

Finance Shared Services in Oracle E-Business Suite Release 12

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Release 12

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EXECUTIVE OVERVIEW

The demands on Finance have never been higher. The business expects more decision support, better information, and efficient transaction processing. Investors are calling for increased transparency while regulators continue to focus on compliance requirements.

To meet rising expectations, the Finance function must redefine itself as a strategic partner to the business without sacrificing the cost or quality of the routine services it provides. Many organizations have been able to accelerate the finance transformation process by borrowing the best practices of world-class performers. In the area of transaction processing efficiency, a common characteristic of leading finance organizations is the adoption of shared services.

Finance can achieve significant cost savings by consolidating routine processes into a shared services environment that is located in a low-cost country. Even more substantial savings can be gained when companies use this as an opportunity to consolidate finance systems, standardize processes, and identify global process owners to eliminate redundancies. By designing better controls into the processes, companies can improve governance and reduce audit costs. In addition, shared service organizations often provide better customer service and more timely and consistent information.

Whether you have adopted shared services or are considering it, this white paper will help you understand how Oracle E-Business Suite Financials Release 12 provides enhanced support for the shared services delivery model.

“We began moving to a centralized finance function based on shared services back in 1998. We standardized and centralized our finance processes and globally organized them by function to enforce accountability and compliance worldwide.

By moving to a single global instance of Oracle Financials and using our applications to automate, streamline, and standardize key finance processes, we were able to reduce finance headcount by 25 percent and decrease finance and accounting costs by 30 percent. To do more with less, we’ve also moved some decision support and analysis processes offshore so that our core finance team can focus on more value-added activities such as our M&A strategy.”

-- Jeff Henley, Chairman of the Board,
Oracle Corporation

INTRODUCTION

Many companies run Oracle E-Business Suite to manage their finance shared services environment. In 1998, Oracle Corporation began its own global transformation, consolidating 52 ERP instances and moving in-country finance operations into shared service centers. Today, Oracle Corporation operates one global shared service center and two regional centers that serve 80,000 employees in 62 countries, support 19 languages, all on a single global instance of Oracle E-Business Suite Financials.

The enhanced support for shared services in Oracle E-Business Suite Financials Release 12 can help you

- Ensure consistency through global standards
- Achieve corporate and local compliance
- Streamline shared services processing

Ensure Consistency with Centralized Accounting

With Oracle E-Business Suite Financials Release 12, you can run your finance operations centrally in order to enforce enterprise-wide standards and achieve global visibility. A common accounting engine lets you standardize your accounting policies, document them in the form of user-defined accounting rules, and distribute them across the entire enterprise—ensuring that everyone adheres to the same set of rules. The rules you define centrally determine the appropriate accounting for all transactions, allowing your shared services staff to process transactions quickly and not worry about the accounting. The centralized accounting engine provides you with the ability to enforce your standard accounting practices, but also gives you the option to handle exceptions to these and define additional sets of accounting rules where needed. Users without access to the rules cannot modify or override them, providing high levels of control and strict adherence to company accounting policies.

The common accounting engine in Oracle E-Business Suite Financials Release 12 is flexible enough to support the endless variations and preferences companies have for how accounts should be derived and the type of information that should be captured in journal entries. It does this by allowing the user to configure accounting rules based on virtually any attribute of a transaction.

EXAMPLE: Achieve Compliance with Multiple Accounting Standards

SCENARIO: U.S. based company has operations in the US and France and must produce financial statements for reporting authorities in both countries.

APPROACH:

- Define multiple accounting rules (US GAAP and French Fiscal rules) for a single legal entity and apply them in different ledgers.
- Create multiple journal entries from a single business transaction event (i.e., transaction being accounted for on the primary ledger per French Fiscal accounting rules, and on the secondary ledger per US GAAP).
- Segregate accounting rule maintenance so the corporate accounting office controls and maintains the US GAAP accounting rules, while the French accounting office controls and maintains the French fiscal accounting rules.

Achieve Corporate and Local Compliance

Globalization adds a whole new level of complexity to doing business. Companies must address the different country accounting, tax, and reporting requirements in which they operate. For example, most organizations with foreign subsidiaries find themselves preparing consolidated financial statements according to International Financial Reporting Standards (IFRS) or U.S. Generally Accepted Accounting Principles (GAAP), as well as statutory reports to meet local requirements.

Oracle E-Business Suite Financials Release 12 delivers configurable rules engines that keep you current with legal requirements and make sure those requirements are applied consistently across the enterprise.

Simplified Dual Accounting

The centralized accounting infrastructure in Oracle E-Business Suite Financials Release 12 enables compliance with multiple accounting requirements concurrently in a single instance or even across database instances. Different accounting regulations are satisfied by maintaining and applying different sets of accounting rules to different sets of transactions, or by accounting for the same transaction with multiple methods. The different accounting representations are maintained in separate ledgers, each complying with a different set of accounting principles.

Because the accounting engine in Oracle E-Business Suite Financials Release 12 automatically applies accounting rules to transactions, you don't need to staff your shared services center with experts on every accounting standard. Each set of accounting rules can be defined and maintained by people knowledgeable in the accounting principles and regulations of a particular region. For example, the corporate accounting department can define accounting rules according to corporate accounting policy and deploy these rules to all local subsidiaries that must abide by them for consolidation reporting. Local staff can focus on local accounting practices and regulations, and define and maintain them as a separate set of rules. When a transaction is recorded, all applicable sets of accounting rules are applied to generate multiple sets of journals entries that satisfy all applicable accounting standards.

Simplified Tax Compliance

You can reduce the cost and complexity of complying with multiple tax authorities using Oracle E-Business Tax, a comprehensive infrastructure for managing transaction tax rules and transactions. This centralized tax repository delivers consistent tax services to all E-Business Suite business flows through one application interface, simplifying tax configuration. It also integrates with external tax vendors for maintaining country-specific tax content.

The automation of tax processing through a central integrated engine improves the efficiency of your shared services organization and reduces errors. Your shared services staff can leverage the central setup and maintenance of tax rules by your tax or accounting personnel. An internal (or multi-entity) subscription model allows the tax rules to be shared across legal entities, along with the ability to apply business rules that enforce company-wide tax content. You can define business rules to comply with local regulations, supporting sophisticated tax compliance without the need for workarounds or customizations. An online tax simulator models the impact of your tax setup, allowing you to confirm the accuracy of your changes. Tax setup is further streamlined with the option to integrate with content providers (such as Vertex and Taxware in the United States) to load tax rates.

Tax content such as tax jurisdictions, tax rates, and tax rules are stored centrally. A tax determination engine uses these rules to calculate transaction taxes (sales, use, VAT, etc.) based on the place of supply, the parties involved and other applicability rules. All noteworthy tax information for each taxable transaction is recorded in a central tax record repository that can be used by management and tax authorities for managing, auditing and reporting purposes.

Streamline Processing and Reporting

Improved Productivity

You can increase the productivity of your shared service personnel with role-based access to various organizations in your corporate structure. Multi-Organization Access Control (MOAC) enables shared services personnel to enter transactions, process data, view information, and run reports on behalf of other divisions or business units within the enterprise.

Oracle E-Business Suite Release 12 allows this to be done more efficiently now with the ability of a single application responsibility to access, process and report on multiple operating units. For example, users no longer need to switch responsibilities in order to enter invoices, view consolidated requisitions, perform collection tasks, and receive or drop-ship goods for multiple operating units. Users can run reports either for all operating units within a Ledger to which a user has access, or for selected operating units that belong to the user's security profile. You control who can perform which tasks through security profiles that define each user's access to a specified group of operating units.

**“Banks, taxes, payments, and accounting
– everything that becomes centralized will
bring Emerson tremendous efficiencies.”**

**—Greg Harre
Controller, Emerson Tool Company**

Faster Payment Cycles

Payments and collections can be processed more efficiently in a shared services environment with the new centralized payment engine and newly structured Bank Account Model in Oracle E-Business Suite Financials Release 12. Oracle Payments is the new single central source for all payment formats in Oracle E-Business Suite Financials Release 12. It serves Payables, Receivables, and other products for funds disbursement and capture, offering a complete, consistent payment hub. The highly configurable centralized engine enables straight-through processing based on industry standard protocols, with a dashboard for process visibility and management.

The new Bank Account Model in Oracle E-Business Suite Financials Release 12 provides a single access point for defining and maintaining bank account information for Oracle Payables, Oracle Receivables, Oracle Advanced Collections, Oracle Payroll, Oracle Cash Management, and Oracle Treasury. A Legal Entity owns the bank account, and any or all operating units associated with that legal entity are permitted to use that bank account. This new architecture eliminates the need to maintain as well as reconcile multiple account records.

The payment engine and bank model together enable a shared service center to make a single payment run spanning operating units, currencies, payment methods and bank accounts, dramatically increasing the efficiency of your finance operations.

CONCLUSION

As businesses continue to demand more strategic support from the Finance function, it must find ways to free up resources for value-add activities by making transaction processing as efficient as possible. World-class finance organizations have proven that the shared services delivery model reduces routine transaction processing costs, increases efficiency, and improves governance.

Oracle E-Business Suite Financials Release 12 continues to support centralized service delivery models with a centralized accounting infrastructure, simpler compliance, and more productive processing.



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