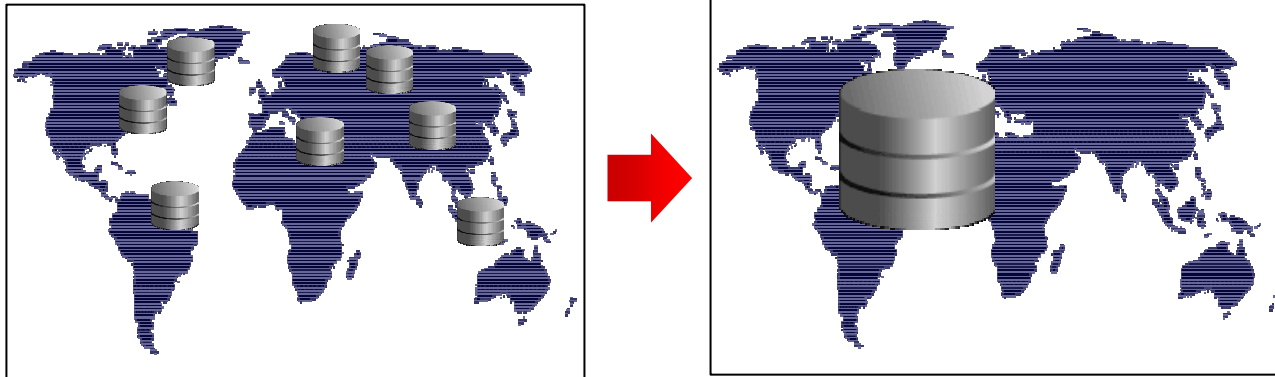
- Executive Summary
- What is Single Global Instance
- R11i Multi-Org Architecture
- R11i Legal Entities Modeling Scenarios
- Why R12 Ledger Architecture – Introduction
- Ledger Architecture - Concepts and Terminology
- Summary
- Conclusion

# Executive Summary

- Globalization, consolidation & standardization of organizations
- Single Global Instance
- Limitations in Oracle R11i for Legal Entities modeling
  - Security vs. Convenience
  - True shared services model support
  - Common financial processes and operations across sets of books
- New R12 Financial Architecture
  - Ledger Sets
  - Accounting Setup Manger
  - Data Access Sets and Definition Access Sets
  - Management Reporting
  - Multi-Org Access Control

# What is Single Global Instance?

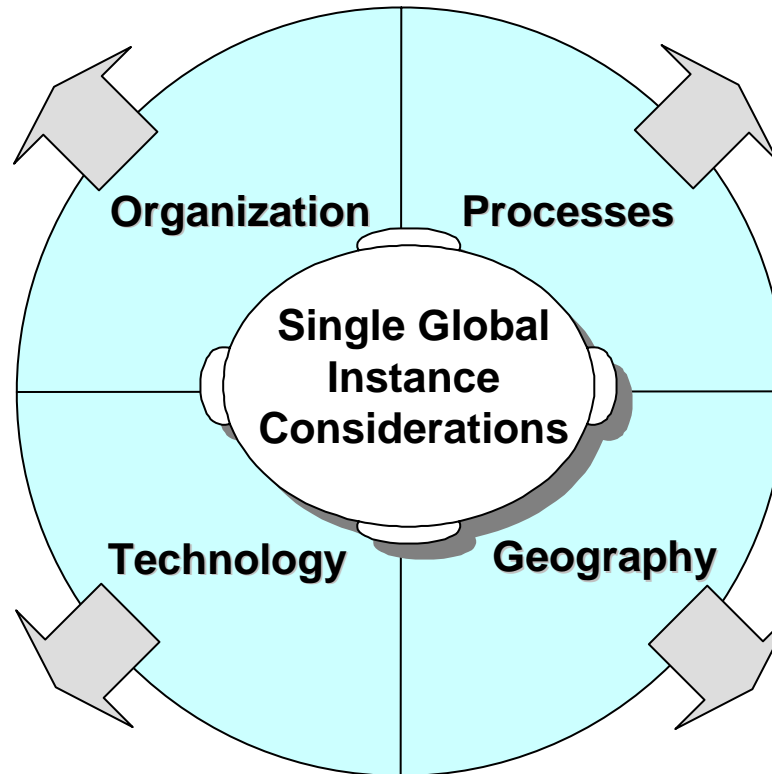
One integrated environment using single installation of the application and database, which support modeling of multiple organizations for a business enterprise operating across the countries



# Single Global Instance Considerations

- ✓ Organization Structure
- ✓ Organizational Initiatives
- ✓ Executive Sponsorship
- ✓ Mergers and Acquisitions
- ✓ Risk Assessment
- ✓ Change Management and Communication
- ✓ Change Controls
- ✓ Post Production Support
- ✓ Stakeholders Management

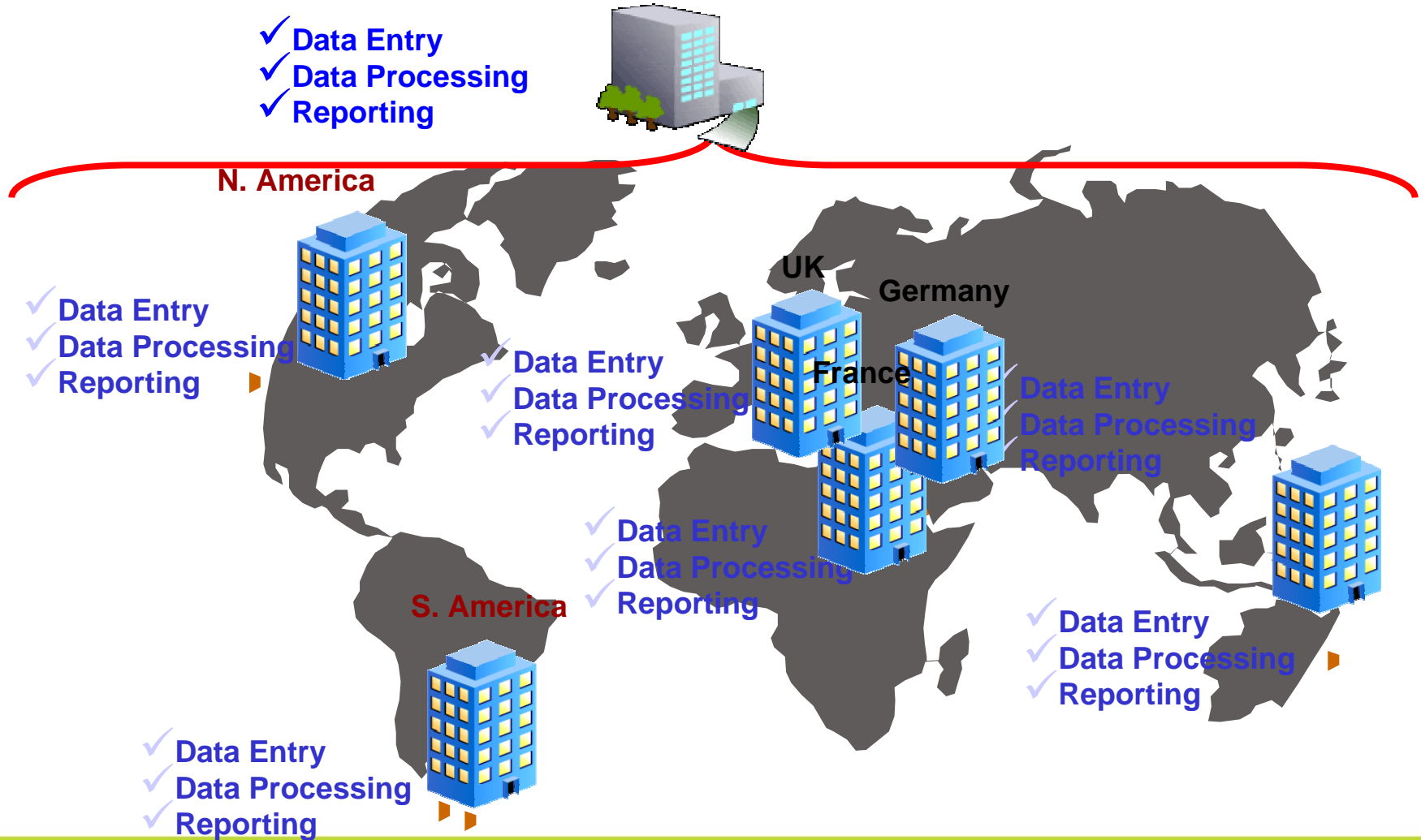
- ✓ Hardware Cost
- ✓ Implementation Cost
- ✓ Software Licenses Cost
- ✓ Scalability
- ✓ Server and Database sizing
- ✓ Performance Benchmarks
- ✓ Interfaces and Extensions with Offline Applications
- ✓ Upgrade Readiness
- ✓ Network Readiness
- ✓ Downtime Constraints



- ✓ Legal Entities Structure
- ✓ Corporate Policies
- ✓ Local Statutory Reporting
- ✓ Management Reporting
- ✓ Tax laws
- ✓ Standardization of processes
- ✓ Financial Data Consolidation
- ✓ Data and Setups Security
- ✓ Shared Service Environment
- ✓ Master Data Consolidation
- ✓ Operational Efficiency
- ✓ Intercompany Transaction
- ✓ Autonomy in operations

- ✓ Multiple Countries
- ✓ Multiple Languages
- ✓ Multiple Currencies
- ✓ Multiple Time zones
- ✓ Different Legislations
- ✓ Cultural Fit
- ✓ Local Requirements

# Shared Service Center





# Oracle Multi-Org Architecture

Multi-Org Architecture provides ability to model complex business enterprise for multiple divisions and define the relationship among them within a single instance to secure and segregate sub-ledger transactional data

- Considerations for Multi-Org Architecture:
  - Organic /inorganic growth
  - Globalization
  - Simplification
  - Standardization
  - Security
  - Flexibility
  - Reporting
  - Cost of maintenance & implementation

# Oracle Multi-Org Architecture Definitions

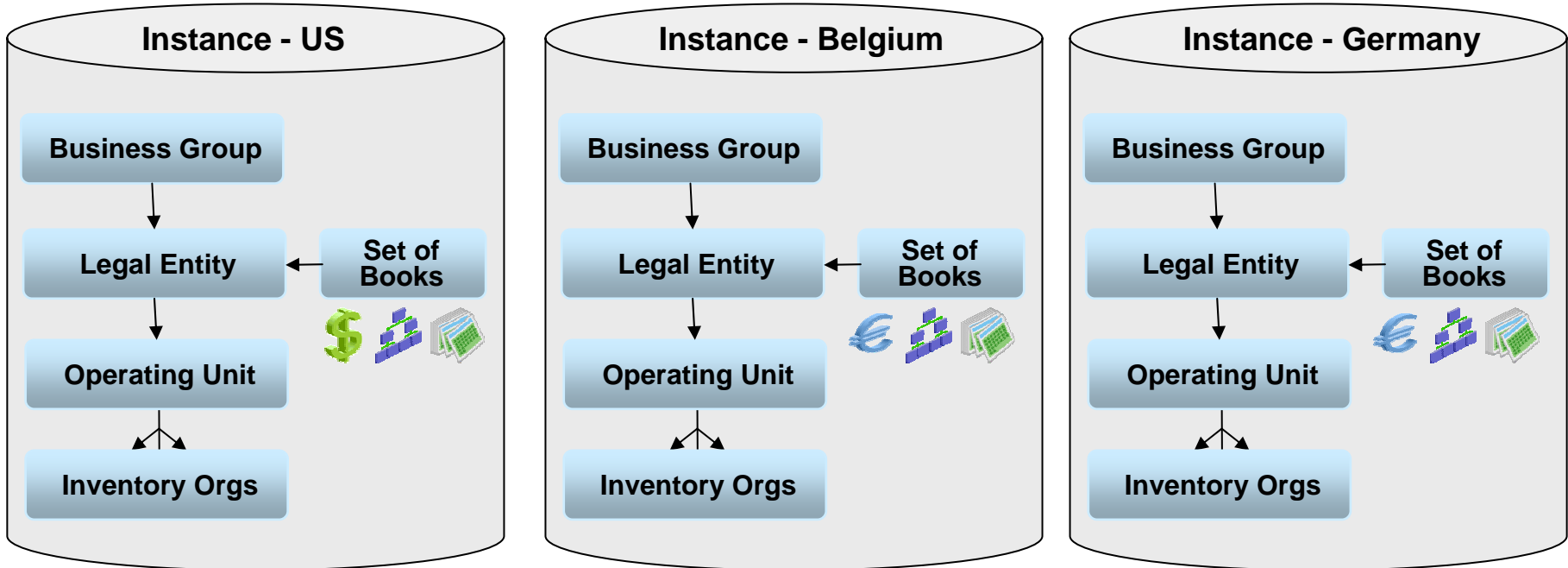
- **Business Group**
  - Highest level classification in the organization hierarchy at which human resources are owned
  - Correspond to entire enterprise or to a major grouping such as subsidiary or operating division
- **Set of Books**
  - This is the ledger of record for statutory purposes and also act as financial reporting entity
  - Header records for Supplier, Customer, Banks are shared across the SOB
  - Defined as 3 Cs – **C**hart of Accounts, **C**urrency, **C**alendar
- **Legal Entity**
  - Entity registered under a specific law for which organization prepares fiscal or tax reports
  - Financial Statements are generated at this level for balancing segments
  - Owns the transactions and administers transaction level rules in compliance with national laws

# Oracle Multi-Org Architecture Definitions

- **Balancing Segment**
  - Segment represent entity for which companies want to measure both income and wealth, that is, to prepare income statements and balance sheets, and to measure return on investment
- **Operating Unit / Sub-ledger**
  - System organization to partition sub-ledger data and definitions to the logical boundaries in a single database
  - This is the operating level for the business where transactions originate
  - Supplier sites, customer addresses, Unit Of Measure, Order Types, Transactions Types are at this level
- **Inventory Organizations**
  - An inventory Org represents a physical place, such as a site or logical location. However, an inventory Org can also separate inventory for legal reporting purposes
  - There are many different types of Inventory Orgs like Factory or Distribution Center, Item Master, Consigned Inventory, Vendor Managed Inventory and Contract Manufacturer
  - This is the level at which inventory is owned, tracked and transacted

# Modeling Legal Entities

- Option 1 – Multiple Instances, Multiple SOBs

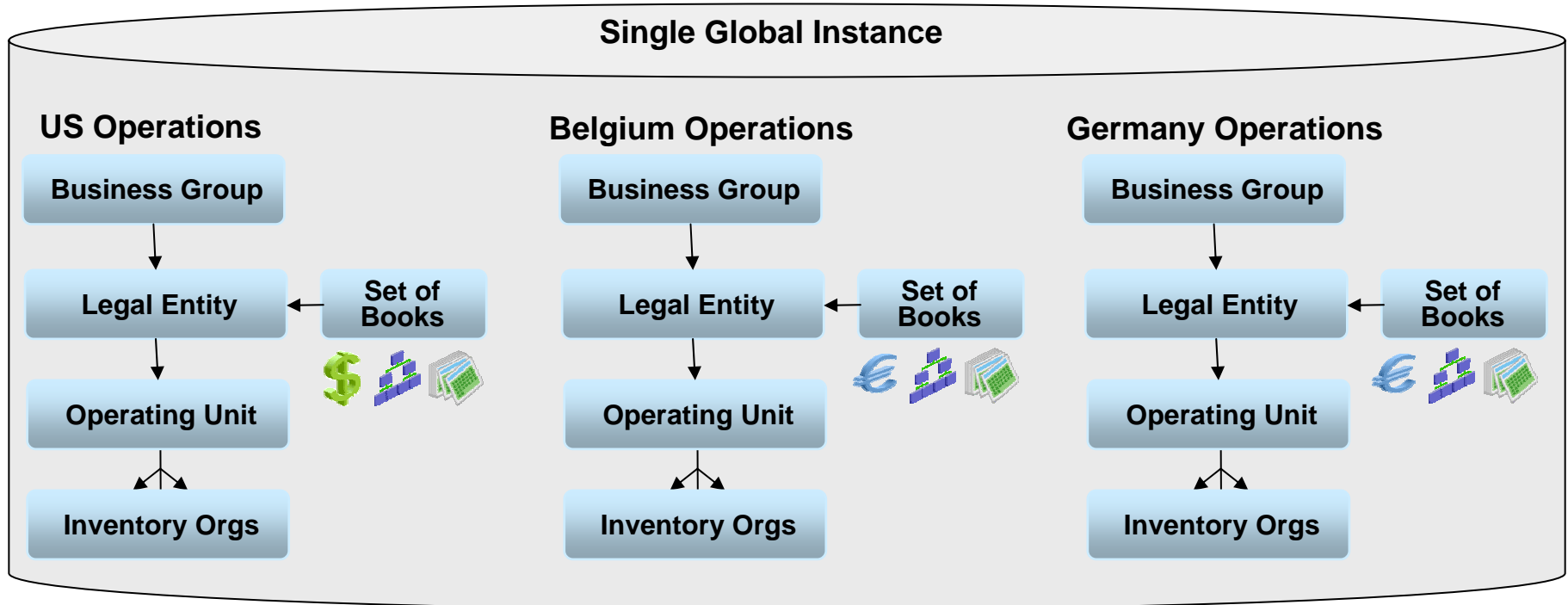


# Option 1 – Pros and Cons

- Pros:
  - Secure data, transactions and setup definitions by each legal entity
  - Organizations can operate and model their each set of books having different accounting calendars, functional currency or chart of accounts structure
  - Report independent legal entities in highly regulated countries
- Cons:
  - Challenges in operational efficiency
  - Does not support shared service environment
  - Difficult to achieve standardized business processes
  - Higher IT cost to implement and maintain due to multiple databases
  - Difficult to report consolidated data across countries, books
  - The inter-company transactions need to be recorded and reconciled manually

# Modeling Legal Entities

- Option 2 – Single Instances, Multiple SOBs, each with One BSV

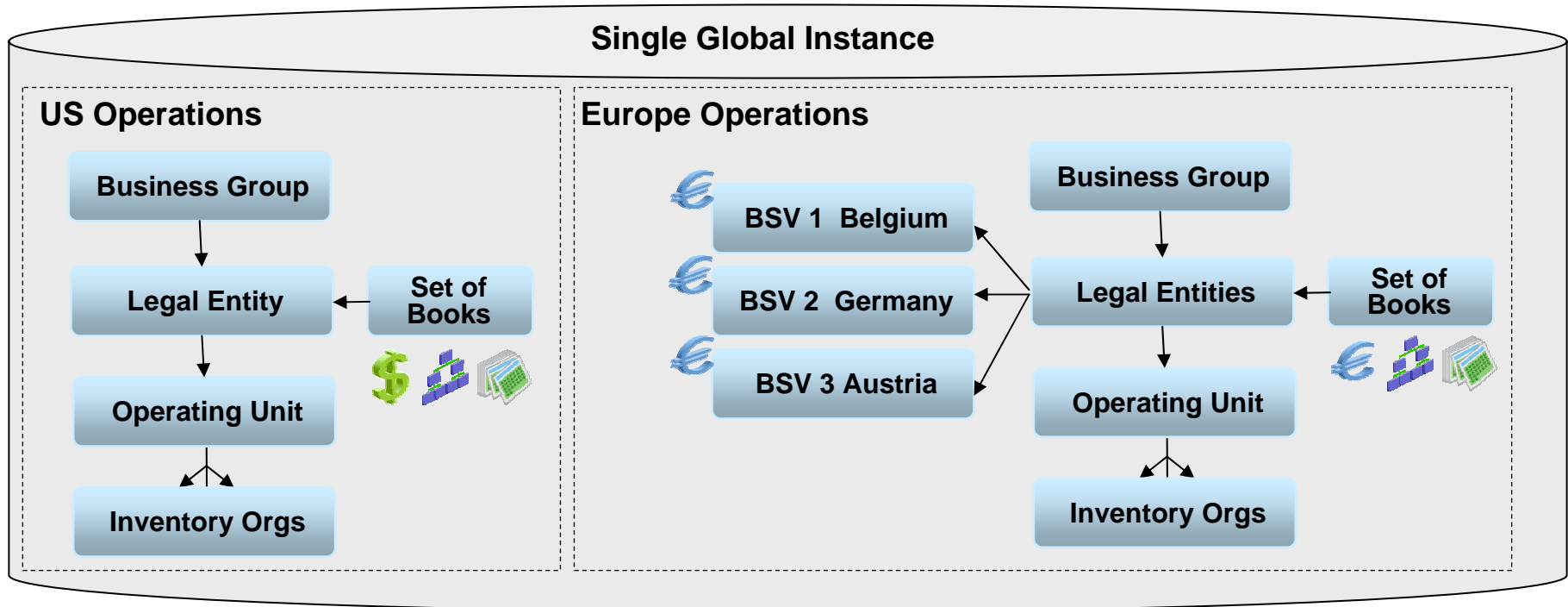


## Option 2 – Pros and Cons

- Pros:
  - Secure Data Access, Setups and Definitions
  - Single and Sharing Master Data
  - Order and Ship from different Legal Entities (Inter-company)
  - Receiving items with any Inv Orgs with Centralized Purchasing
  - Cross Organization Reporting
  - Lower Implementation and Maintenance Cost
  
- Cons:
  - Switching Responsibilities
  - Duplicate Configurations
  - Complex Configuration
  - Increased Maintenance due to Multiple Books
  - Time Consuming Opening and Closing Periods
  - No Operations across Legal Entities
  - Difficult to share data and setups
  - Difficult to report multiple books data

# Modeling Legal Entities

- Option 3 – Single Instances, One SOB, each with Multiple BSVs





## Option 3 – Pros and Cons

- Pros:
  - No Switching responsibilities
  - No Duplicate Configurations
  - Reduced Maintenance due to Fewer Books
  - Operations across Legal Entities
  - Easier to Report for Consolidated Data
  - Share data and setups
- Cons:
  - Difficult to Achieve Data Security
  - Difficult to Secure Definitions and Setups
  - Difficult to Secure Processes
  - No Sharing of Data across Currency Boundary
  - Difficult to Setup Defaults
  - Multiple Purchasing Approval Hierarchy limitation
  - Difficult Sub-ledger Reporting by Legal Entity
  - Additional Configurations and Extensions

# Modeling Legal Entities

- Option 4 – Single Instances, One SOB, One BSV, Multiple Location Segment Values
  - Only for Organizations which can share the same COA, Functional Currency and Accounting Calendar. Act as a single entity for external world and do not have multiple statutory reporting.
  - Specifically useful for companies growing with acquisition and mergers, or have multiple lines of business/divisions, and want to keep internal reporting and operations separate, however act as a single entity for suppliers and customers.
  - Pros over Option 2 and 3
    - Easier cross selling items selling and accounting
    - Minimize the accounting extensions
    - Flexibility and Easier GL reporting,
    - Single faces to suppliers and customers,
    - Easier reconciliation and tax filing activities,
    - Avoid many inter-company transactions across internal divisions




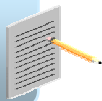
# R11i Pain Points in Legal Entities Modeling

- None of these approach supports True shared service environment in single instance, where organizations can achieve together the security, flexibility in operations and independence across legal entities.
- Organizations are looking for:
  - Data, Setups, Definition Security across required legal entities
  - Access and Flexibility in processes to perform operations across legal entities for shared services functions
  - Easy Reporting for consolidated information as well as data by legal entities
  - Autonomy across legal entities to perform some operations independently by specific legal entity
  - No additional configurations or extensions to be done

# R12 Ledger Architecture

- Accounting Setup Manager
  - Allows configuring common financial setup components
  - Parallel Accounting For Multiple Reporting Requirements through Secondary Ledgers and Reporting Currencies
- Multi-Org Access Control
  - Allows users to enter, process, view, and report on data for multiple operating units from a single responsibility
- Management Reporting
  - Allows users to specify a segment to be a management segment to allow management reporting, as well securing the access by segment
- Ledger Sets
  - Allows to access and process data for multiple ledgers from a single responsibility simultaneously
- Data Access Sets
  - control which ledgers and/or ledger sets can be accessed by different responsibilities
- Definition Access Sets
  - an optional security feature that enables organizations to control access to setups and definitions independent of data security

# Data Conversion Levels

	Secondary Ledgers	Reporting Currencies
<b>Balance Level</b> 	<b>GL Consolidation to transfer balances to secondary ledger</b>	<b>GL Translation to Balance level Reporting Currencies</b>
<b>Journal Level</b> 	<b>GL Posting Program for automatic Journals replication and balances in secondary ledger</b>	<b>GL Posting Program for automatic Journals replication in reporting currency (Thin MRC in 11i)</b>
<b>Sub-Ledger Level</b> 	<b>Sub-ledger Accounting and GL Posting program for creating parallel Journals in ledgers</b>	<b>Sub-ledger Accounting and GL Posting program for creating Journals (Full-MRC in 11i)</b>
<b>Adjustment Only</b> 	<b>GL Manual Adjustments and Sub-ledger adjustments only</b>	

# Ledger Architecture

## **Ledger Sets Allow users to:**

- Open/Close Periods
  - Open/Close Periods Independently or Simultaneously
- Create Journals
  - Allocations Across Ledgers
  - Recurring Journals for All Ledgers
- Translate Balances
  - Translate Balances for All Ledgers
- View Information
  - No Changing Responsibilities
  - View Journals and Account Balances
- Create Reports
  - Report on One or All Ledgers in a Ledger Set

# Ledger Architecture

## *Provides Security, Independence, and Convenience*

- Support for multiple reporting requirements for global companies
- Explicit Legal Entity Accounting and Modeling
- Legal Entity and Ledger Level Security and Autonomy
- Cross/Multiple-Ledger Operations and Reporting
  - Share data and perform operations across multiple legal entities/ledgers
  - When security and independence is preferred, secure data and allow certain processes to be performed independently
- Management Reporting Efficiency

# Summary

	Functionality	Option 1 Multiple Instances	Option 2 Multiple SOBs	Option 3 Multiple BSVs	Option 4 Multiple Locations	R12	R12 Features
<b>Security</b>	Secure Data across ledgers	Yes	Yes	Partial	Yes	Yes	Data Access Sets
	Secure Setups and Definitions	Yes	Yes			Yes	Definition Access Sets
	Secure processes and operations	Yes	Yes			Yes	Ledger Sets and Access Sets
	Management Security					Yes	Management Segment Qualifier
<b>Standardization</b>	Single Master Data across ledgers		Yes	Yes	Yes	Yes	Single Instance and Multi-Org
	Standardized business Processes		Yes	Yes	Yes	Yes	Single Instance and Multi-Org
	Shared service environment Support			Partial	Yes	Yes	Multi-Org Access Control
<b>Autonomy</b>	Independent operations across Ledgers	Yes	Yes			Yes	Ledger Sets
	Easier to Setup LOV Defaults	Yes	Yes			Yes	Multi-Org Access Control
	Flexibility for different entities modeling	Yes	Yes			Yes	Ledger Architecture
<b>Flexibility</b>	Fewer Ledgers to maintain			Yes	Yes	Yes	Ledger Sets
	Performing Operations across Ledgers			Yes	Yes	Yes	Ledger Sets
	Easier to share data, setups & definitions			Yes	Yes	Yes	Ledger Sets and Access Sets
	No changing responsibilities			Yes	Yes	Yes	Multi-Org Access Control
	Automated Intercompany Accounting		Partial	Partial	Partial	Yes	AGIS
<b>Reporting</b>	Easier GL reporting across ledger			Yes	Yes	Yes	Ledger Sets
	Easier Sub-ledger reporting across OUs			Partial	Yes	Yes	Multi-Org Access Control
	Easier consolidation and allocation			Partial	Partial	Yes	Ledger Architecture
<b>Cost</b>	Lower hardware and application cost		Yes	Yes	Yes	Yes	Single Global Instance
	Lower maintenance Cost			Yes	Yes	Yes	Ledger Architecture
	No Duplicate setups and Configurations			Yes	Yes	Yes	Ledger Architecture
	Minimized extensions for accounting	Yes	Yes		Yes	Yes	Ledger Architecture



# Conclusion

- Oracle R12 Financial Architecture is the superset of most of the functionalities needed for a newer Global business model. It significantly increases the success probability for single global instance implementation initiatives.

Oracle R12 Implementation

Single Global Instance

Multi-Org Access Control

Ledgers & Ledgers Sets

Data Access Sets & Definition Access Sets

Advanced Global Intercompany System

Accounting Setup Manager and LE Configurator

Sub-Ledger Accounting

# Q & A

**Email:** [Nikhil\\_Kumar@infosys.com](mailto:Nikhil_Kumar@infosys.com)

**Phone:** 847-308-2609

# Thank You

